BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Interim Consolidated Financial Statements
As of March 31, 2012 and 2011

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Contents

$	=	Chilean Pesos
MCh$	=	Millions of Chilean Pesos
US$	=	United States Dollar (US Dollar)
U.F.	=	Unidades de Fomento (UF)

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

CONTENT

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of March 31, 2012 and December 31, 2011
(Translation of financial statements originally issued in Spanish)
(In millions of Chilean pesos – MCh$)

ASSETS	**Notes**	**03.31.2012** MCh$	**12.31.2011** MCh$
Cash and due from banks	5	1,679,849	3,432,018
Transactions in the course of collection	5	723,605	84,587
Financial assets held-for-trading		1,404,750	1,479,136
Receivables from repurchase agreements and security loan		61,597	57,169
Financial derivate contracts		113,123	176,805
Loans and advance to banks		222,217	207,742
Loans to customers, net	6	12,347,016	12,246,228
Financial assets available-for-sale		2,966,428	2,234,279
Investments held to maturity		64,740	63,846
Investments in other companies		7,471	7,290
Intangible assets		39,276	33,209
Property, plant and equipment	7	234,062	237,006
Deferred taxes		461,854	434,590
Other assets		198,727	179,563
TOTAL ASSETS		20,524,715	20,873,468
LIABILITIES			
Current accounts and other demand deposits		4,068,918	4,989,472
Transactions in the course of payment	5	569,520	50,331
Payables from repurchase agreements and security lending		529,941	536,864
Saving accounts and time deposits		9,327,776	9,217,183
Financial derivate contracts		89,886	155,034
Loans from financial institutions		806,613	1,191,835
Debt issued instruments	8	3,416,919	3,103,872
Other financial obligations	8	18,172	13,011
Current taxes		63,093	28,108
Deferred taxes		74,032	83,785
Provisions	9	450,389	396,378
Other liabilities		66,944	77,470
TOTAL LIABILITIES		19,482,203	19,843,343
EQUITY			
Attributable to equity holders of the bank:			
Capital		278,497	278,497
Reserves		720,685	720,685
Other comprehensive income		2,939	(1,011)
Retained earnings:			
From previous year		96,210	-
Net income for the period		19,440	96,210
Less: Provision for distribution of income to the benefit of the state		(80,857)	(67,266)
		1,036,914	1,027,115
Non controlling interest		5,598	3,010
TOTAL EQUITY		1,042,512	1,030,125
TOTAL LIABILITIES AND EQUITY		20,524,715	20,873,468

The accompanying notes 1 to 12 are an integral part of these interim consolidated financial statements.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES
Consolidated Statements of Income
For the periods ended March 31, 2012 and 2011
(Translation of financial statements originally issued in Spanish)
(In millions of Chilean pesos – MCh$)

	03.31.2012 MCh$	**03.31.2011** MCh$
Interest income	336,769	259,207
Interest expenses	(182,275)	(113,227)
Net interest income	154,494	145,980
Fees and commission income	55,097	49,607
Fees and commission expense	(11.333)	(8,685)
Net fee and commission income	43,764	40,922
Net gain from financial operations	16,623	24,095
Foreign exchange gain (loss) net	624	(10,079)
Other operating income	1,122	2,178
Total operating income	216,627	203,096
Provision for loan losses	(57,832)	(34,560)
OPERATING INCOME, NET	158,795	168,536
Staff expenses	(72,281)	(80,367)
Administrative expenses	(37,256)	(40,339)
Depreciation and amortization	(6,183)	(8,429)
Impairment	-	-
Other operating expenses	(2,413)	(2,386)
TOTAL OPERATING EXPENSES	(118,133)	(131,521)
NET OPERATING INCOME	40,662	37,015
Income from investments in other companies	329	275
Income before income taxes	40,991	37,290
Income taxes expense	(18,664)	(16,230)
NET INCOME FOR THE PERIOD	22,327	21,060
ATTRIBUTABLE TO:		
Equity holders of the bank	19,440	18,634
Non-controlling interests	2,887	2,426
	22,327	21,060

The accompanying notes 1 to 12 are an integral part of these interim consolidated financial statements.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the periods ended March 31, 2012 and 2011
(Translation of financial statements originally issued in Spanish)
(In millions of Chilean pesos – MCh$)

	03.31.2012 MCh$	**03.31.2011** MCh$
Operating income, net	158,795	168,536
Total operating expenses	(118,133)	(131,521)
NET OPERATING INCOME	40,662	37,015
Income from investments in other companies	329	275
Income before income tax	40,991	37,290
Income taxes expense	(18,664)	(16,230)
INCOME FOR THE PERIOD BEFORE COMPREHENSIVE INCOME	22,327	21,060
OTHER COMPREHENSIVE INCOME (LOSS)		
Financial assets available-for-sale	(6,983)	(4,906)
Exchange differences in translation of foreign transactions	(508)	(31)
Effect cash flow hedge	4,562	39
OTHER COMPREHENSIVE INCOME BEFORE INCOME TAXES	(2,929)	(4,898)
Income tax on other comprehensive income	6,879	3,155
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	3,950	(1,743)
CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD	26,277	19,317
Attributable to consolidated income for the period		
Equity holders of the bank	19,440	18,634
Non controlling interest	2,887	2,426
	22,327	21,060
Attributable to consolidated comprehensive income for the period		
Equity holders of the bank	23,390	16,891
Non controlling interest	2,887	2,426
	26,277	19,317

The accompanying notes 1 to 12 are an integral part of these interim consolidated financial statements.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the periods ended March 31, 2012 and 2011

(Translation of financial statements originally issued in Spanish)

(In millions of Chilean pesos – MCh$)

			Other comprehensive income									
	Capital MCh$	**Reserves** MCh$	**Financial assets available for-sale** MCh$	**Cash flow hedge** MCh$	**Translation difference** MCh$	**Deferred taxes** MCh$	**Retained earnings previous year** MCh$	**Income fot the period** MCh$	**Provisio for Distribution of net income period** MCh$	**Total attributable to the bank equity holders** MCh$	**Non controlling interest** MCh$	**Total Equity** MCh$
Equity as of 01.01.2011	278,497	659,378	(4,114)	(7,749)	(5,480)	6,883	-	76,634	(72,705)	931,344	3,835	935,179
Transfers	-	-	-	-	-	-	76,634	(76,634)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(1,299)	(1,299)
Variation of available for sale investments	-	-	(4,906)	-	-	2,946	-	-	-	(1,960)	-	(1,960)
Variation of hedge accounting derivates	-	-	-	39	-	209	-	-	-	248	-	248
Adjustment for translation difference (NY)	-	-	-	-	(31)	-	-	-	-	(31)	-	(31)
Provision for distribution of minimum income	-	-	-	-	-	-	-	-	(17,678)	(17,678)	-	(17,678)
Net income for the period	-	-	-	-	-	-	-	18,634	-	18,634	2,426	21,060
Equity as 03.31.2011	**278,497**	**659,378**	**(9,020)**	**(7,710)**	**(5,511)**	**10,038**	**76,634**	**18,634**	**(90,383)**	**930,557**	**4,962**	**935,519**
Equity as of 01.01.2012	278,497	720,685	1,264	4,776	(4,388)	(2,663)	-	96,210	(67,266)	1,027,115	3,010	1,030,125
Transfers	-	-	-	-	-	-	96,210	(96,210)	-	-	-	-
Variation of available for sale investments	-	-	(6,983)	-	-	4,085	-	-	-	(2,898)	-	(2,898)
Variation of hedge accounting derivates	-	-	-	4,562	-	2,794	-	-	-	7,356	-	7,356
Adjustment for translation difference (NY)	-	-	-	-	(508)	-	-	-	-	(508)	-	(508)
Provision for distribution of minimum income	-	-	-	-	-	-	-	-	(13,591)	(13,591)	(299)	(13,890)
Net income for the period	-	-	-	-	-	-	-	19,440	-	19,440	2,887	22,327
Equity 03.31.2012	**278,497**	**720,685**	**(5,719)**	**9,338**	**(4,896)**	**4,216**	**96,210**	**19,440**	**(80,857)**	**1,036,914**	**5,598**	**1,042,512**

The accompanying notes 1 to 12 are an integral part of these interim consolidated financial statements.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the periods ended March 31, 2012 and 2011
(Translation of financial statements originally issued in Spanish)
(In millions of Chilean pesos – MCh$)

	03.31.2012 MCh$	**03.31.2011** MCh$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
NET INCOME FOR THE PERIOD	22,327	21,060
Charges (credits) to income that do not represent cash flow:		
Depreciation and amortization	6,183	8,429
Provisions for loan losses	57,832	34,560
Adjustment to market of financial assets held-for-trading	(9,386)	(23,058)
(Gain) from investment in companies	(329)	(275)
Net gain on sales assets received in lieu of payment	(96)	(1,261)
(Loss on sale of property, plant and equipment	-	5
Write-off of assets received in lieu of payment	63	53
Other charges to income that do not represent cash movements	22,852	35,722
Net income for interest and adjustments	(154,494)	(145,980)
Net income for commission	(43,764)	(40,922)
Changes in assets and liabilities affecting operating:		
Decrease (increase) of trading instruments	393,380	(41,619)
Increase in loans	(158,620)	(369,122)
Increase in held to maturity and financial assets available-for-sale	(733,043)	(870,864)
Increase in other credit transactions	(14,475)	(62,873)
Decrease in currents accounts	(906,065)	(608,699)
Increase of deposits and loans	95,369	1,025,726
Increase in other demand and time liabilities	735	9,055
(Decrease) increase of other obligations through brokerage of documents	(6,923)	160,377
Decrease of obligations in letters of credit	(35,473)	(49,362)
(Decrease) of loans obtained from local banks	(4,280)	(14,684)
Increase (decrease) of loans obtained from foreign banks	(69,705)	87,194
Decrease of loans obtained from the Central Bank	(311,237)	-
Net increase (decrease) of other assets and liabilities	1,901	13,861
Commissions received	55,097	49,607
Commissions paid	(11,333)	(8,685)
Interests and adjustments received	291,211	250,974
Interests and adjustments paid	(144,232)	(114,645)
Net cash flow (used in) operating activities	(1,656,505)	(655,426)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchase of Property, plant and equipment and intangible assets	(8,125)	(5,518)
Sale of property, plant and equipment and intangible assets	66	496
Dividends received from investments in companies	38	30
Sale of assets received in lieu of payment	150	1,730
Net cash flow (used in) investing activities	(7,871)	(3,262)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Issue of bonds	352.039	-
Redemption of bonds	(3,359)	(4,511)
Payment of income in benefit of state of the prior year	(1,143)	(1,211)
Net cash flow provided by (used in) financing activities	347,537	(5,722)
NET VARIATION FOR THE PERIOD OF CASH AND CASH EQUIVALENTS	(1,316,839)	(664,410)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	3,695.663	2,821,904
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	2,378,824	2,157,494

The accompanying notes 1 to 12 are an integral part of these interim consolidated financial statements.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

General Information: Background of the Bank and its subsidiaries

The *Caja de Crédito Hipotecario* was incorporated on August 29, 1855. It was the founder institution that promoted the country's economic development, whose main objective was to provide access to credit to the private sector and people and to safeguard their deposits. Subsequently, the *Caja Nacional de Ahorro* was incorporated by law on August 22, 1910, in order to encourage savings, especially in the lower-income sector, and to ensure their safety and profitable savings. Under such law, it was agreed to combine in a single institution all of the saving administering entities in the country under the sponsorship of the Government. In August 1926, as part of the financial needs of the agricultural industry, the *Caja de Crédito Agrario* was set in place to provide financial services to farmers. Based on these circumstances, but as part of the financial needs of the manufacturing industry, the *Instituto de Crédito Industrial* was created in February 1928. These four institutions mentioned above, operated separately until 1953, when under Law Decree No. 126, published in the Official Gazette on July 24, 1953 the *Banco del Estado de Chile* (hereinafter referred to as "the Bank" or "BancoEstado") was incorporated, starting operations as such on September 1, 1953.

The purpose of its incorporation was to promote the country's economic activities by providing financial products and services, and in doing so it provides the best quality service to Chilean citizens.

The Organic Law of *Banco del Estado de Chile*, Law Decree No. 2.079 of 1977, establishes that the Bank is an autonomous government company, with its own legal status and equity, with indefinite term, exclusively subject to the supervision of the Superintendency of Banks and Financial Institutions ("SBIF") and related with the Government through the Treasury Department. Therefore, Banco del Estado de Chile does not issue shares as it is governed by the previously mentioned Organic Law.

The Bank is governed by its Board of Directors consisting of seven members; where six of them have the exclusive confidence of the President of the Republic, and one representing the employees of the Bank, and managed by Executive Committee composed of the Chairman, the Vice Chairman and the Chief Executive Officer.

The headquarters of the Bank are located at Av. Bernardo O'Higgins No. 1111, Santiago, Chile.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Banco del Estado de Chile is the parent company of a group of subsidiaries, which are engaged in separate lines of business. Consequently, the Bank prepares consolidated financial statements including its subsidiaries and its foreign branch, and its investments in entities supporting its line of business.

The subsidiaries and foreign branch of the Bank are the following:

- BancoEstado S.A. Corredores de Bolsa, a privately held Corporation, incorporated on August 17, 1989, as a stock agency, that became a stock broker on June 10, 1992. On January 19, 1990, it obtained its registration as a stock broker and a stock agency with the Superintendency of Securities and Insurance ("SVS"), under register No. 0137. Its main purpose is the trading of publicly-offered securities on behalf of third parties and on its own account.

- BancoEstado S.A. Administradora General de Fondos, a Corporation, formed on June 23, 1997 and authorized by Resolution No. 272 dated with August 20, 1997, of the SVS, whose exclusive purpose was to administer home savings. On April 25, 2003, through Exempt Resolution No. 105, the SVS approved the by-laws of *BancoEstado S.A. Administradora de Fondos para la Vivienda*, consisting of changing its corporate name to *BancoEstado S.A. Administradora General de Fondos*, and its purpose was the administration of funds referred to in Article No. 220 of Law No.18.045 on Capital Markets. On December 3, 2008, Banco del Estado de Chile entered into a Sale Agreement for the sale of 4,999 shares out of the total of 10,000 shares of this subsidiary with BNP Paribas Investment Partners, equivalent to 49.99% of its equity interest. The sale of its equity interests became effective on January 2, 2009.

- BancoEstado Corredores de Seguros S.A. was incorporated as a limited liability company on August 4, 1999. Its by-laws were modified on September 13, 2004, becoming a privately held corporation. This company is regulated by the SVS. Its purpose is the remunerated intermediation of insurance ruled by the Law Decree No. 251 of 1931, with any national insurance entities domiciled in the country and to provide related insurance contracting advisory services.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

BancoEstado has a strategic alliance with Metlife Chile Inversiones Ltda. for the development of the insurance business, incorporating this company into the ownership of BancoEstado Corredores de Seguros S.A. in a 49.9% of the equity interest. This alliance includes the participation in the management and development of products and business.

- BancoEstado Servicios de Cobranza S.A. is a privately held corporation, incorporated on September 9, 1999, and registered at the SBIF on August 10, 1999 under No. 752. Its exclusive objective is to collect on its own account or on behalf of third parties of credit documents, whether through pre-judicial, judicial or extrajudicial means.

- BancoEstado Microempresas S.A. Asesorías Financieras was incorporated on July 23, 1996, and is subject to the regulations of the SBIF. Its exclusive purpose is to provide support services to the banking business in terms of financial advisories to microenterprises.

- BancoEstado Centro de Servicios S.A. was incorporated on November 13, 2004, with the sole purpose of carrying out legal and operational activities related to those referred to in No. 1 of Article No. 69 of the General Banking Law, except for those related to entering into contracts for checking accounts and deposits operations.

- BancoEstado Contacto 24 Horas S.A. was incorporated on December 13, 2001, its purpose is to provide telemarketing and technical assistance services, information on products and services, etc., by using remote and/or virtual communication, and all services focused on developing and keeping commercial relationships with the customers of BancoEstado and its subsidiaries.

- Sociedad de Servicios Transaccionales Caja Vecina S.A. was created on October 16, 2006. Its sole and exclusive purpose is to carry out activities related to legal and operational acts referred to in No. 1 of Art. No. 69 of the General Banking Law, except for those related to entering into contracts for checking accounts and deposits operations.

- BancoEstado Capital de Riesgo S.A. is a privately held corporation, incorporated on May 7, 2008. The exclusive purpose of the company is the administration of private venture capital investment funds regulated by Law No. 18,815, and complemented by Law No. 20,190. The Company is registered at the Securities Register of the SVS No. 1,023. On July 22, 2010 the SVS approved the cancellation of this Company in its register. On May 3, 2011 the Company ceased operations.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Sociedad de Promoción de Productos Bancarios S.A., is a privately held corporation, incorporated on May 7, 2008. Its sole and exclusive purpose is the promotion of products and services of the Bank and its subsidiaries. This company is subject to the regulations of the SBIF.

- BancoEstado New York Branch, whose banking license was issued on July 25, 2005 by the authorities of the State of New York, authorizing Banco del Estado de Chile the opening and operation of a branch in that city. Its operation started on October 5, 2005. Its commercial orientation is towards Chilean customers, corporations, entities and institutions with products and services for foreign trade, such as letters of credit, discounts and payment orders, commercial loans in foreign currencies, exchange operations, risks hedging, etc. The branch fully depends on its parent company.

MAIN ACCOUNTING CRITERIA AND OTHERS:

a) Accounting period

These Interim Consolidated Financial Statements (hereinafter, “Financial Statements”) present the following statements and periods: Consolidated Statement of Financial Position that cover the periods ended March 31, 2012 and December 31, 2011, respectively and the Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statements of Cash Flows for the period January 1 to March 31, 2012 and 2011, respectively.

b) Presentation Framework

The current financial statements for three-month period ending March 31, 2012 have been prepared in accordance with Chapter C-2 in the Compendium of Accounting Standards of the SBIF and in the International Accounting Standards 34 (“IAS 34”), Intermediate Financial Information. In the event of any discrepancies between the accounting principles and the accounting standards issued by the SBIF (“Compendium of Accounting Standards”), corresponding to the technical regulations issued by the Chilean Association of Accountants, prepared in accordance with the International Financial Reporting Standards (“IFRS”) and agreed by the International Accounting Standards Board (“IASB”) and the accounting criteria issued by the SBIF (Compendium of Accounting Standards), the latter prevails.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

According to IAS 34, interim financial information is prepared solely to provide an update on the latest complete set of annual consolidated financial statements. Accordingly, it focuses on new activities, events, and circumstances and does not duplicate information previously reported. These interim financial statements do not include all the information that would be required by a complete set of annual consolidated financial statements in compliance with international accounting standards and financial information agreed by the IASB. In order to gain a better understanding of the information included in these interim financial statements, these must be read in conjunction with the annual consolidated financial statements of Banco del Estado de Chile for the year ended as of December 31, 2011.

Therefore, as of March 31, 2012, the Bank states to comply with all the requirements established in IAS 34.

c) Consolidation criteria

The interim consolidated financial statements incorporate the statements of the Bank, its subsidiaries and BancoEstado New York Branch and include the necessary adjustments and reclassifications to standardize the accounting policies and valuation criteria applied by the Bank, in accordance with the Compendium of Accounting Standards issued by the SBIF.

Intercompany balances and any unrealized gains or losses from intercompany transactions are eliminated in full during the preparation of the interim consolidated financial statements. As of March 31, 2012, the assets, liabilities and the subsidiary's operational incomes represent as a whole for 7.4%, 7.7% and 29.3% respectively (7.3%, 7.7% and 31.9% respectively as of December 31, 2011), of the consolidated total assets, liabilities and operational incomes. The unrealized earnings that come from transactions with companies, whose investment is calculated by the participation method, are eliminated from the investment, according to the percentage of participation in the entity's equity.

(In millions of Chilean pesos – MCh$)

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The companies in which BancoEstado participates are divided into the following:

- **Controlled entities and or Subsidiaries**

"Controlled entities" are those companies over which the Bank has the ability to exercise control; ability that, in general, but not only, is presumed to exist when the Bank owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity or, when it owns half or less of the voting power of an entity and has the power to govern the financial and operating policies of the entity under a statute or an agreement. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The entities over which the Bank has the ability to exercise control, owns a significant participation and which are part of the consolidation of the financial statements as of March 31, 2012 and December 31, 2011 are presented in the following table:

	Ownership					
	March 31, 2012			December 31, 2011		
Company	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
BancoEstado S.A. Corredores de Bolsa	99,9996%	-	99.9996%	99,9996%	-	99,9996%
BancoEstado Corredores de Seguros S.A.	50,1000%	-	50,1000%	50,1000%	-	50,1000%
BancoEstado Servicios de Cobranza S.A. (*)	99,9000%	0,1000%	100,0000%	99,9000%	0,1000%	100,0000%
BancoEstado S.A. Administradora General de Fondos	50,0100%	-	50,0100%	50,0100%	-	50,0100%
BancoEstado Contacto 24 Horas S.A. (*)	99,9000%	0,1000%	100,0000%	99,9000%	0,1000%	100,0000%
BancoEstado Microempresas S.A. Asesorías Financieras (*)	99,9000%	0,1000%	100,0000%	99,9000%	0,1000%	100,0000%
BancoEstado Capital de Riesgo S.A. (**)	-	-	-	-	-	-
Sociedad de Servicios Transaccionales Caja Vecina S.A. (*)	99,9000%	0,1000%	100,0000%	99,9000%	0,1000%	100,0000%
BancoEstado Centro de Servicios S.A. (*)	99,9000%	0,1000%	100,0000%	99,9000%	0,1000%	100,0000%
Sociedad de Promoción de Productos Bancarios S.A. (*)	99,9000%	0,1000%	100,0000%	99,9000%	0,1000%	100,0000%
BancoEstado New York Branch (*)	100,0000%	-	100,0000%	100,0000%	-	100,0000%

(*) These entities are regulated by the SBIF. The remaining companies are regulated by the SVS.
(**) This company ceased operations effective May 3, 2011

(In millions of Chilean pesos – MCh$)

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Entities supporting the line of business and/or associated entities**

The entities supporting the line of business are those over which the Bank has the ability to exercise significant influence, but no control or joint control.

The following are the companies that support the line of business:

	Ownership %	
Company	**03.31.2012**	**12.31.2011**
Administrador Financiero Transantiago S.A.	21.0000%	21.0000%
Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	10.2300%	10.2300%
Operadora de Tarjetas de Crédito Nexus S.A.	12.9030%	12.9030%
Transbank S.A.	8.7188%	8.7188%

The Bank analyzed the valuation method and concluded that it would continue to appraise all business support companies using the proportional equity method.

- **Investments in other companies**

Investments in other companies correspond to those over which the Bank possesses no control, or for those over which it has no significant influence. The aforementioned investments are presented at their acquisition value.

Between March 31, 2012 and December 31, 2011 there were no changes made to the composition of the entity neither were there changes in property.

The Bank holds no participation in special purpose entities.

d) Non-controlling interest

The non-controlling interest represents the portion of the gains or losses and net assets over which the Bank, directly or indirectly, has no ownership. The non-controlling interest is presented separately within the Statement of Income, and separately from the equity attributable to equity holders of the Bank in the interim consolidated Statement of Financial Position.

e) Operating segments

The Bank discloses segment information in accordance with IFRS 8 “Operating Segments”, which establishes the standards to report operating segments and related disclosures for products and services and geographical areas. An operating segment is defined as a component of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing its performance.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The operating segments of the Bank are determined based on the different business units. These business units generate services subject to risks and performances that are different to another operating segment.

f) Functional and presentation currency

The Bank and its subsidiaries have defined as their functional currency the Chilean peso, based on:

- It is the currency of the primary economic environment whose competitive forces and regulations determine the prices of the financial services that the Bank and its subsidiaries provide; and

- It is the currency that mainly influences labor and other costs of providing services by the Bank and its subsidiaries to its clients.

BancoEstado New York Branch has defined as its functional currency the US dollar. The financial statements of the Branch are translated into Chilean pesos as follows:

- Assets and liabilities are translated at the closing exchange rates at the date of the financial statements.

- The income and expenses and the cash flows, through the application of the exchange rate of accounting representation of the month of the transaction.

- Share capital and other equity components are translated at their historical exchange rates.

The presentation currency for the interim consolidated financial statements is the Chilean peso, expressed in millions of Chilean pesos (MCh$).

g) Foreign currency transactions

All balances and transactions in currencies other than the functional currency are considered “foreign currency”.

For the preparation of the financial statements of the Bank and its subsidiaries, monetary assets and liabilities in foreign currencies, are translated into Chilean pesos in accordance with the exchange rates prevailing at the closing dates of the corresponding financial statements. The resulting exchange differences are recognized as profit or loss.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The exchange differences arising from the translation into Chilean pesos of the financial statements of the BancoEstado New York Branch, are recorded and accumulated in the line item "Other comprehensive income – Translation differences" within the Statement of Financial Position until it is transferred to the Statement of Financial Position of the investment, at which point it will be reclassified as profit of loss.

h) Valuation criteria of assets and liabilities

The measurement criteria of assets and liabilities recorded in the Statement of Financial Position are the following:

- **Assets and liabilities measured at amortized cost**

The amortized cost of an asset or financial liability is the initial step of the asset or liability adjusted for incremental costs (in more or less as applicable) charged by the systematically profit and loss accounts of the difference between the initial amount and the corresponding redemption value at maturity.

For financial assets the amortized cost also includes the amounts of corrections arising from the corresponding impairment.

For financial instruments the part systematically recorded in the accounts of profits and loss is recorded under the effective interest rate method. The effective rate method is determined on the basis of all cash flows estimated for all the concepts in the remaining useful life of a financial instrument.

- **Assets measured at fair value:**

The fair value of an asset or liability is the amount for which an asset could be exchanged and a liability could be settled between knowledgeable, willing parties in an arm's length transaction. The most objective and habitual reference of the fair value of an asset or liability is the price that would be paid for it in an organized and transparent market ("Quoted price" or "Market price").

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assets measured at fair value (continued):**

When there is no market price to determine the amount of the fair value for a certain asset or liability, the price established in recent transactions of similar instruments is considered in order to estimate its fair value.

In those cases when it is not possible to determine the fair value of a financial asset or a financial liability, these are measured at amortized cost.

In addition, according to Chapter A-2 of the Compendium of Accounting Standards, the banks are not permitted to designate a financial asset or financial liability on initial recognition as one to be measured at fair value in replacement of the general criterion of amortized cost.

The Interim Consolidated Financial Statements have been prepared based on the general criterion of the amortized cost, except for:

- Derivative financial instruments, which have been measured at fair value.
- Assets classified as held for sale are valued at their fair value when it is lower than the carrying amount minus the cost of executing the sale.
- Financial assets held-for-trading are measured at fair value.
- Financial assets available-for-sale are measured at fair value.

- **Assets valued at acquisition cost**

Acquisition cost is the cost of the transaction for the acquisition of the asset, less any impairment losses it might have suffered.

i) Investment instruments:

Investment instruments are classified into two categories held-to-maturity investments and financial assets available-for-sale. The held-to-maturity investment category includes only those instruments for which the Bank has the positive intent and ability to hold to maturity. All other investment instruments are categorized as “available-for-sale”.

The investment instruments are initially recognized at cost, including transaction cost.

The instruments available for sale are subsequently measured at fair value according to market prices or valuation models, minus impairment losses. Unrealized gains or losses arising from changes in fair value are recognized by charge or credit to equity accounts or results if they are for trading. When these investments are sold or impaired, the amount of the accumulated fair value adjustments in equity is transferred to income and reported under the heading "Net (loss) gain from financial operations".

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Held to maturity investment are carried at cost plus accrued interest and adjustments, less provisions for impairment recorded when the book value exceeds its estimated recovery.

i) Investment instruments (continued):

Interests on and adjustments to held-to-maturity and available financial assets available-for-sale are included under the line item “Income from Interest and Readjustments”.

Investment instruments designated as hedging instruments are measured using the requirements established for hedge accounting.

All purchases and sales of investment instruments to be delivered within the deadline period established by market regulations and conventions are recognized on the trade date, which is the date which the commitment is made to purchase or sell the asset.

The Bank has evaluated its held-to-maturity and financial assets available-for-sale as of March 31, 2012 and December 31, 2011, in order to assess whether there are any impairment indicators. This assessment included economic evaluations, credit ratings of the debt issuers and the intent and ability of management to hold these investments to maturity. Based on such evaluation, no impairment losses have been recognized.

j) Financial assets held-for-trading:

Financial assets held-for-trading are securities acquired with the purpose of generating earnings from short-term price fluctuation or from brokerage margins, or which form part of a portfolio of a recent actual pattern of short-term profit-taking.

Financial assets held-for-trading are valued at fair value based on market prices at the closing date of the Statement of Financial Position. Gains or losses from changes in the fair value, as well as gains or losses from their trading, are included in the Statement of Income under the line item “Net gain from financial operations”. Accrued interest and indexation are also reported in the Statement of Income under the line item “Net gain from financial transactions”.

Management has designated all of the investments held by its subsidiaries as trading instruments.

All purchases and sales of financial assets held-for-trading to be delivered within the deadline period established by market regulations and conventions are recognized on the trade date, which is the date on which the commitment is made to purchase or sale of the asset.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Financial derivative contracts:

Financial derivative contracts including foreign currency and UF forwards, interest rate futures, currency swaps, interest rate and currency options, and other financial derivatives are initially recognized in the Statement of Financial Position at their cost (including transaction costs) and subsequently measured at fair value. The fair value is obtained from market rates, discounted cash flow models and option valuation models, as appropriate. Derivative contracts are presented as an asset when their change in fair value is positive and as a liability when is negative under the line item "Financial derivative contracts" within the assets and liabilities sections.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risk and characteristics are not clearly related to the host contract and such host contract is not recorded at fair value through profit or loss.

At inception of a derivative contract, it should be designated by the Bank as a trading derivative or as a hedging instrument for hedge accounting purposes.

Any change in the fair value of financial derivative contracts held for trading are included in the Statement of Income under the line item "Net gain from financial transactions".

If the derivative is designated as a hedging instrument in a hedge relationship, this may be: (1) a fair value hedge of assets or liabilities or firm commitments, or (2) a hedge of cash flows related to recognized assets or liabilities or expected transactions. A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met: (a) at the inception of the hedge there is formal designation and documentation of the hedging relationship; (b) the hedge is expected to be highly effective; (c) the effectiveness of the hedge can be reliably measured and; (d) the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Transactions with derivatives that do not qualify for hedge accounting are recognized and presented as trading derivatives, even if they provide an effective hedge for managing risk positions.

When a derivative is designated as a hedging instrument to hedge the exposure to changes in the fair value of a recognized asset or liability, such asset or liability is recorded at its fair value with respect to the specific risk hedged. Gains or losses from valuation of the hedging instrument at its fair value, both the hedged item and the hedge derivative, are recognized in profit or loss.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

If the item covered in a fair value hedge is an effective commitment, the changes in the fair value of the commitment in regard to the risk covered are recorded as assets or liabilities with an effect on the income for the year. Gains or losses on the hedged item attributable to the hedged risk adjust the carrying amount of the hedged item and are recognized in profit or loss. When a new asset or liability is acquired as a result of the commitment, the initial recognition of the acquired asset or liability is adjusted to incorporate the mark to market adjustment of the firm commitment recorded in the Statement of Financial Position.

When a derivative covers the exposure to changes in cash flows of existing assets or liabilities, or expected transactions, the effective portion of changes in the fair value in regard to the risk covered is recorded in the shareholders' equity. Any ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss.

The gains or losses recognized in equity are recorded in profit or loss in the same periods in which the hedged assets or liabilities affect profit or loss.

l) Loans to customers, net

Loans to customers, net are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Bank has no intention to sell immediately or in the short-term.

When the Bank is the lessor under a lease agreement and transfers substantially all incidental risks and benefits over the leased asset, the transaction is presented within Loans to customers, net.

Loans to customers, net are measured at amortized cost using the effective interest rate method.

m) Interest and adjustment income and expense

Income and expense from interest and indexation are recognized on an accrual basis using the effective interest rate method.

However, when a loan is determined to be impaired, the Bank, on a prudent basis, will pursue to suspend the accrual of interest and indexation on such impaired loans.

n) Fee and commission income and expense

Fee and commission income and expenses are recognized in the Interim Consolidated Statement of Income based on different criteria according to their nature. The main criteria are:

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Those originated by a specific act are recognized when the specific act has been completed.

- Those arising from transactions or services that are rendered over a period of time, are deferred and recognized over the life, maturity or term covering such transactions or services.

- Those related to financial assets or liabilities are recognized at the moment of their collection.

o) Impairment

The Bank, New York branch and its subsidiaries use the following criteria to assess the impairment of financial and non-financial assets:

- **Financial assets:**

The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of assets will be impaired when objective evidence exists that one or more events have had a negative effect in the future cash flow of the asset.

An impairment loss related to financial assets recorded at amortized cost is calculated as the difference between the carrying amount of the asset and the present value of estimated cash flows discounted at the effective interest rate.

An impairment loss in relation to the financial asset available for sale is calculated with reference to its fair value.

Significant financial assets are individually reviewed to determine their impairment. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss relating to an available-for-sale financial asset that has been already recognized in other comprehensive income is reclassified from equity to net income as a reclassification adjustment.

The reversal of an impairment loss occurs only if it can be objectively related to an event occurring after the impairment was recognized. In the case of financial assets carried at amortized cost and those debt instruments classified as available-for-sale, the reversal of impairment losses is recognized in the statement of income.

- **Non-financial assets**

The carrying amount of non-financial assets, excluding investment properties and deferred taxes, is regularly reviewed to determine whether there is any indication that the asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses recognized in prior periods are assessed at the end of each reporting period to determine whether there is an indication that such loss may no longer exist or may have decreased. An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

p) Investments in associates

The associated entities, which correspond to the entities supporting the bank's line of business, are valued using the equity method (Note 1 c).

q) Intangible assets

The intangible assets held by the Bank correspond mainly to investments in software.

Software acquired separately is measured at cost less accumulated amortization and accumulated impairment losses.

Internally developed software is recognized as an asset when the Bank is able to demonstrate its intention and ability to complete its development and use it internally to generate future economic benefits, and the cost of completing its development can be measured reliably. The capitalization of costs on internally-developed software includes all direct costs attributable to the development of the software, and is amortized over their useful life.

Amortization is recognized on a straight-line basis over their estimated useful lives. The average estimated useful life of the software is 3 years.

Research and evaluation alternative technologies costs are recognized as expenses in the period in which they are incurred.

r) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost includes expenses directly attributable to the acquisition of such assets. The cost of assets in the course of construction includes the cost of raw materials and direct labor, and any other expenses directly related to the process of getting the asset ready to be used.

When part of an item of property, plant and equipment has a different useful life, such part is recorded as a separate item (significant components of property, plant and equipment).

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is recognized on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless there is reasonable certainty that the Bank will obtain ownership by the end of the lease term.

As of March 31, 2012 and December 31, 2011, the Bank applied the following useful lives for the depreciation of its property, plant and equipment:

- Buildings	80 years
- Equipment and facilities	5 to 10 years
- Furniture and supplies	3 years

Depreciation, useful lives and residual values are calculated at each reporting date.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. If changes are observed, the useful lives of the assets are adjusted and the depreciation is corrected.

Repair and maintenance costs are recognized in the moment at which the work is carried out.

s) Leases

- **Operating leases**

  When the Bank, New York branch and its subsidiaries act as lessees and the contract qualifies as an operating lease, the total payments are recorded in operating income.

  Upon termination of the contract period of the operating lease, any payment related to fines of the contract required by the lessor is recorded in expenses for the period on which such contract ended.

- **Financial leases – Lease contracts**

  Finance lease operations consist of lease arrangement whereby the lessee has the option to purchase the leased asset at the end of the lease term. The sum of the present value of the minimum lease payments that will be received from the lessee plus the purchase option is recognized as a financing to third parties and, therefore, is presented in the item Loans to customers, net.

  Goods acquired for finance lease operations are presented under “Other assets” at acquisition cost.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Cash and cash equivalents

The Bank has used the indirect method in preparing its Statement of Cash Flow, whereby the net income of the Bank is adjusted for the effects of transactions of a non-cash nature, any deferrals of accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

In accordance with specific requirements applicable to financial institutions, the Bank and its subsidiaries have considered as cash and cash equivalents the balance of "Cash and banks", plus (less) the net balance of line item transactions in the course of collection presented in the Statement of Financial Position, plus highly liquid trading and available-for-sale investments and repurchase agreements that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, whose maturity is three months or less from the date of acquisition. It also includes investments in fixed income mutual funds, which are presented within financial assets held-for-trading in the Statement of Financial Position.

For the preparation of the Statement of Cash Flows, following concepts are considered:

a) **Cash flows:** Inflows or outflows of cash and cash equivalents, where cash equivalents are current, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, such as: deposits with the Chilean Central Bank, local banks and foreign banks.

b) **Operating activities:** Are the principal revenue-producing activities of the Bank and other activities that are not investing or financing activities.

c) **Investing activities:** The acquisition or disposal of non-current assets and other investments not included in cash equivalents.

d) **Financing activities:** Are activities that result in changes in the size and composition of the contributed equity and loans of the entity and that are not operating or investing activities.

u) Allowance for loan losses

The provisions required to cover the loan portfolio risk have been recognized according to the rules of the SBIF. The carrying amount of the financial assets are reduced by the allowance directly for all financial assets with the exception of loans to customers where the carrying amount is reduced through the use of a allowance for loan losses account. In the case of contingent loans, the corresponding allowances are recorded as liabilities.

The models established by the SBIF for the determination of provisions are summarized as follows:

(In millions of Chilean pesos – MCh$)

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Allowance for individual assessment:**

  In accordance with Chapter B-1 of the SBIF's Compendium Accounting Standards Digest (hereinafter CNC Chapter B-1), the individual assessment of debtors is necessary when dealing with clients which, because of their size, complexity or exposure level, need to be known and analyzed in detail.

- **Criteria of commercial portfolio rating with individual analysis:**

  The following criteria of risk rating are applied to commercial debtors subject to individual analysis; and are based on the principles established in CNC Chapter B-1.

  The analysis for the rating should be mainly based on both creditworthiness and the financial characteristics inherent of the debtor, taking as referential information the credit quality of the group it belongs to.

  Debtor portfolio with normal risk

  The portfolio with normal risk includes those debtors whose creditworthiness allows them to fulfill their obligations and commitments and this condition, according to the assessment of their economic-financial position, is not perceived to change. Therefore, it corresponds to debtors without substantial risks, whose creditworthiness allows them to cover obligations in the terms and conditions agreed and which will continue being satisfactory in dealing with unfavorable business, economic and financial situations.

  The likelihood of default and expected loss in each category is as follows:

Portfolio	Category	Likelihood of default %	Loss due the default %	Expected loss (% allowance)
Normal Portfolio	A1	0.04	90.00	0.03600
	A2	0.10	82.50	0.08250
	A3	0.25	87.50	0.21875
	A4	2.00	87.50	1.75000
	A5	4.75	90.00	4.27500
	A6	10.00	90.00	9.00000

Substandard portfolio

The substandard portfolio includes those debtors with financial difficulties or significant worsening in their creditworthiness and over which there are reasonable doubts about the total reimbursement of principal and interests in the terms contractually agreed, showing little room to fulfill their financial obligations in the short term.

(In millions of Chilean pesos – MCh$)

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

This portfolio also includes those debtors which lately (in the last twelve months) have shown delinquencies exceeding 30 days, a poor payment performance with the Bank or with third parties (delinquency during the years for significant amounts outstanding below 90 days).

The likelihood of default and expected loss in each category area as follows:

Portfolio	Category	Likelihood of default %	Loss due default %	Expected loss (% allowance)
Substandard Portfolio	B1	15.00	92.50	13.87500
	B2	22.00	92.50	20.35000
	B3	33.00	97.50	32.17500
	B4	45.00	97.50	43.87500

Allowance on portfolio under normal or substandard compliance

To determine the amount of provisions that should be made for the portfolios under normal or substandard compliance, banks must previously estimate the exposure affecting provisions which the respective loss percentages will be applied on (expressed in decimals), which comprise the default likelihood (PI) and loss derived from default (PDI) established for the category within which the debtor and/or its qualified guarantor fall, as appropriate.

The exposure subject to provisions corresponds to loans plus contingent credits, less the amounts that would be recovered via execution of guarantees, as set forth in number 4.1 of CNC Chapter B1 of the SBIF. Likewise, loans are understood as the book value of the loans and receivables of the respective debtor, while contingent credits are understood as the value resulting from applying the regulations contained in No. 3 of CNC Chapter B-3.

To the purposes of calculation the following should be considered:

$$\text{Provision}_{debtor} = (\text{ESP-GE}) \text{x} (\text{PI}_{debtor}/100) \text{x} (\text{PDI}_{debtor}/100) + \text{Ea} \text{x} (\text{PI}_{endorsement}/100) \text{x} (\text{PDI}_{endorsement}/100)$$

Where:

ESP	=	Exposure subject to provisions
GE	=	Guaranteed exposure
ESP	=	(Loans + Contingent Loans) – Financial or actual guarantees.
PI	=	Probability of default
PDI	=	Loss because of the default

However, the Bank must maintain a minimum provision of 0.50% over the Normal Portfolio's loans and contingent loans.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-performing portfolio

This portfolio includes those debtors with loans outstanding for more than 90 days or which are under collection procedures and whose payment source is supported in the guarantees put up. The present value of recoveries that might be obtained by exerting the collection actions can be also considered, net of the related expenses, if a supporting report is available.

Any recovery through judicial procedures, which is duly supported with a report from the Bank's legal department where the effectiveness of collection is determined, is considered to be "actual background". This must be free of any lien or preferred creditors, leading to an actual payment flow.

In addition, those debtors who have shown a negative past performance in the Bank or Financial System are considered as non-performing, such as: social security and tax infringement, protested documents pending clarifications, debt past due in the Financial System (FS), write-offs in the aforementioned system, etc., as well as debtors under default or showing an arrangement with creditors to avoid bankruptcy.

The categories for debtors with non-performing loans are six, and each of them is associated with a range of expected loss relating to commercial loans and commercial leasing operations of the client as a whole; consequently, it is necessary to determine the guarantee coverage. It should be mentioned that all contingent loans must be considered, since they are rated as non-performing loans.

Allowance on non-performing portfolio

To the purposes of making the provisions, the use of provision percentages that must be applied over the amount of the exposure is stipulated, which corresponds to the amount of loans and contingent loans held by the same debtor. To apply this percentage, an expected loss rate should be previously estimated, by deducting the amount from the exposure to amounts recoverable via execution of guarantees and, deducting also the present value of the recoveries that can be obtained exerting collection actions, net of related expenses, if a supporting report from the legal department is available. This loss rate should be included within one of the six categories defined according to the range of losses actually expected by the Bank for all the operations of a same debtor.

(In millions of Chilean pesos – MCh$)

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

These categories and their loss range as estimated by the Bank, and the provision percentages which should be ultimately applied on the amounts of exposures, are those shown in the following table:

Portfolio	Category	Expected loss	Allowance (%)
Non performing portfolio	C1	Over de 0 up to 3%	2
	C2	Over de 3 % up to 20%	10
	C3	Over de 20% up to 30%	25
	C4	Over de 30% up to 50%	40
	C5	Over de 50% up to 80%	65
	C6	Over de 80%	90

To the purpose of its calculation, the following should be considered:

$$\boxed{\text{Expected Loss Rate} = (E-R)/E}$$

$$\boxed{\text{Allowance} = E \times (PP/100)}$$

Where:

E = Amount of the Exposure
R = Recoverable Amount
PP = Provision Percentage (as per category within the Expected Loss Rate must fall)

- **Allowance for collective risk assessment:**

Collective assessment is used for a large number of debtors whose exposure is not individually significant. Normally such debtors are individuals or small companies. For the collective assessment, the Bank uses models based on the debtors and their loan's estimated default probabilities. In group evaluations, allowances are always established according to the expected loss using the models and the formula indicated by the Banking Commission.

$$\boxed{\text{Allowance} = EG*(1-EA/100)*(PI/100)*(PDI/100)+EG*EA/100((PI_{endorsement}/100)x(PDI_{endorsement}/100)}$$

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where:

EG = Amount of exposure.
EA = Percentage of credit exposure secured.
PI = Probability of default.
PDI = Percentage loss given the expected default that must be calculated excluding the recoveries from collateral signatures.
$PI_{endorsement}$ = Percentage probability that the collateral signature will default.

$PDI_{endorsement}$ = Percentage loss if the collateral signature defaults.

- **Impaired loan portfolio:**

The impaired loan portfolio includes those loans on which there is concrete evidence that debtors will default by failing to make any of the contractual payments - regardless of the possibility of collecting the amounts due from collaterals - through the exercise of legal collection actions or by agreeing different conditions.

Based on the above, the Bank will maintain these loans in the impaired loan portfolio until it observes a recovery of debtor's payment capacity or behavior; otherwise it will write them off.

The Bank treats each client as a whole, to the purpose of classifying that client either under normal portfolio, or impaired portfolio (carry forward by taxpayer number), for those clients pertaining to the group portfolios, provided this rule is not applied to mortgage loans when there is impairment in client's products other than this product.

- **Charge-off of loans:**

The charge-offs of loans and receivables are performed based on due, past due and outstanding installments. The deadline period charge-offs is considered from the beginning of the default, i.e., a charge-off shall be performed when the default period of an installment or portion of a loan exceeds each corresponding deadline period for charge-offs as indicated in table below:

Type of loan	Period
Consumer loans with or without actual collateral	6 months
Other transactions without collateral	24 months
Commercial loans with collateral	36 months
Mortgages loans used for housing	48 months
Leasing of consumer goods	6 months
Other non-real estate leasing operations	12 months
Real estate leasing (commercial and mortgages)	36 months

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Recovery of previously charged-off loans**

Recovery of previously charged-off loans is recognized as income and is presented as a deduction of the provisions for loan losses within the Consolidated Statement of Income.

- **Additional provisions:**

Additional provisions may be recorded for those that derive from the application of the portfolio evaluation models, with the purpose of safeguarding the macroeconomic environment or the situation of a specific economic sector against unpredictable economic fluctuations, in accordance with the Bank's policies (note 9). Within the additional provisions an anti-cyclical mechanism of provision accumulation is considered in the commercial, consumer and mortgage portfolio, to take shelter from eventual economic downturn periods and it also considers additional allowances for portfolio concentration. During 2011, the Bank increased the ceiling of additional credit risk allowances from 50% to 100%. As of March 31, 2012, 67.1% of that limit was utilized (59.5% on December 31, 2011).

v) Provisions and contingent liabilities

Provisions are liabilities of uncertain timing and amount. These provisions are recognized in the Statement of Financial Position when the Bank has:

- A present obligation as a result of past events and,
- At the date of the financial statements it is probable that the Bank will use an outflow of resources to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A contingent liability is any possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Bank, New York branch and its subsidiaries.

w) Employee benefits

- **Compensated vacation**

  The annual cost for vacation and employee benefits is recognized on an accrual basis.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Short-term benefits**

  The Bank provides to its employees an annual bonus plan based on the achievement of certain objectives and goals, and which consists of a specific number or portion of monthly salaries; such bonuses are accrued based on the expected amount that will be paid.

  The Bank has also agreed with its employee, based on union contracts, a lump sum compensation payment for completion of the collective bargaining process. Such compensation is recorded as "Other assets" and is amortized over term of the collective bargaining agreement.

- **Long-term benefits**

  The Bank recognized provisions for long-term employee benefits pursuant to the existence of present obligations derived from the collective agreements. Such obligations give rise to the recognition of provisions which are determined by using actuarial assumptions including as variables the employee turnover rate, future increases in salaries and the probability of using this benefit, using a discount rate of a real 3.46% annually as of March 31, 2012.

x) Income tax and deferred taxes:

The Bank and its subsidiaries have recognized their income tax expense at the end of each reporting period, based on applicable tax regulations.

Additionally, as the bank is treated as a public sector institution, it is subject to a tax credit in accordance with Article No. 2 of the decree Law No. 2,398 of 1978 that corresponds to a rate of 40%.

Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of the taxable income are recognized in accordance with IAS 12.

The Bank and its subsidiaries recognize, as appropriate, deferred tax liabilities for taxable temporary differences between carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured at the tax rate that, according to tax regulations, is expected to be applied in the year in which the liability is settled or the asset realized. The effects of changes in tax laws or in tax rates are recognized on deferred taxes at the date on which the tax Law or tax rates are enacted.

Law No. 20,455, published in the Diario Oficial on July 31, 2010, established that the category 1 income tax rate of the companies will be increased, from the current rate of 17%, to 20% for the financial year 2011, to 18.5% for the financial year 2012 and then back to 17% for the financial year 2013 onwards.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

y) Payables from Repurchase Agreements and Security Lending:

The Bank, New York branch and its subsidiaries enter into resale and repurchase agreements as a method of financing. In this regard, investments sold under repurchase agreements are classified as financial assets held-for-trading or financial assets available-for-sale. The repurchase agreement is classified in the line item "Payables from Repurchase Agreements and Security Lending" within liabilities, recognizing accrued interest and indexation at year end.

The Bank, New York branch and its subsidiaries also enter into resale agreements as a method of investing. Financial instruments purchased under resale agreements are included in the line item "Investments under resale agreements" within assets.

z) Factoring transactions:

The Bank performs factoring transactions, with or without guarantees, with its customers, whereby it pays to the transferors a cash consideration in exchange for the rights to cash collected from invoices and other commercial papers.

Factoring receivables are valued at cash consideration paid for the receivables. The difference between the cash consideration paid and the face value of the receivables is recognized as interest income by using the effective interest method over the financing period. The transferor has payment obligation on the receivables.

aa) Assets received in lieu of payment:

Assets received in lieu of payment are recognized at the lower of initial carrying amount and net realizable value, less any write-offs regulatory. Write-offs are required by the SBIF if the asset has not been sold within one year from its receipt.

bb) Derecognition of financial assets and liabilities:

The accounting treatment of transfers of financial assets depends on the extent and the manner in which the risks and rewards associated with the financial assets are transferred to third parties:

1. If the Bank transfers substantially all the risks and rewards of ownership of the financial asset to third parties, as in the case of unconditional sales of financial assets, sales under repurchase agreements at fair value at the date of repurchase, sales of financial assets with a purchased call option or written put option deeply out of the money, utilization of assets in which the transferor does not retain subordinated debt nor grants any credit enhancement to the transferee, and other similar cases, the Bank derecognizes the financial asset and separately recognize as assets or liabilities any rights and obligations created or retained in the transfer.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. If the Bank retains substantially all the risks and rewards of ownership of the financial asset, as in the case of sales of financial assets under repurchase agreements to repurchase at a fixed price or at the sale price plus interest, lending agreement securities under which the borrower undertakes to return the same or similar assets, and other similar cases, the Bank continues to recognize the transferred asset in its entirety and continue recording using the same criteria before the transfer. Conversely, the following is recognized:

   - A financial liability for an amount equivalent to the consideration received that is subsequently measured at amortized cost.

   - Any income on the transferred asset and any expenses incurred on the new financial liability.

3. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, as in the case of sales of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of assets in which the transferor retains a subordinated debt or other types of credit enhancement for a portion of the transferred asset and other similar cases, the Bank determines whether it has retained control of the financial asset, in this case:

   - If the transferring entity does not retain the control of the transferred financial asset: then it is eliminated from the Statement of Financial Position and any withheld right or obligation is recognized or created as a consequence of the transfer.

   - If the assigning entity maintains the control of the transferred financial asset: then it continues recognizing the asset in the Statement of Financial Position for an equal amount to its exposure to the changes of value it might experience and recognize a financial liability associated to the transferred financial asset. The net amount of the transferred asset and the associated liability will be the amortized cost of the withheld rights and obligations, if the transferred asset is measured by its amortized cost, or the fair value of the withheld rights and obligations, if the transferred asset is measured by its fair value.

Accordingly, financial assets are only derecognized from the Statement of Financial Position when, and only when, the contractual rights to the cash flows from the financial asset expire; or when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to third parties. Similarly, financial liabilities are derecognized from the Statement of Financial Position only when the obligations are discharged, cancelled or expired.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

cc) Use of estimates and judgments:

The preparation of the financial statements requires Management to make judgments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant estimates and assumptions are reviewed by Bank Management on an ongoing basis in order to quantify certain assets, liabilities, income, expenses and uncertainties. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any other affected future period.

In particular, the information regarding the critical accounting judgments and key sources of estimation of uncertainties in the application of the accounting policies that have the most significant effect on the amounts recognized in the financial statements, are described as concepts or used primarily in the following items:

- Useful lives of property, plant and equipment and of intangible assets.
- Assumptions used in the actuarial valuations of the long term employee benefits obligations.
- Contingencies and commitments.
- Impairment losses of certain assets.
- Assets and liabilities at fair value.
- Current taxes and deferred taxes

dd) Non-current assets held for sale:

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before the initial classification of the assets (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the group) are measured in accordance with the accounting policies of the Bank. From that moment on, the assets (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell. The deferred assets, the assets in benefit of the employees and the investment property continue being evaluated as per the accounting policies of the Bank. Impairment losses for any initial or subsequent write-down of the asset (or disposal group) classified as held for sale are recognized in net income. Gains for any subsequent increase are not recognized if they are in excess of the cumulative impairment loss that has been recognized.

ee) Distribution to the Government of net income:

As of March 31, 2012 and December 31, 2011, the Bank has recognized a liability for the portion of the net income to be distributed to the Government in accordance with its policy. For such purpose, the Bank recognized a provision against a supplementary equity reserve account.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

This policy establishes that, in order to determine the provision for the distribution of net income, it shall consider the greater of the moving average of net income distribution for the past three years, taken from the corresponding Decrees of the Treasury Department, and the income distributed in the prior year, if this is greater, or the average income distribution of the last two years if the return is lower.

ff) Consolidated Statement of Changes in Equity:

The interim Consolidated Statement of Changes in Equity presents the reconciliation between the initial and final equity balance at period end, and includes the following items:

a) Adjustment due to changes in the accounting policies.
b) Net income for the period; and

c) Other changes to equity that corresponds to those items recognized in equity, such as the distribution of net income, capital increases, provision for distribution of net income to the Government, dividends paid and any other increases or decreases in equity.

gg) Consolidated Statement of Comprehensive Income:

This component of the interim Consolidated Financial Statements presents all income and expenses generated by the Bank during a period as a result of its activities, and all other income and expenses recognized directly in equity.

The detail of the information included in the Interim Consolidated Statement of Comprehensive Income is as follows:

a) Consolidated net income (loss) for the period.
b) Net income and expenses temporarily recognized in equity as “Other comprehensive income”.
c) The income tax effect of items a) and b), except for the translation difference arising from translating the financial statements of foreign transactions.
d) The total comprehensive income, calculated as the sum of a), b) and c), presenting separately the amounts attributable to equity holders of the Bank and non-controlling interest.

hh) Comparative information:

The information contained in these financial statements corresponding to the year 2011 is presented exclusively for comparative purposes with the relevant information relating to three-month period ending March 31, 2012.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) Seasonality or cyclicality of interim operations

Due to the business activities of the Bank, New York branch and its subsidiaries, transactions do not have a seasonal or cyclical character. Therefore, no specific breakdown is included in the accompanying explanatory notes to the interim consolidated financial statements corresponding to three-month period ending March 31, 2012.

jj) Relative importance

The relative importance in the preparation of the interim financial statements has been considered to determine the information to be disclosed regarding the different entries of the financial statements and any other matter, in compliance with IAS 34.

kk) Restructuring costs

As of March 31, 2012 and December 31, 2011, the Bank, New York branch and its subsidiaries have not incurred any restructuring expenses.

ll) Correction of errors:

As of March 31, 2012, the Bank, New York branch and its subsidiaries have not made any adjustments due to correction of errors.

mm) Compliance of commitments:

As of March 31, 2012, the Bank, New York branch and its subsidiaries had complied with all agreements.

(In millions of Chilean pesos – MCh$)

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

nn) New pronouncements:

a) The following new Standards and Interpretations have been adopted in the Consolidated Financial Statements:

Amendments to IFRS	**Mandatory application date**
IAS 12, *Deferred Tax – Recovery of Underlying Assets*	Years beginning or after January 1, 2012
IFRS 1 (Revised), *First-time Adoption of International Financial Reporting Standards – (i) Removal of Fixed Dates for First-Time Adopters – (ii) Severe Hyperinflation.*	Years beginning on or after July 1, 2011.
IFRS 7, *Instruments: Disclosures – Disclosures – Transfers of Financial Assets*	Years beginning on or after July 1, 2011

Amendment to IAS 12, Income tax

On December 20, 2010, the IASB published Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12. The amendments established an exemption from the general principle in IAS 12 that the measurement of deferred tax assets and liabilities must reflect the tax impacts that would occur depending on how the entity expects to recover the carrying amount of an asset. The exemption applies specifically to deferred tax assets and liabilities originating in investment properties measured using the fair value model of IAS 40 and investment properties acquired in a business combination, if subsequently measured using the fair value model in IAS 40. The amendment introduces a presumption that the current value of the investment property will be recovered at the time of sale unless the investment property is depreciable and is held within a business model where the objective is to consume substantially all economic benefits over time instead of through sale. These amendments must be applied retroactively by requiring a retroactive restatement of all deferred tax assets and liabilities within the scope of this amendment, including those that would have been initially recognized in a business combination. The date of mandatory application of these amendments is for years beginning on or after January 1, 2012. Early application is allowed. Management considers that these amendments have not had any impact on the accounting policies for the period.

Amendment to IFRS 1, First-Time Adoption of International Reporting Standards

On December 20, 2010, the IASB published certain amendments to IFRS 1, specifically:

(i) Removal of Fixed Dates for First-Time Adopters. These amendments help First-Time Adopters of IFRS by replacing the prospective date of application of the derecognition of financial assets and liabilities, set as January 1, 2004, by the date of transition to IFRS. As a result, first-time IFRS adopters do not have to apply the IAS 39 de-recognition requirements retroactively; and it releases first-time adopters from recalculating, from day 1, the losses and gains on transactions that occur prior to the date of transition to IFRS.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Severe Hyperinflation – These amendments provide guidelines to entities emerging from a severe hyperinflation. On the date of transition, they can measure all assets and liabilities held prior to the date of normalization of the functional currency at the fair value on the IFRS transition date and use that fair value as the cost allocated to those assets and liabilities in the opening statement of financial position according to IFRS. Entities that use this exemption must describe the circumstances of how and why the functional currency underwent severe hyperinflation and the circumstances that led to the end of that hyperinflation.

These amendments will be mandatory for years beginning on or after July 1, 2011. Early application is allowed. The Bank's management considers that these amendments have no impact on its reports as they are currently preparing the Bank's financial statements according to IFRS.

Amendment to IFRS 7, Financial Instruments

On October 7, 2010, the International Accounting Standards Board (IASB) issued Disclosures – Transfers of Financial Assets (Amendments to IFRS 7 Financial Instruments – Disclosures), which increase the disclosures required for transactions involving a transfer of financial assets. These amendments are aimed at providing a greater transparency regarding the risk of exposure in transactions where a financial asset is transferred, but the transferor retains a certain level of continuing exposure (called "continuing involvement") in the asset. The amendments also required disclosing when the transfers of financial assets have not been distributed uniformly over the period (meaning when the transfers occur near the end of the reporting period). These amendments take effect for years beginning on or after July 1, 2011. Early application is allowed. The disclosures are not required for any of the periods presented that begin before the initial date of application of the amendments. Management considers that these amendments have had no impact on the accounting policies for the period.

(In millions of Chilean pesos – MCh$)

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) The following new regulations and interpretations have been issued with application dates in the future. The new regulations and accounting announcements issued by the IASB will be applied on their respective dates unless the SBIF declares otherwise:

New IFRS	**Mandatory application date**
IFRS 9, *Financial Instruments*	Years beginning on or after January 1, 2015.
IFRS 10, *Consolidated Financial Statement*	Years beginning on or after January 1, 2013
IFRS 11, *Joint arrangements*	Years beginning on or after January 1, 2013
IFRS 12, *Disclosure of interest in Other Entities*	Years beginning on or after January 1, 2013
IAS 27 (2011), *Separate Financial Statements*	Years beginning on or after January 1, 2013.
IAS 28 (2011), *Investment in Associates and Joint Ventures*	Years beginning on or after January 1, 2013.
IAS 13, *Fair Value Measurement*	Years beginning on or after January 1, 2013.

Amendments to IFRS	**Mandatory application date**
IAS 1, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*	Years beginning on or after July 1, 2012.
IAS 19, *Employee Benefits (2011)*	Years beginning on or after January 1, 2013.
IAS 32, *Financial Instruments: Presentation – Clarification of requirements for offsetting financial assets and liabilities*	Years beginning on or after January 1, 2014.
IFRS 7, *Financial Instruments: Disclosures – Changes to disclosures about offsetting financial assets and liabilities*	Years beginning on or after January 1, 2013.

New Interpretations	**Mandatory application date**
IFRSIC 20, *Stripping Costs in the Production Phase of a Surface Mine*	Years beginning on or after January 1, 2013.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 9, Financial Instruments

On November 12, 2009, the IASB released IFRS 9, Financial Instruments. This standard introduces new requirements for the classification and measurement of financial assets and is applicable to all annual periods ending on or after January 1, 2013, allowing advanced application. IFRS 9 emphasizes how an entity should classify and value its financial assets. All financial assets need to be categorized as a whole based on the business model of the entity for the management of financial assets and the characteristics de the contractual cash flows of the assets. The financial assets are valued either at their amortized cost or at their fair value. Only financial assets that are classified as valued at their amortized cost will be tested for impairment. On October 28, 2010, the IASB published a revised version of IFRS 9, Financial Instruments. The revised standard still requires the classification and valuation of financial assets that was published in November 2009, but adds guidelines for the classification and valuation of financial assets. As part of the restructuring of IFRS 9, the IASB has copied also the guidelines on the reversal of financial asset recognition and the guidelines their implementation related from IAS 39 to IFRS 9. These new guidelines conclude the first phase of the IASB project to replace IAS 39. The other phases, impairment and hedge accounting have not yet been finalized.

The guidelines included in IFRS 9 regarding the classification and valuations of financial assets have not changed from those presented in IAS 39. Financial assets will continue being valued at their amortized cost or fair value with changes being recorded in the statement of income. The concept of splitting incorporated derivatives in a contract of a financial asset has not changed either. Financial liabilities kept for trade will continue being valued at their fair value with the subsequent changes to the statement of income and all financial assets will be valued at their amortized cost unless the option of fair value using the criteria currently applicable as per IAS 39.

However, there are two main differences between IAS 39 and IFRS 9:

- The presentation of the changes in fair value attributable to the credit risk of a liability, and

- The elimination of the exemption for the cost of liability derivatives being settled by the issue of equity instruments that have not been traded.

On December 16, 2011, the IASB issued the date of mandatory application of IFRS 9 and Disclosures on the Transition. It deferred the effective date of the 2009 and 2010 versions to years beginning on or after January 1, 2015. Prior to the amendments, IFRS 9 had to be applied for years beginning on or after 2013. The amendments changed the requirements for the transition from IAS 39 Financial Instruments – Recognition and Measurement to IFRS 9. The amendments also modify IFRS 7 Financial Instruments: Disclosures, to add certain requirements in the reporting period, which include the date of application of IFRS 9.

As stipulated by the Banking Commission, the Bank's Management will not apply this standard early but rather effective January 1, 2015. It is now in the process of evaluating its impact.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 10, Consolidated Financial Statements

On May 12, 2011, the IASB issued IFRS 10, Consolidated Financial Statements, which replaces IAS 27, Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The purpose of IFRS 10 is to have a single basis of consolidation for all entities; regardless of the nature of the investment, the basis is control. The definition of control includes three elements: power over an investment, exposure or rights to variable returns on investment and the ability to use the power over the investment to affect the investor's returns. IFRS 10 provides detailed application guidance for the principle of control in a number of situations, including branch relationships and possession of potential voting rights. An investor should reassess whether it controls an investment if there is a change in facts and circumstances. IFRS 10 replaces those sections of IAS 27 which address when and how an investor should prepare Consolidated Financial Statements and replaces SIC 12 in full. The effective date for application of IFRS 10 is January 1, 2013, but its early adoption is permitted under certain circumstances.

Management believes that this new standard will be adopted in the Bank's financial statements for the period starting on January 1, 2013. The Banks' Management is in processes of assessing the impact of this standard.

IFRS 11, Joint Arrangements

On May 12, 2011, the IASB issued IFRS 11, Joint Arrangements, which replaces IAS 31, Interests in Joint Ventures and SIC 13, Jointly Controlled Entities. IFRS 11 classifies joint arrangements, either as joint operations (combination of the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (equivalent to the existing concept of a jointly controlled entity). A joint operation is a joint arrangement where the parties that have joint control have rights to assets and obligations for the liabilities. A joint venture is a joint arrangement where the parties which have joint control of the arrangement have right to the net assets of the arrangement. IFRS 11 requires the use of the equity value to account for the interests in joint ventures, thus eliminating the method of proportionate consolidation. The effective date for application of IFRS 11 is January 1, 2013; its early adoption is permitted under certain circumstances.

Management believes that this new standard will be adopted in the Bank's financial statements for the period starting on January 1, 2013. The Banks' Management is in processes of assessing the impact of this standard.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 12, Disclosure of Interests in Other Entities

On May 12, 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities, which requires further disclosures relating to interests in subsidiaries, joint ventures, associates and unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that an entity should provide to fulfill these objectives. An entity must disclose information which enables the users of its Financial Statements to assess the nature and risks associated with its interests in other entities and the effects of these interests on its Financial Statements. The requirements of disclosure are extensive and represent an effort that might require gather the necessary information. The effective date for application of IFRS 12 is January 1, 2013; however, entities are allowed to add any of the new disclosures to their financial statements before that date.

Management believes that this new standard will be adopted in the Bank's financial statements for the period starting on January 1, 2013. The Bank's Management is in processes of assessing the impact of this standard.

IAS 27 (2011), Separate Financial Statements

IAS 27 on Consolidated and Separate Financial Statements was amended by IFRS 10, but it continues to maintain the present guidelines for separate financial statements.

This new standard will be adopted in the Bank's financial statements for the period beginning January 1, 2013. The Bank's management is in the process of evaluating its impact.

IAS 28 (2011), Investments in Associates and Joint Ventures

IAS 28 Investments in Associates was amended to give form to the changes to IFRS 10 and IFRS 11.

This new standard will be adopted in the Bank's financial statements for the period beginning January 1, 2013. The Bank's management is in the process of evaluating the impact of the Standard.

IFRS 13, Fair Value Measurement

On May 12, 2011, the IASB issued IFRS 13, Fair Value Measurement, which establishes only one source of guidance for fair value measurement under IFRS. This standard applies both to financial assets and non-financial assets measured at fair value. The fair value is defined as "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (that is, an exit price). IFRS 13 is effective for annual periods begun on or after January 1, 2013, its early adoption is permitted, and applies prospectively from the beginning of the annual period in which is adopted.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management believes that this new standard will be adopted in the Bank's financial statements for the period starting on January 1, 2013. The Bank's Management is in processes of assessing the impact of this standard.

Amendment IAS 1, Presentation of Financial Statements

On June 16, 2011, the IASB published Presentation of the Components of Other Comprehensive Income (amendments to IAS 1). The amendments retain the option of presenting an Income Statement and a Statement of Comprehensive Income either in a single statement or in two consecutive separate statements. The components of other comprehensive income are required to be grouped in those that will be and those that will not be subsequently reclassified to profit and loss. The tax on other comprehensive income is required to be allocated over that same basis. Measurement and recognition of the profit and loss component and other comprehensive income are not affected by the amendments, which are applicable for reporting periods starting on or after July 1, 2012; early adoption is permitted.

Management believes that this new standard will be adopted in the Bank's financial statements for the period starting on January 1, 2012. The Bank's Management is in processes of assessing the impact of this standard.

Amendment to IAS 19, Employee Benefits

On June 16, 2011, the IASB published amendments to IAS 19, Employee Benefits, which change the accounting for the defined benefit plans and termination benefits. The amendments require the recognition of the changes in the obligation for defined benefits and in the assets of the plan when those changes occur, eliminating the 'corridor' approach and accelerating the recognition of the costs of past services.

The changes in the plan's defined benefit obligation and assets are disaggregated in three components: service costs, net interest over the net liabilities (assets) for defined benefits and re-measurement of net liabilities (assets) for defined benefits.

The net interest is calculated using a rate of return for high quality corporate bonds. This could be less than the rate currently used to calculate the expected return on the plan's assets, resulting in a decrease in the income for the year. The amendments are effective for annual periods starting on or after January 1, 2013; early adoption is permitted. The retrospective application is required with certain exceptions.

This new standard will be adopted in the Bank's financial statements for the period beginning January 1, 2013. The Bank's management is in the process of evaluating the impact of the Standard

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amendment to IAS 32, Financial Instruments: Presentation

In December 2011, the IASB changed the requirements for accounting and disclosure in offsetting financial assets and liabilities through amendments to IAS 32 and IFRS 7. These amendments are the result of a joint project of the IASB and the Financial Accounting Standards Board (FASB) to address the differences in their respective accounting standards regarding offsetting financial instruments. The new disclosures are required for years or intermediate periods beginning on or after January 1, 2013. The amendments to IAS 32 take effect for years beginning on or after January 1, 2014. Both require retroactive application for comparative periods.

These amendments will be adopted in the Financial Statements for the period beginning January 1, 2013 and 2014, respectively. The Bank's management is in the process of evaluating the impact of this standard.

Amendment to IFRS 7, Offsetting Financial Assets and Liabilities

IFRS 7 on Financial Instruments: Disclosures were amended to request information on all financial instruments recognized that are being netted according to paragraph 42 of IAS 32 on Financial Instruments: Presentation.

The amendments also require the disclosure of information on recognized financial instruments that are subject to enforceable master netting agreements and similar agreements, even if they have not been offsetting according to IAS 32. The IASB considers that these disclosures allow users of the Financial Statements to evaluate the effect or potential effect of agreements that allow netting, including netting rights associated with financial assets and financial liabilities recognized by the entity in its statement of financial position. The amendments take effect for years beginning on or after January 1, 2013. Early application is allowed. These amendments are estimated to be adopted in the financial statements for the period that will begin January 1, 2013. The Bank's management is in the process of evaluating the potential impact of adopting these changes.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

On October 19, 2011, the IFRS Interpretations Committee published IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (IFRIC 20). IFRIC 20 applies to natural resources extracted using a surface mining process. The stripping costs that improve access to minerals must be recognized as a non-current asset (stripping asset) provided certain requirements are met. The cost of normal continuing stripping operations must be accounted for according to IAS 2 on Inventory. The stripping assets must be initially measured at cost and later at cost or at the revalued amount, less depreciation or amortization and impairment losses. The interpretation takes effect for years beginning on or after January 1, 2013. Early application is allowed. The Bank's Management considers that this new interpretation will have no impact on its financial statements since its business does not include the mining of natural resources.

(In millions of Chilean pesos – MCh$)

NOTE 2 – ACCOUNTING CHANGES

There have been no material accounting changes in the three-month period ending March 31, 2012 that would affect the presentation of these Financial Statements.

Certain accounting practices applied by the Company that conform to SBIF may not conform to generally accepted accounting principles in the United States ("US GAAP").

For the convenience of the reader, these financial statements and their accompanying notes have been translated from Spanish to English.

NOTE 3 – RELEVANT EVENTS

a) Appointment of the Chief Executive Officer and Renewal of the Board of Directors in the subsidiary BancoEstado S.A. Administradora General de Fondos:

On March 23, 2012, the Board of Directors of the Company was renewed at a Regular Shareholders Meeting and is now comprised as follows:

Regular Directors	Alternate Directors
- Juan Carlos Méndez González	- Eduardo de las Heras Val
- Jorge Rodríguez Grossi	- Sebastián del Campo Edwards
- Juan José Ruiz González	- Karen Ergas Segal
- Carlos Alberto Curi	- Dominique Lienart
- Henri Jean August Coste	- Pascal Biville
- Cécile Besse Advani	- Max Diulius

At a Regular Board Meeting held March 26, 2012, Mr. Juan Carlos Méndez González was appointed Chairman of the Bank's Board of Directors and Mr. Carlos Alberto Curi its Vice-Chairman.

b) Bond Issues:

Domestic bond: On January 19, 2012, the Bank placed a bond for UF 5.0 million for 7 years at a rate of 3.50% annually, with semi-annual interest payments and the payment of principal in one installment at the final maturity.

Foreign bond: On February 1, 2012, the Bank issued a bond abroad for US$500 million for 10 years. Principal will expire on February 8, 2022. The bond rate was 4.082% annually with semi-annual interest payments beginning August 8, 2012.

NOTE 4 – OPERATING SEGMENTS

Segment criteria:

The segment information is structured according to the different lines of business of the Bank, which are based on its organizational structure, the products and services it offers and the customers' segments for which they are intended.

The segment information that is provided is based on the monthly reports extracted from information provided for management reporting purposes.

The structure of such information is designed as if each line of business were treated as an autonomous business, as such the financial performance net of interest and ordinary income of the lines of business, is calculated by applying to their corresponding volumes of monthly average assets and liabilities, differences between the contractual income or expense and the transfer prices for assets and liabilities, as appropriate. These transfer prices are in line with the current valid market interest rates.

Segments:

The Bank focused its activities on the following major lines of business:

Wholesale Banking, includes middle market, corporations and public sector institutions.

Retail Banking, includes individuals, micro-enterprises and small business.

Treasury and International, which conducts financial and international transactions.

Other Segments, includes corporate, where assets, liabilities, income and expense, as appropriate, cannot be clearly allocated to any line of business or segment, or that are the results of decisions affecting the Bank as a whole. Also assigned to this group are the reconciliation entries that arise when comparing the result of integrating the financial statements of the different lines of business (which are prepared with performance criteria) with the Consolidated Financial Statements.

(In millions of Chilean pesos – MCh$)

NOTE 4 – OPERATING SEGMENTS (Continued)

Results by segment were as follows as of March 31, 2012 and 2011:

a)Income	**March 31, 2012**					**March 31, 2011**				
	Wholesale Banking MCh$	**Retail Banking** MCh$	**Treasury and International** MCh$	**Others** MCh$	**Total** MCh$	**Wholesale Banking** MCh$	**Retail banking** MCh$	**Treasury and International** MCh$	**Others** MCh$	**Total** MCh$
Net interest income	50,358	94,374	(5,295)	15,057	154,494	37,680	85,794	10,120	12,386	145,980
Net feet and commission income	6,229	37,870	439	(774)	43,764	8,354	32,196	1,967	(1,595)	40,922
Net income from financial operations	640	-	15,983	-	16,623	1,002	-	23,093	-	24,095
Foreign exchange income (expense), net	751	541	(670)	2	624	770	700	(11,549)	-	(10,079)
Other operating income	9	468	1	644	1,122	18	470	-	1,690	2,178
Total operating income	57,987	133,253	10,458	14,929	216,627	47,824	119,160	23,631	12,481	203,.096
Provision for loan losses	(1,589)	(22,638)	1,799	(35,404)	(57,832)	(8,752)	(12,991)	(3,070)	(9,747)	(34,560)
Net operating income	56,398	110,615	12,257	(20,475)	158,795	39,072	106,169	20,561	2,734	168,536
Operating expenses					(115,720)					(129,135)
Other operating expenses					(2,413)					(2,386)
Total operating expenses					(118,133)					(131,521)
Operating income					40,662					37,015
Income from investments in other companies					329					275
Income before taxes					40,991					37,290

(In millions of Chilean pesos – MCh$)

NOTE 4 – OPERATING SEGMENTS (Continued)

The Statement of Financial Position by segment was as follows as of March 31, 2012 and December 31, 2011:

	March 31, 2012					December 31, 2011				
	Wholesale banking MCh$	Retail banking MCh$	Treasury and International MCh$	Other MCh$	Total MCh$	Wholesale banking MCh$	Retail banking MCh$	Treasury and International MCh$	Other MCh$	Total MCh$
ASSETS										
Cash and due from banks	-	-	1,679,849	-	1,679,849	-	-	3,432,018	-	3,432,018
Transactions in the course of collection	-	-	723,605	-	723,605	-	-	84,587	-	84,587
Financial assets held-for-trading	-	-	1,404,750	-	1,404,750	-	-	1,479,136	-	1,479,136
Loans to customers, nett	5,185,720	7,161,144	2	150	12,347,016	5,212,351	7,033,700	80	97	12,246,228
Financial assets available –for- sale	43,860	-	2,922,568	-	2,966,428	28,489	-	2,205,790	-	2,234,279
Other assets	50,954	-	410,724	941,389	1,403,067	105,543	5	401,194	890,478	1,397,220
TOTAL ASSETS	5,280,534	7,161,144	7,141,498	941,539	20,524,715	5,346,383	7,033,705	7,602,805	890,575	20,873,468
LIABILITIES										
Current accounts and other demand deposits	2,823,818	1,015,493	32,756	196,851	4,068,918	3,746,019	1,013,656	34,993	194,804	4,989,472
Transactions in the course of payments	-	-	569,520	-	569,520	-	-	50,331	-	50,331
Saving accounts and time deposits	3,290,517	3,503,655	2,519,087	14,517	9,327,776	3,390,051	3,461,441	2,322,514	43,177	9,217,183
Loans from financial institutions	-	-	806,613	-	806,613	-	-	1,191,835	-	1,191,835
Debt issued instruments	-	-	3,416,919	-	3,416,919	-	-	3,103,872	-	3,103,872
Other liabilities	528,162	18,112	107,681	638,502	1,292,457	542,649	8,793	172,339	566,869	1,290,650
TOTAL LIABILITIES	6,642,497	4,537,260	7,452,576	849,870	19,482,203	7,678,719	4,483,890	6,875,884	804,850	19,843,343
EQUITY	-	-	-	1,042,512	1,042,512	-	-	-	1,030,125	1,030,125
TOTAL LIABILITIES AND EQUITY	6,642,497	4,537,260	7,452,576	1,892,382	20,524,715	7,678,719	4,483,890	6,875,884	1,834,975	20,873,468

(In millions of Chilean pesos – MCh$)

NOTE 5 – CASH AND CASH EQUIVALENTS

a) As of March 31, 2012 and December 31, 2011, cash and cash equivalent balances are detailed as follows and were reconciled to the statement of cash flow as shown below:

	03.31.2012 MCh$	**12.31.2011** MCh
Cash and bank deposits		
Cash	256,881	246,685
Deposits in the Chilean Central Bank	306,167	2,609,456
Deposits in domestic banks	4,929	534
Foreign Deposits	1,111,872	575,343
Subtotal Cash and due from banks	1,679,849	3,432,018
Transactions in the course of collection	154,085	34,256
High liquidity financial instruments (1)	483,293	172,220
Repurchase contracts (2)	61,597	57,169
Total cash and cash equivalents	2,378,824	3,695,663

(1) Corresponds to trading and investment instruments subject to low risk of significant change in value, whose maturity period does not exceed 90 days after the acquisition date.

(2) Corresponds to repurchase agreement in identical situation as the one established in the paragraph above.

The Bank presents balances corresponding to the reserve requirement, amounting to MCh$ 269,403 on March 31, 2012 and MCh$ 346,118 on December 31, 2011, as part of its cash and deposits in the Chilean Central Bank, which are not available for use.

The level of cash funds and amounts held in deposits at the Chilean Central Bank correspond to a regulated mandatory requirement to maintain monthly average cash reserves.

(In millions of Chilean pesos – MCh$)

NOTE 5 – CASH AND CASH EQUIVALENTS (Continued)

a) Transactions in the course of collection

Transactions in the course of collection correspond to those transactions in which only the settlement remains pending, which will increase or decrease the funds in Chilean Central Bank or in foreign banks, normally within the next 12 or 24 business hours. As of March 31, 2012 and December 31, 2011, these transactions in the course of collection are as follows:

	03.31.2012 MCh$	12.31.2011 MCh$
Assets:		
Outstanding notes from other Banks (clearing)	50,164	35,852
Found receivables	673,441	48,735
Subtotal assets	723,605	84,587
Liabilities:		
Founds payable	569,520	50,331
Subtotal liabilities	569,520	50,331
Net transactions in the course of collection	154,085	34,256

NOTE 6 – PORTFOLIO SALES

As of March 31, 2012 Banco del Estado de Chile had not made any credit portfolio sales. On December 31, 2011 Banco del Estado de Chile sold part of the portfolio of University Credits with State Guarantee (UCSG) as part of the public bidding process for awarding the Financing and Administration Service for Higher Education Studies Law No. 20,027. The bid model open to the financial institutions is explained in the corresponding bid terms, which allow selling a percentage of the portfolio to third parties. Regarding the sold portfolio, Banco del Estado de Chile transferred substantially all risks and rewards associated with the portfolio, maintaining only the administration service of the portfolio that considers the generation of new credits and the collection of the installments of credits. The detail of the credits sold is as follows:

December 31, 2011	No. Transactions	Par Value MCh$	Sales Value MCh$	Release of Provisions MCh$	Gain on Sale MCh$
UCGS portfolio	11,862	19,641	26,259	(821)	7,439
Others	2	3,412	420	(3,071)	79
Total	11,864	23,053	26,679	(3,892)	7,518

(In millions of Chilean pesos – MCh$)

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

The detail and movement of property, plant & equipment as of March 31, 2012 and December 31, 2011 are set forth in the following tables:

March 31, 2012	**Land and buildings** MCh$	**Equipment** MCh$	**Under operating lease** MCh$	**Others** MCh$	**Total** MCh$
Cost					
Balances at January 1, 2012	199,568	87,476	-	40,248	327,292
Additions	78	156	-	7,829	8,063
Withdrawals/Disposals	-	(59)	-	(7)	(66)
Impairment	-	-	-	-	-
Transfers	1,495	1,511	-	(10,201)	(7,195)
Others	-	-	-		-
Subtotal	201,141	89,084	-	37,869	328,094
Accumulated depreciation	(17,273)	(63,250)	-	(13,509)	(94,032)
Property, plant and equipment Balances as of March 31, 2012	183,868	25,834	-	24,360	234,062

December 31, 2011	**Land and buildings** MCh$	**Equipement** MCh$	**Under Operating Lease** MCh$	**Other** MCh$	**Total** MCh$
Cost					
Balances at January 1, 2011	195,717	60,764	-	52,511	308,992
Additions	85	1,317	-	39,727	41,129
Withdrawals/Disposals	(493)	(41)	-	(373)	(907)
Impairment	-	-	-	-	-
Transfers	4,251	25,436	-	(51,707)	(22,020)
Others	8	-	-	90	98
Subtotal	199,568	87,476	-	40,248	327,292
Accumulated depreciation	(16,547)	(60,754)	-	(12,985)	(90,286)
Property, plant and equipment, net Balances as of December 31, 2011	183,021	26,722	-	27,263	237,006

(In millions of Chilean pesos – MCh$)

NOTE 8 – ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

As of March 31, 2012 and December 31, 2011, detail of issued debt instruments and other financial obligations is as follows:

	03.31.2012 MCh$	**12.31.2011** MCh$
Other financial obligations:		
Obligations to the public	-	-
Other obligations in the country	18,172	13,011
Foreign loans	-	-
Total	18,172	13,011
Debt issued instruments:		
Letters of credit	1,399,738	1,435,211
Senior bonds	1,489,577	1,140,369
Subordinated bonds	527,604	528,292
Total	3,416,919	3,103,872
Total	3,435,091	3,116,883

NOTE 9 – ADDITIONAL PROVISIONS

The additional provisions are designed to cover any costs incurred during the normal course of business. As of March 31, 2012 and December 31, 2011 movements in additional provisions were as follows:

	MCh$
Balance at January 1, 2011	91,562
Provisions set-up (credits)	133,964
Provisions application (debit)	(22,557)
Balance as of December 31, 2011	202,969
Balance at January 1, 2012	202,969
Provisions set-up (credit)	36,000
Provisions application (debit)	-
Balance as of March 31, 2012	238,969

(In millions of Chilean pesos – MCh$)

NOTE 10 – CONTINGENCIES AND COMMITMENTS

a) Commitments and responsibilities recorded in memorandum accounts:

The Bank, New York branch and its subsidiaries hold in memorandum accounts the following balances related to commitments or responsibilities arising from its normal line of business:

	03.31.2012 MCh$	**12.31.2011** MCh$
Contingent loans		
Guarantee and deposits		
Guarantee and deposits in local currency	-	-
Guarantee and deposits in foreign currency	66,172	74,707
Confirmed foreign letters of credit	68,785	12,595
Issued documented letters of credit	94,032	73,447
Performance bonds	399,760	365,796
Interbank letters of credit	-	-
Immediately available lines of credit	642,801	595,512
Amount of committed credits and not placed	-	-
Other credit commitments	-	-
Credits for higher education Law No. 20.027	147,372	147,345
Other	212,157	209,411
Other contingent credits	-	-
Operations on account of third parties		
Collections:		
Foreign collections	7,989	9,900
Local collections	68,536	57,024
Placement or sale of financial instruments:		
Placement of securities for public bid	-	-
Sale of letters of credit of bank operations	-	-
Sale of other instruments	-	-
Financial assets transferred to and managed by the Bank:		
Assets assigned to Insurance companies	-	-
Securitized assets	-	-
Other assets assigned to third parties	-	-
Third party resources managed by the Bank:		
Financial assets administrated on behalf of third parties	360,201	427,115
Other assets administrated on behalf of third parties	-	-
Financial assets acquired	-	-
Other assets acquired	-	-
Security held in custody		
Securities held in custody of the bank	1,412,427	809,111
Securities held in custody deposited in another entity	1,042,854	850,569
Securities issued by the bank:		
Promissory notes of time deposits	2,165,872	1,489,405
Letters of credit for sale	917	1,197
Other documents	-	-
Commitments		
Guarantees for underwriting operations	-	-
Commitments for assets purchase	-	-
Total	6,689,875	5,123,134

(In millions of Chilean pesos – MCh$)

NOTE 10 – CONTINGENCIES AND COMMITMENTS (Continued)

b) Legal proceedings:

b.1.) Normal legal contingencies of the industry

As at the date of these financial statements there are several legal proceedings that have been filed against the Bank, New York branch and its subsidiaries, in relation to normal operations of their businesses activities. According to Management, and based on the advice of its legal advisors, it is deemed that approximately 10% of these proceedings could lead to losses not considered by the Bank, New York branch and its subsidiaries. As of March 31, 2012 and December 31, 2011, the Bank, New York branch and its subsidiaries have recognized provisions for these concepts amounting to MCh$ 9,929 and MCh$ 10,037, respectively, which are included in the line item Provisions. The following is a summary of the lawsuits and provisions per type:

	03.31.2012		12.31.2011	
Type	**No.**	**Provision Amount** MCh$	**No.**	**Provision Amount** MCh$
Labor	66	1,147	64	1,217
Civil	307	8,782	297	8,820
Total	373	9,929	361	10,037

b.2.) Significant contingencies due to lawsuits at Courts of Justice

As of March 31, 2012 and December 31, 2011, the Bank and New York branch and its subsidiaries do not have any contingencies for significant lawsuits.

c) Guarantees given for transactions

	03.31.2012 MCh$	**12.31.2011** MCh$
Financial assets in guarantee CCLV. Santiago Stock Exchange	4,959	3,173
Shares in guarantee for the Santiago Stock Exchange	11,075	17,223
Total	16,034	20,396

(In millions of Chilean pesos – MCh$)

NOTE 10 – CONTINGENCIES AND COMMITMENTS (Continued)

Banco Estado Corredores de Seguros S.A.

- **Transaction Guarantee and Third Party Insurance**

  In accordance with Article No. 58 of Law Decree No. 251, on March 31, 2012 the company held a guarantee covering any possible damages that might affect it as a result of infringing the Law, regulations and complementary standards regulating insurance brokers, especially when such non-compliance arises from actions, errors and omissions of the broker, its agents, proxies or dependent employees participating in the brokerage.

Guarantee information is as follows:

Account	:	4590544
Amount	:	UF 60,000
Issuer	:	BancoEstado
Purpose	:	Guarantee any present and future creditors that it may have pursuant to its Insurance Brokerage Operations and for the exclusive purpose of being used under the terms of Article No. 58 of Law Decree No. 251 of 1931.
Term	:	Through April 14, 2013.

BancoEstado S.A. Corredora de Bolsa S.A.

- **Operational guarantees**

  In order to comply with the obligation of guarantees for transactions established in Article No. 30 of Law No. 18.045, the Company has taken out an insurance with Compañía de Seguros de Crédito Continental S.A. No. 210101923, for UF 20,000 valid from April 22, 2010 to April 22, 2012, being representative of the guarantee amount for the Bolsa de Comercio de Santiago.

  BancoEstado S.A. Corredores de Bolsa has established a first priority pledge on the share it owns in the Santiago Stock Exchange in order to guarantee faithful and timely performance of its obligations owed to that exchange. It has also established a second priority pledge in favor of all stock brokers to secure its obligations to them.

  BancoEstado S.A. Corredores de Bolsa carries comprehensive broker insurance with Chartis Chile Compañía de Seguros Generales S.A., officer fidelity policy No. 0020058287. The insured amount is US$ 10,000,000. On January 31, 2012, it renewed this policy with the same insurance company for the period from January 31, 2012 to January 31, 2013.

(In millions of Chilean pesos – MCh$)

NOTE 10 – CONTINGENCIES AND COMMITMENTS (Continued)

BancoEstado S.A. Administradora General de Fondos

Operational guarantees

In compliance with requirements of Articles No. 226 and No. 227 of Law No. 18.045, Banco del Estado de Chile has been designated as representative of the beneficiaries of the guarantees it has given. The Performance Bonds taken out are the following:

	Currency	Amount	Start date	Maturity date
Fondo para la Vivienda Solidez BECH	UF	10.000,00	09/01/2012	10/01/2013
Fondo Mutuo Corporativo BancoEstado	UF	66.902,65	09/01/2012	10/01/2013
Fondo Mutuo Solvente BancoEstado	UF	95.802,46	09/01/2012	10/01/2013
Fondo Mutuo Compromiso BancoEstado	UF	28.880,32	09/01/2012	10/01/2013
Fondo Mutuo Conveniencia BancoEstado	UF	14.776,50	09/01/2012	10/01/2013
Fondo Mutuo Protección BancoEstado	UF	22.804,63	09/01/2012	10/01/2013
Fondo Mutuo BancoEstado Acciones Nacionales	UF	22.113,69	09/01/2012	10/01/2013
Fondo Mutuo BancoEstado BNP Paribas Renta Emergente	UF	10.000,00	09/01/2012	10/01/2013
Fondo Mutuo BancoEstado BNP Paribas Renta Desarrollada	UF	10.000,00	09/01/2012	10/01/2013
Fondo Mutuo BancoEstado BNP Paribas Acciones Emergentes	UF	10.000,00	09/01/2012	10/01/2013
Fondo Mutuo BancoEstado BNP Paribas Acciones Desarrolladas	UF	10.000,00	09/01/2012	10/01/2013
Fondo Mutuo BancoEstado BNP Paribas Mas Renta Bicentenario	UF	10.000,00	09/01/2012	10/01/2013
Fondo Mutuo BancoEstado Perfil Dinamico A	UF	10.000,00	09/01/2012	10/01/2013
Fondo Mutuo BancoEstado Perfil Tradicional C	UF	10.000,00	09/01/2012	10/01/2013
Fondo Mutuo BancoEstado Perfil Moderado E	UF	10.000,00	09/01/2012	10/01/2013

d) Credit and contingent liabilities

To satisfy the needs of the customers, the Bank acquired several irrevocable commitments and contingent liabilities, although these obligations could not be recognized in the Statements of Financial Position, these contain credit risks and are therefore part of the global risk Bank, as indicated in a) of this note.

(In millions of Chilean pesos – MCh$)

NOTE 10 – CONTINGENCIES AND COMMITMENTS (Continued)

The table below shows credit amounts granted by the Bank provision set up for the credit risk assumed.

	03.31.2012 MCh$	12.31.2011 MCh$
Guarantees and deposits	66,172	74,707
Document letter of credit	162,817	86,042
Performance bonds	399,760	365,796
Amounts available for users of credit cards	642,801	595,512
Amount of committed credits and not placed	212,157	209,411
Credits for higher education Law No. 20,027	147,372	147,345
Provisions established	(16,092)	(17,874)
Total	1,614,987	1,460,939

NOTE 11 – TRANSACTIONS WITH RELATED PARTIES

In accordance with the General Banking Law in Chile and SBIF instructions, individuals and companies that are related, directly or indirectly, to the Bank's owners or management are considered related parties.

a) The group's entities:

	03.31.2012			12.31.2011		
Society	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
BancoEstado S.A. Corredores de Bolsa	99,9996%	-	99,9996	99,9996%	-	99,9996%
BancoEstado Corredores de Seguros S.A.	50,1000%	-	50,1000	50,1000%	-	50,1000%
BancoEstado Servicios de Cobranza S.A.	99,9000%	0,1000%	100,0000%	99,9000%	0,1000%	100,0000%
BancoEstado S.A. Administradora General de Fondos	50,0100%	-	50,0100	50,0100%	-	50,0100%
BancoEstado Contacto 24 Horas S.A.	99,9000%	0,1000%	100,0000%	99,9000%	0,1000%	100,0000%
BancoEstado Microempresas S.A. Asesorías Financieras	99,9000%	0,1000%	100,0000%	99,9000%	0,1000%	100,0000%
BancoEstado Capital de Riesgo S.A. (*)	-	-	-	-	-	-
Sociedad de Servicios Transaccionales Caja Vecina S.A.	99,9000%	0,1000%	100,0000%	99,9000%	0,1000%	100,0000%
BancoEstado Centro de Servicios S.A.	99,9000%	0,1000%	100,0000%	99,9000%	0,1000%	100,0000%
Sociedad de Promoción de Productos Bancarios S.A.	99,9000%	0,1000%	100,0000%	99,9000%	0,1000%	100,0000%
BancoEstado New York Branch	100,0000%	-	100,0000%	100,0000%	-	100,0000%

(*) This company ceased operations on May 3, 2011.

(In millions of Chilean pesos – MCh$)

NOTE 11 – TRANSACTIONS WITH RELATED PARTIES (continued)

b) Loans with related parties:

The following table details the loans and receivables, contingent loans, and trading and investment instruments, in relation to the related parties:

	03.31.2012			12.31.2011		
	Productive Companies	**Investments Companies**	**Natural Persons**	**Productive Companies**	**Investments Companies**	**Natural Persons**
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Loans and receivables						
Commercial loans	132,789	4	299	61,686	2	300
Mortgage loans	-	-	3,789	-	-	4,009
Consumer loans	-	-	297	-	-	303
Gross loans	132,789	4	4,385	61,686	2	4,612
Allowance for loan losses	(216)	-	(14)	(96)	-	(18)
Loans, net	**132,573**	**4**	**4,371**	**61,590**	**2**	**4,594**
Contingent credits						
Total contingent credits	22,095	8,801	61,959	34,125	8,767	123
Allowance s for contingent loans	(78)	(129)	(414)	(98)	(27)	(1)
Contingent loans, net	**22,017**	**8,672**	**61,545**	**34,027**	**8,740**	**122**
Acquired instruments:						
For negotiation	-	-	-	-	-	-
For investment	-	-	-	-	-	-

c) Other assets and liabilities with related parties

	03.31.2012	**12.31.2011**
	MCh$	MCh$
Assets		
Financial derivative contracts	-	-
Other assets	6	6
Liabilities		
Financial derivative contracts	-	-
Demand deposits	60,571	50,400
Time deposits and other loans	35,502	785,959
Other liabilities	-	-

(In millions of Chilean pesos – MCh$)

NOTE 11 – TRANSACTIONS WITH RELATED PARTIES (Continued)

d) Results of transactions with related parties

Type of income or expense	03.31.2012		03.31.2011	
	Income MCh$	Expense MCh$	Income MCh$	Expense MCh$
Interest income and expenses	2,108	(54)	671	(416)
Income and expenses from commissions and services	56	-	26	-
Income and loss for negotiation	-	-	-	-
Income and loss for other financial transactions	-	-	-	-
Exchange differences	5	-	4	-
Expenses from operational support	-	(255)	-	(153)
Other income and expenses	-	-	-	-
Total	2,169	(309)	701	(569)

e) Contracts with related parties

Related company	03.31.2012 Type of Contract	12.31.2011 Type of Contract
1) Contracts over UF 1,000		
Isapre Fundación	Lease of Office	Lease of Office
Operadora de Tarjetas de Crédito Nexus S. A.	Computer Support	Computer Support
Transbank S. A.	Computer Support	Computer Support
Soc. Op. Cam. Comp. Pago a Valor.	Compensation chamber service	Compensation chamber service
Administrador Financiero Transantiago S.A.	Unlock bank cards	Unlock bank cards
2) Contracts less than UF 1,000		
Operadora de Tarjetas de Crédito Nexus S. A.	-	Service of inserts
Operadora de Tarjetas de Crédito Nexus S. A.	-	Service of checkbooks
Fundación Asistencial y de Salud	Office lease	Office lease
Transbank S. A.	-	Transport of securities

f) Payments to the Board of Directors and key management personnel

As of March 31, 2012 and 2011, remuneration received by key management personnel corresponds to the following categories:

(In millions of Chilean pesos – MCh$)

NOTE 11 – TRANSACTIONS WITH RELATED PARTIES (Continued)

	03.31.2012 MCh$	**03.31.2011** MCh$
Short term benefits to employees	722	702
Indemnities for termination of contract	-	26
Total	722	728

g) Key management personnel

As of March 31, 2012 and December 31, 2011, key management personnel of the Bank are as follows:

Position	**03.31.2012 Number of executives**	**12.31.2011 Number of executives**
Chairman	1	1
Vice-President	1	1
Director	4	4
Labor Director	2	2
General Manager	1	1
Chief Attorney	1	1
Controller	1	1
Area managers	7	7
General Managers of Subsidiaries	8	9
Total	26	27

(In millions of Chilean pesos – MCh$)

NOTE 11 – TRANSACTIONS WITH RELATED PARTIES (Continued)

h) Transactions with key management personnel and those related to them

As of March 31, 2012 and 2011, the Bank performed the following transactions with key management personnel and those related to them and the effects are as follows:

	03.31.2012 Income of key executives MCh$	**03.31.2011 Income of key executives** MCh$
Credit cards and other services	4	-
Loans	1,160	-
Guarantees	-	-
Mortgage credits	-	-
Other	19	9
Total	1,183	9

NOTE 12 - SUBSEQUENT EVENTS

There have been no subsequent events between April 1 and 29, 2012 that might materially affect the presentation of the Consolidated Financial Statements of the Bank.