*Interim Consolidated Financial Statements*

***BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES***

*Santiago, Chile*
*As of March 31, 2015 and 2014 and December 31, 2014*

Interim Consolidated Financial Statements

**BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES**

*As of March 31, 2015 and 2014 and December 31, 2014*

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| | | |
|---|---|---|
| Ch$ | = | Chilean Pesos |
| MCh$ | = | Millions of Chilean Pesos |
| US$ | = | United States Dollar (US Dollar) |
| MUS$ | = | Millions of United States dollars |
| U.F. | = | Unidades de Fomento (UF). The UF is a peso-dominated inflation-indexed monetary unit. The UF rate is set daily in advance, based on the change in the Consumer Price Index (CPI) of the previous month |
| JPY | = | Japanese Yen |

## BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

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## BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Interim Consolidated Statements of Financial Position
As of March 31, 2015 and December 31, 2014
(In millions of Chilean Pesos - MCh$)
(Translation of Financial Statements originally issued in Spanish – See Note 1b)

| | Notes | 03/31/2015 MUS$ | 03/31/2015 MCh$ | 12/31/2014 MCh$ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and due from banks | 5 | 5,664 | 3,548,678 | 3,991,859 |
| Transactions in the course of collection | 5 | 977 | 612,195 | 383,694 |
| Financial assets held for trading | | 2,799 | 1,753,783 | 1,876,891 |
| Repurchase agreements and securities loans | | 165 | 103,478 | 179,780 |
| Financial derivative contracts | | 500 | 313,012 | 306,971 |
| Loans and advance to banks | | 601 | 376,611 | 437,373 |
| Loans and accounts receivable from customers | | 26,017 | 16,301,651 | 16,164,190 |
| Financial investments available for sale | | 5,219 | 3,270,416 | 3,333,722 |
| Financial investments held to maturity | | 68 | 42,826 | 42,632 |
| Investments in companies | | 19 | 11,919 | 12,128 |
| Intangible assets | | 265 | 165,946 | 98,125 |
| Property, plant and equipment | 7 | 411 | 257,474 | 256,561 |
| Deferred taxes | | 1,236 | 774,624 | 744,049 |
| Other assets | | 436 | 272,920 | 288,229 |
| **TOTAL ASSETS** | | **44,377** | **27,805,533** | **28,116,204** |
| **LIABILITIES** | | | | |
| Current accounts and other demand deposits | | 9,038 | 5,663,095 | 6,653,167 |
| Transactions in the course of payment | 5 | 898 | 562,370 | 351,760 |
| Repurchase agreements and securities loans | | 805 | 504,398 | 475,202 |
| Saving accounts and time deposits | | 20,126 | 12,610,841 | 12,641,928 |
| Financial derivative contracts | | 351 | 219,638 | 216,856 |
| Obligations with banks | | 1,145 | 717,154 | 679,003 |
| Debt issued instruments | 8 | 7,817 | 4,898,012 | 4,562,943 |
| Other financial obligations | 8 | 31 | 19,299 | 33,279 |
| Current taxes | | 253 | 158,619 | 119,825 |
| Deferred taxes | | 311 | 195,104 | 191,201 |
| Provisions | 9 | 1,279 | 801,584 | 753,622 |
| Other liabilities | | 340 | 212,829 | 194,919 |
| **TOTAL LIABILITIES** | | **42,394** | **26,562,943** | **26,873,705** |
| **EQUITY** | | | | |
| **Attributable to equity holders of the bank:** | | | | |
| Issued capital | | 690 | 432,472 | 432,472 |
| Reserves | | 1,270 | 795,656 | 795,779 |
| Valuation accounts | | 14 | 8,527 | 8,685 |
| Retained earnings: | | | | |
| From prior year's | | 265 | 165,659 | - |
| Net income for the period | | 28 | 17,685 | 165,659 |
| Less: Provision for distribution of income to the benefit of the state | | (293) | (183,344) | (165,659) |
| | | 1,974 | 1,236,655 | 1,236,936 |
| **Non-controlling interest** | | **9** | **5,935** | **5,563** |
| **TOTAL EQUITY** | | **1,983** | **1,242,590** | **1,242,499** |
| **TOTAL LIABILITIES AND EQUITY** | | **44,377** | **27,805,533** | **28,116,204** |

The accompanying notes 1 to 14 are an integral part of these Interim Consolidated Financial Statements.

**BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES**
Interim Consolidated Statement of Income
For the periods ended March 31, 2015 and 2014
(In millions of Chilean Pesos - MCh$)
(Translation of Financial Statements originally issued in Spanish – See Note 1b)

| | Notes | 03/31/2015 MUS$ | 03/31/2015 MCh$ | 03/31/2014 MCh$ |
|---|---|---|---|---|
| Interest income | | 450 | 281,792 | 406,089 |
| Interest expense | | (173) | (108,496) | (223,408) |
| **Net interest income** | | **277** | **173,296** | **182,681** |
| Fees and commission income | | 117 | 73,065 | 61,659 |
| Fees and commission expense | | (35) | (21,831) | (18,052) |
| **Net fee and commission income** | | **82** | **51,234** | **43,607** |
| (Loss) profit from financial operations, net | | (18) | (11,283) | 32,462 |
| Profit foreign exchange transaction, net | | 76 | 47,434 | 8,305 |
| Other operating income | | 7 | 4,361 | 2,076 |
| **Total operating income** | | **424** | **265,042** | **269,131** |
| Provisions for loan losses | | (59) | (37,106) | (65,556) |
| **OPERATING INCOME, NET** | | **365** | **227,936** | **203,575** |
| Personnel salaries and expenses | 11 | (164) | (102,450) | (78,298) |
| Administrative expenses | | (86) | (54,039) | (52,228) |
| Depreciation and amortization | | (18) | (11,190) | (12,382) |
| Impairment | | - | - | - |
| Other operating expenses | | (22) | (13,637) | (9,278) |
| **Total operating expenses** | | **(290)** | **(181,316)** | **(152,186)** |
| **NET OPERATING INCOME** | | **75** | **46,620** | **51,389** |
| Income from investments in companies | | - | 281 | 128 |
| **Income before income taxes** | | **75** | **46,901** | **51,517** |
| Income taxes expenses | | (43) | (26,878) | (13,909) |
| **NET INCOME FOR THE PERIOD** | | **32** | **20,023** | **37,608** |
| Attributable to: | | | | |
| Equity holders of the bank | | 28 | 17,685 | 35,686 |
| Non-controlling interest | | 4 | 2,338 | 1,922 |
| | | **32** | **20,023** | **37,608** |

The accompanying notes 1 to 14 are an integral part of these Interim Consolidated Financial Statements.

**BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES**
Interim Consolidated Comprehensive Statement of Income
For the periods ended March 31, 2015 and 2014
(In millions of Chilean Pesos - MCh$)
(Translation of Financial Statements originally issued in Spanish – See Note 1b)

| | Notes | 03/31/2015 MUS$ | 03/31/2015 MCh$ | 03/31/2014 MCh$ |
|---|---|---|---|---|
| **NET INCOME FOR THE PERIOD** | | **32** | **20,023** | **37,608** |
| **OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO THE INCOME FOR THE PERIOD** | | | | |
| Net profit on valuation of investment securities available-for-sale | | 2 | 1,442 | 7,664 |
| Profit on accumulated foreign currency translation adjustment | | 1 | 901 | 703 |
| Net loss on cash flow hedge derivatives | | (8) | (5,026) | (14,488) |
| **Subtotal other comprehensive income components that will be reclassified to the income for the period** | | **(5)** | **(2,683)** | **(6,121)** |
| Income tax relating to components of other comprehensive income components that will be reclassified to the income for the period | | 5 | 2,525 | 4,104 |
| **Total other comprehensive income that will be reclassified to the income for the period** | | **-** | **(158)** | **(2,017)** |
| **OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO THE INCOME FOR THE PERIOD** | | | | |
| Adjustment for employee benefits plans | | (1) | (373) | (5,009) |
| **Subtotal other comprehensive income components that will not be reclassified to the income for the period** | | **(1)** | **(373)** | **(5,009)** |
| Income tax relating to components of other comprehensive income components that will not be reclassified to the income for the period | | 1 | 250 | 3,005 |
| **Total other comprehensive income that will not be reclassified to the income for the period** | 11 | **-** | **(123)** | **(2,004)** |
| **TOTAL OTHER COMPREHENSIVE INCOME** | | **-** | **(281)** | **(4,021)** |
| **CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD** | | **32** | **19,742** | **33,587** |
| Attributable to: | | | | |
| Equity holders of the bank | | 28 | 17,404 | 31,665 |
| Non-controlling interest | | 4 | 2,338 | 1,922 |
| | | **32** | **19,742** | **33,587** |

The accompanying notes 1 to 14 are an integral part of these Interim Consolidated Financial Statements.

# BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Interim Consolidated Statements of Changes in Equity
For the periods ended March 31, 2015 and 2014
(In millions of Chilean Pesos – MCh$)
(Translation of Financial Statements originally issued in Spanish – See Note 1b)

| | | Reserves | | Valuation accounts | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital MCh$ | Other reserves not derived from profits MCh$ | Reserves derived from profits MCh$ | Financial investments available for sale MCh$ | Cash flow hedge MCh$ | Conversion difference MCh$ | Deferred taxes MCh$ | Prior year's retained earnings MCh$ | Income for the period MCh$ | Provision for distribution of net income period MCh$ | Total attributable to equity holders of the bank MCh$ | Non-controlling interest MCh$ | Total equity MCh$ |
| Equity as of 01/01/2014 | 278,497 | - | 797,760 | 5,750 | 6,194 | (4,646) | (6,253) | - | 103,188 | (103,188) | 1,077,302 | 4,992 | 1,082,294 |
| Transfers | - | - | - | - | - | - | - | 103,188 | (103,188) | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | - | - | (1,184) | (1,184) |
| Variation of financial investments available-for-sale | - | - | - | 7,664 | - | - | (4,590) | - | - | - | 3,074 | - | 3,074 |
| Variation of hedge accounting derivatives | - | - | - | - | (14,488) | - | 8,694 | - | - | - | (5,794) | - | (5,794) |
| Adjustment for conversion differences (NY) | - | - | - | - | - | 703 | - | - | - | - | 703 | - | 703 |
| Adjustment for employee plans | - | (2,004) | - | - | - | - | - | - | - | - | (2,004) | - | (2,004) |
| Provision for distribution of minimum income | - | - | - | - | - | - | - | - | - | (35,686) | (35,686) | (160) | (35,846) |
| Net income for the period | - | - | - | - | - | - | - | - | 35,686 | - | 35,686 | 1,922 | 37,608 |
| **Equity as of 03/31/2014** | **278,497** | **(2,004)** | **797,760** | **13,414** | **(8,294)** | **(3,943)** | **(2,149)** | **103,188** | **35,686** | **(138,874)** | **1,073,281** | **5,570** | **1,078,851** |
| Equity as of 01/01/2015 | 432,472 | (1,981) | 797,760 | 5,096 | 25,358 | (2,322) | (19,447) | - | 165,659 | (165,659) | 1,236,936 | 5,563 | 1,242,499 |
| Transfers | - | - | - | - | - | - | - | 165,659 | (165,659) | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | - | - | (1,763) | (1,763) |
| Variation of financial investments available-for-sale | - | - | - | 1,442 | - | - | (1,106) | - | - | - | 336 | - | 336 |
| Variation of hedge accounting derivatives | - | - | - | - | (5,026) | - | 3,631 | - | - | - | (1,395) | - | (1,395) |
| Adjustment for conversion differences (NY) | - | - | - | - | - | 901 | - | - | - | - | 901 | - | 901 |
| Adjustment for employee plans | - | (123) | - | - | - | - | - | - | - | - | (123) | - | (123) |
| Provision for distribution of minimum income | - | - | - | - | - | - | - | - | - | (17,685) | (17,685) | (203) | (17,888) |
| Net income for the period | - | - | - | - | - | - | - | - | 17,685 | - | 17,685 | 2,338 | 20,023 |
| **Equity as of 03/31/2015** | **432,472** | **(2,104)** | **797,760** | **6,538** | **20,332** | **(1,421)** | **(16,922)** | **165,659** | **17,685** | **(183,344)** | **1,236,655** | **5,935** | **1,242,590** |
| **Equity as of 03/31/2015 MUS$** | **690** | **(3)** | **1,273** | **10** | **32** | **(1)** | **(27)** | **265** | **28** | **(293)** | **1,974** | **9** | **1,983** |

The accompanying notes 1 to 14 are an integral part of these Interim Consolidated Financial Statements.

**BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES**

Interim Consolidated Statements of Cash Flows
For the periods ended March 31, 2015 and 2014
(In millions of Chilean Pesos – MCh$)
(Translation of Financial Statements originally issued in Spanish – See Note 1b)

| | Notes | 03/31/2015 MUS$ | 03/31/2015 MCh$ | 03/31/2014 MCh$ |
|---|---|---|---|---|
| **CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | | | |
| Net income for the period | | 32 | 20,023 | 37,608 |
| **Charges (credits) to income that do not represent cash flows:** | | | | |
| Depreciation and amortization | | 18 | 11,190 | 12,382 |
| Impairment of assets | | - | - | - |
| Provisions for loan losses | | 92 | 57,424 | 82,873 |
| Adjustment to market of financial assets held-for-trading | | 14 | 8,759 | (31,443) |
| Gain from investment in companies | | - | (281) | (128) |
| Net gain on sales assets received in lieu of payment | | (2) | (1,271) | (275) |
| Loss on sale of property, plant and equipment | | - | - | 3 |
| Write-off of assets received in lieu of payment | | 2 | 1,205 | 101 |
| Other charges to income that do not represent cash movements | | 63 | 39,212 | 25,723 |
| Net loss for interest and inflation readjustment | | (139) | (87,399) | (28,195) |
| **Changes in assets and liabilities affecting operating cash flows** | | | | |
| (Increase) decrease of trading instruments | | (591) | (370,093) | 8,188 |
| Increase in loans | | (279) | (174,567) | (338,282) |
| Decrease in held-to-maturity and financial investments available-for-sale | | 101 | 63,112 | 495,721 |
| Decrease (increase) in other credit transactions | | 97 | 60,762 | (83,733) |
| Decrease in currents accounts | | (1,489) | (932,942) | (1,270,635) |
| (Decrease) increase of deposits and loans | | (80) | (49,870) | 537,326 |
| Decrease in other demand and time liabilities | | (61) | (38,347) | (40,398) |
| Increase (decrease) of other obligations through brokerage of documents | | 47 | 29,196 | (84,835) |
| Decrease of obligations in letters of credit | | (66) | (41,606) | (17,573) |
| Increased (Decrease) of loans obtained from local banks | | 97 | 60,502 | (71,810) |
| Decrease (increase) of loans obtained from foreign banks | | (36) | (22,351) | 59,988 |
| Net increase of other assets and liabilities | | 211 | 132,177 | 127,188 |
| **Net cash flows used in operating activities** | | **(1,969)** | **(1,235,165)** | **(580,206)** |
| **CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES** | | | | |
| Purchase of property, plant and equipment and intangible assets | | (129) | (80,798) | (10,832) |
| Sale of property, plant and equipment and intangible assets | | - | 5 | 2 |
| Dividends received from investments in companies | | - | 77 | 60 |
| Sale of assets received in lieu of payment | | 2 | 1,565 | 495 |
| **Net cash flow used in investing activities** | | **(127)** | **(79,151)** | **(10,275)** |
| **CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES** | | | | |
| Issue of bonds | | 539 | 337,928 | - |
| Redemption of bonds | | (10) | (6,387) | (5,783) |
| Payment of income in benefit of non-controlling interest | | - | - | (1,691) |
| **Net cash flows provided by (used in) financing activities** | | **529** | **331,541** | **(7,474)** |
| **NET VARIATION FOR THE PERIOD OF CASH AND CASH EQUIVALENTS** | | **(1,567)** | **(982,775)** | **(597,955)** |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | | 7,780 | 4,874,556 | 4,606,721 |
| **CASH AND CASH EQUIVALENTS AT THE END OF PERIOD** | 5 | **6,213** | **3,891,781** | **4,008,766** |

The accompanying notes 1 to 14 are an integral part of these Interim Consolidated Financial Statements.

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Corporate Information - Background of the Bank and Subsidiaries

The Caja de Crédito Hipotecario was established on August 29, 1855. It was the founding institution that promoted the country's economic development, whose main objective was to provide access to credit to the productive sector and to the public in general and to safeguard their deposits. Subsequently, the Caja Nacional de Ahorro was established by law, on August 22, 1910, in order to encourage savings, especially in the lower-income sector, and to ensure safe and profitable savings. Under such law, it was agreed to combine in a single institution all of the saving entities in the country under the sponsorship of the Government. The country's needs, especially in the agricultural sector led to the creation of the Caja de Crédito Agrario, in August 1926, in order to provide financial services to a wide range of farmers. For similar purposes, but this time pursuant to the manufacturing industry, the Instituto de Crédito Industrial was established in February 1928. The four institutions mentioned above, operated separately until 1953, when under Decree in Force of Law (D.F.L.) No. 126, published in the Official Gazette on July 24, 1953, Banco del Estado de Chile (hereinafter referred to as "the Bank" or "BancoEstado") was established and began operating on September 1, 1953.

The purpose of its creation was to promote development of domestic economic activities by providing financial products and services, and in doing so provide the best quality service to Chilean citizens.

The Organic Law of Banco del Estado de Chile, Law Decree (D.L.) No. 2,079 of 1977, establishes that the Bank is an autonomous State company, with its own legal status and equity, of indefinite duration, exclusively subject to the supervision of the Superintendencia de Bancos e Instituciones Financieras (SBIF) and related with the Government through the Treasury Department. Therefore, Banco del Estado de Chile does not have issued 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 trust of the President of the Republic, and one is a representative of the Bank's employees. It is managed by an Executive Committee formed by the Chairman, Vice-chairman and Chief Executive Officer.

The Bank's headquarters are located at Av. Libertador Bernardo O'Higgins No. 1,111, Santiago, Chile.

The Interim Consolidated Financial Statements of BancoEstado, corresponding to the period ended March 31, 2015, were approved by the Audit Committee and by the Executive Committee on April 28, 2015.

(In millions of Chilean Pesos – MCh$)

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF 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 is obligated to prepare Consolidated Financial Statements including its Subsidiaries and its foreign Branch and its investments in entities supporting its line of business in addition to its own Financial Statements.

The Subsidiaries and foreign Branch of the Bank are the following:

- BancoEstado S.A. Corredores de Bolsa is 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 Superintendencia de Valores y Seguros (S.V.S), under registry 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. Corredores de Bolsa is located at Avenida Libertador Bernando O'Higgins No. 1,111, 6th floor, Santiago, Chile.

  This company is considered a Subsidiary of BancoEstado, given that the latter owns shares with representative voting rights for 99.9996% of its equity as of March 31, 2015 and December 31, 2014, maintaining control over the operations of BancoEstado S.A. Corredores de Bolsa.

  BancoEstado S.A. Corredores de Bolsa holds non-controlling interest in the following companies:

| Entity name | No. of share | Participation | Valuation of the investment | Dividends Received MUS$ 03/31/2015 | Dividends Received MCh$ 03/31/2015 | Dividends Received MCh$ 12/31/2014 |
|---|---|---|---|---|---|---|
| Bolsa de Comercio de Santiago; Bolsa de Valores | 1 | 2.0830% | Fair Value | - | - | 110 |
| Bolsa Electrónica de Chile | 1 | 2.4390% | Fair Value | - | - | - |
| BancoEstado Microempresa S.A. Asesorías Financieras (*) | 436 | 0.1000% | Share Method | - | - | - |
| BancoEstado Servicios de Cobranza S.A. (*) | 10 | 0.1000% | Share Method | - | - | - |

(*) Entities that form part of the consolidated BancoEstado group.

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- BancoEstado S.A. Administradora General de Fondos is a privately held Corporation established on June 23, 1997 and authorized by Resolution No. 272 dated August 20, 1997 issued by the Superintendencia de Valores y Seguros, whose exclusive purpose was to manage home savings. On April 25, 2003 through Exempt Resolution No. 105, the Superintendencia de Valores y Seguros 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 the management of third party resources, in accordance with Law No. 20,712 or by the law that replaces or complements it, and may perform all complementary activities to its line of business as authorized by the Superintendencia de Valores y Seguros. 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. Currently the Company has under its administration 17 mutual funds and one home savings fund.

  BancoEstado S.A. Administradora General de Fondos is located at Nueva York No. 33, 7th floor, Santiago, Chile.

  This company is considered a Subsidiary of BancoEstado, as the Bank owns shares with representative voting rights for 50.01% of its equity as of March 31, 2015 and December 31, 2014, holding controlling interest in the operations of BancoEstado S.A. Administradora General de Fondos.

- BancoEstado Corredores de Seguros S.A. was established 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 Superintendencia de Valores y Seguros. Its purpose is the remunerated intermediation of all types of insurance ruled by Law Decree No. 251 of 1931, with any national insurance company domiciled in the country and providing related insurance contracting advisory services.

  BancoEstado has a strategic alliance with Metlife Chile Inversiones Ltda. for the development of the insurance business and incorporated this company as a shareholder of BancoEstado Corredores de Seguros S.A. with a 49.9% interest. This alliance includes participation in the management and development of products and businesses.

  BancoEstado Corredores de Seguros S.A. is located at Moneda No. 1,140, 2nd floor, Santiago, Chile.

(In millions of Chilean Pesos – MCh$)

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This company is considered a Subsidiary of BancoEstado, as the Bank owns shares with representative voting rights for 50.10% of its equity as of March 31, 2015 and December, 31, 2014, holding controlling interest in the operations of BancoEstado Corredores de Seguros S.A.

- BancoEstado Servicios de Cobranza S.A., is a privately held company established on September 9, 1999, and registered with the Superintendencia de Bancos e Instituciones Financieras on August 10, 1999 under No. 752. Its exclusive objective is to collect on credit documents on its own account or on behalf of others, whether through pre-judicial, judicial or extrajudicial means.

  BancoEstado Servicios de Cobranza S.A. is located at San Diego No. 81, 6th floor, Santiago, Chile.

  This company is considered a Subsidiary of BancoEstado, as the Bank owns shares with representative voting rights for 99.9% of its equity as of March 31, 2015 and December 31, 2014, holding controlling interest in the operations of BancoEstado Servicios de Cobranza S.A., which is fully dependent upon BancoEstado.

  BancoEstado Servicios de Cobranzas S.A. holds non-controlling interest in the following companies:

| Entity name | No. of share | Participation | Valuation of the investment | Dividends Received MUS$ 03/31/2015 | Dividends Received MCh$ 03/31/2015 | Dividends Received MCh$ 12/31/2014 |
|---|---|---|---|---|---|---|
| BancoEstado Contacto 24 Horas S.A. (*) | 10 | 0.1000% | Share Method | - | - | - |
| BancoEstado Centro de Servicios S.A. (*) | 518,749 | 0.1000% | Share Method | - | - | - |

  (*) Entities that form part of the consolidated BancoEstado group.

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

  BancoEstado Microempresa S.A. Asesorías Financieras is located at Nueva York No. 9, 5th floor, Santiago, Chile.

  This company is considered a Subsidiary of BancoEstado, as the Bank owns shares with representative voting rights for 99.9% of its equity as of March 31, 2015 and December 31, 2014, holding controlling interest in the operations of BancoEstado Microempresa S.A. Asesorías Financieras.

(In millions of Chilean Pesos – MCh$)

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- BancoEstado Centro de Servicios S.A. was incorporated on November 13, 2004, for the sole purpose of carrying out legal and operating 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 deposit transactions. Its main purpose is to provide support services to the banking business in terms of cash services.

  BancoEstado Centro de Servicios S.A. is located at Nueva York No. 9, 3rd floor, Santiago, Chile.

  This company is considered a Subsidiary of BancoEstado, as the Bank owns shares with representative voting rights for 99.9% of its equity as of March 31, 2015 and December 31, 2014, holding controlling interest in the operations of BancoEstado Centro de Servicios S.A.

  BancoEstado Centro de Servicios S.A. holds non-controlling interest shares in the following company:

| Entity name | No. of share | Participation | Valuation of the investment | Dividends Received MUS$ 03/31/2015 | Dividends Received MCh$ 03/31/2015 | Dividends Received MCh$ 12/31/2014 |
|---|---|---|---|---|---|---|
| Sociedad de Servicios Transaccionales Caja Vecina S.A. (*) | 30 | 0.1506% | Share Method | - | - | 2 |

(*) Entity that form part of the consolidated BancoEstado group.

- BancoEstado Contacto 24 Horas S.A. is a privately held company established on December 13, 2001. Its purpose is to provide, via remote and/or virtual communication, telemarketing and technical support services, and general product and service information aimed at developing and maintaining business relationships with customers from BancoEstado and its subsidiaries.

  BancoEstado Contacto 24 Horas S.A. is located at Nueva York No. 80, 11th floor, Santiago, Chile.

  This company is considered a Subsidiary of BancoEstado, as the Bank owns shares with representative voting rights for 99.9% of its equity as of March 31, 2015 and December 31, 2014, holding controlling interest in the operations of BancoEstado Contacto 24 Horas S.A.

(In millions of Chilean Pesos – MCh$)

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Sociedad de Servicios Transaccionales Caja Vecina S.A. is a privately held company established on October 16, 2006. Its sole and exclusive purpose is to carry out activities related to legal and operational actions with the public 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.

  Sociedad de Servicios Transaccionales Caja Vecina S.A. is located at Avenida Bombero Ossa No. 1,010, Office 301-A, Santiago, Chile.

  This company is considered a Subsidiary of BancoEstado, as the Bank owns shares with representative voting rights for 99.8494% of its equity as of March 31, 2015 and December 31, 2014, holding controlling interest in the operations of Sociedad de Servicios Transaccionales Caja Vecina S.A.

  Sociedad de Servicios Transaccionales Caja Vecina S.A. holds non-controlling interest in the following company:

| Entity name | No. of share | Participation | Valuation of the investment | Dividends Received MUS$ 03/31/2015 | Dividends Received MCh$ 03/31/2015 | Dividends Received MCh$ 12/31/2014 |
|---|---|---|---|---|---|---|
| Sociedad de Promoción de Productos Bancarios S.A. (*) | 10 | 0.1700% | Share Method | - | - | - |

(*) Entity that form part of the consolidated BancoEstado group.

- Sociedad de Promoción de Productos Bancarios S.A. is a privately held corporation, established on May 7, 2008. Its sole and exclusive purpose is to promote the products and services of the Bank and its Subsidiaries. This company is subject to the regulations of the Superintendencia de Bancos e Instituciones Financieras.

  Sociedad de Promoción de Productos Bancarios S.A. is located at Bandera No. 84, mezzanine, Santiago, Chile.

  This company is considered a Subsidiary of BancoEstado, as the Bank owns shares with representative voting rights for 99.83% of its equity as of March 31, 2015 and December 31, 2014, holding controlling interest in the operations of Sociedad de Promoción de Productos Bancarios S.A.

(In millions of Chilean Pesos – MCh$)

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- BancoEstado New York Branch, who's banking license was issued on July 25, 2005 by the authorities of the State of New York, which authorizes Banco del Estado de Chile to open and operate a Branch. Its operation started on October 5, 2005. 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. This Branch is regulated and supervised by the State of New York and the Federal Reserve in the United States.

The following charts show a summary of the financial position of the companies in which BancoEstado participates:

**March 31, 2015**

| Entities | Assets | | Liabilities | | Company income | | Accumulated profits | | Cash and cash equivalent | |
|---|---|---|---|---|---|---|---|---|---|---|
| | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ |
| BancoEstado S.A. Corredores de Bolsa | 1,397 | 875,438 | 1,293 | 810,294 | 4 | 2,802 | 86 | 54,148 | 2 | 986 |
| BancoEstado S.A. Administradora General de Fondos | 20 | 12,551 | 16 | 10,120 | 2 | 1,355 | 1 | 435 | 14 | 9,018 |
| BancoEstado Corredores de Seguros S.A. | 55 | 34,769 | 40 | 25,311 | 5 | 3,327 | 9 | 5,816 | 19 | 11,822 |
| BancoEstado Servicios de Cobranzas S.A. | 10 | 6,545 | 9 | 5,608 | 1 | 761 | (1) | (761) | 6 | 3,477 |
| BancoEstado Microempresa S.A. | 12 | 7,454 | 5 | 3,310 | 1 | 813 | 4 | 2,612 | 7 | 4,089 |
| BancoEstado Centro de Servicios S.A. | 42 | 26,204 | 38 | 24,021 | - | 28 | (8) | (4,773) | 1 | 923 |
| BancoEstado Contacto 24 Horas S.A. | 2 | 1,163 | 1 | 708 | - | 23 | (1) | (346) | - | 66 |
| Sociedad de Servicios Transaccionales Caja Vecina S.A. | 14 | 8,728 | 6 | 3,647 | 1 | 557 | 4 | 2,419 | 8 | 5,268 |
| Sociedad de Promoción de Productos Bancarios S.A. | 1 | 610 | - | 11 | - | 2 | - | (25) | - | 2 |

**December 31, 2014**

| Entities | Assets MCh$ | Liabilities MCh$ | Company income MCh$ | Accumulated profits MCh$ | Cash and cash equivalent MCh$ |
|---|---|---|---|---|---|
| BancoEstado S.A. Corredores de Bolsa | 745,549 | 682,888 | 9,870 | 44,278 | 3,349 |
| BancoEstado S.A. Administradora General de Fondos | 8,376 | 6,687 | 5,013 | 4,373 | 4,342 |
| BancoEstado Corredores de Seguros S.A. | 23,516 | 17,313 | 13,772 | 3,369 | 1,106 |
| BancoEstado Servicios de Cobranzas S.A. | 5,792 | 4,093 | 1,313 | (1,313) | 1,313 |
| BancoEstado Microempresa S.A. | 7,091 | 3,759 | 83 | 2,529 | 1,768 |
| BancoEstado Centro de Servicios S.A. | 28,377 | 26,166 | 204 | (4,977) | 923 |
| BancoEstado Contacto 24 Horas S.A. | 1,405 | 973 | 132 | (478) | 66 |
| Sociedad de Servicios Transaccionales Caja Vecina S.A. | 7,466 | 3,341 | 2,419 | - | 3,719 |
| Sociedad de Promoción de Productos Bancarios S.A. | 606 | 9 | 10 | (34) | 1 |

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Summary of significant accounting policies and others

**a) Period covered:**

The Interim Consolidated Financial Statements (hereinafter, "Financial Statements") comprise the following statements and periods: Interim Consolidated Statement of Financial Position that covers the periods as of March 31, 2015 and December 31, 2014, respectively and the Interim Consolidated Statement of Income, the Interim Consolidated Comprehensive Statement of Income, the Interim Consolidated Statement of Changes in Equity and the Interim Consolidated Statement of Cash Flows for the periods from 1 January and March 31, 2015 and 2014, respectively.

**b) Basis of presentation:**

Article No.15 of the General Banking Law empowers the Superintendencia de Bancos e Instituciones Financieras to set forth general application accounting standards to entities subject to its oversight. On the other hand, the Companies Law requires that generally accepted accounting principles be followed.

According to the mentioned legal regulations, banks must use the criteria set forth by the Superintendencia de Bancos e Instituciones Financieras in its Compendium of Accounting Standards and in that which is not dealt with therein, if they do not contradict its instructions, banks must follow generally accepted accounting principles, which correspond to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In the event of discrepancies between those generally accepted accounting principles and the accounting standard issued by the Superintendencia de Bancos e Instituciones Financieras, the latter shall take preference.

For the convenience of the reader, the Interim Consolidated Financial Statements and their accompanying notes have been translated from Spanish to English. Certain accounting practices applied by the Bank that conform to rules issued by the Chilean Superintendency of Banks may not conform to generally accepted accounting principles in the United Stated ("US GAAP") or to International Financial Reporting Standards (IFRS).

These Interim Consolidated Financial Statements for the 3-month period ended as of March 31, 2015, have been prepared in accordance with chapter C-2 of the Compendium of Accounting Standards of the Superintendencia de Bancos e Instituciones Financieras and International Accounting Standards No. 34 (IAS 34) Interim Financial Information.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In accordance with IAS 34, interim financial information is prepared solely with the intention of updating the contents of the latest annual Consolidated Financial Statements, with emphasis on new activities, events and circumstances occurred during the accounting period described in letter a) above and not duplicating the information previously published in the latest Consolidated Financial Statements. Due to the above, these Interim Consolidated Financial Statements do not include all the information required for full Consolidated Financial Statements prepared in accordance with international financial accounting and reporting standards agreed upon by the IASB, therefore, for an adequate comprehension of the information included in these Interim Consolidated Financial Statements, they must be read in conjunction with the annual Consolidated Financial Statements of BancoEstado, for the year ended December 31, 2014.

**c) Consolidation criteria:**

The Interim Consolidated Financial Statements comprise the preparation of the Financial Statements of the Bank, New York Branch and Subsidiaries and include the adjustments and reclassifications necessary to homogenize the accounting policies and valuation criteria applied by the Bank, in accordance with the standards established in the Compendium of Accounting Standards issued by the Superintendencia de Bancos e Instituciones Financieras.

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, 2015, the assets and liabilities and operating income of Subsidiaries represent altogether 9.96%, 10.40% and 29.73%, respectively (8.88%, 9.27% and 28.61%, respectively as of December 31, 2014), of total consolidated assets, liabilities and operating income. Unearned income from transactions with companies, whose investment is recognized using the share method, is eliminated from the investment, using the share percentage in the entity's equity.

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

- **Controlled entities and/or Subsidiaries**

"Controlled" entities are those upon which the Bank has the capacity to exercise control over, in accordance with IFRS 10, this capacity is exercised when the Bank has the right to variable yields from its participation in said entity, and the capacity to influence those yields through its power over them.

(In millions of Chilean Pesos – MCh$)

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The entities (hereinafter jointly referred to as “Subsidiaries”) and foreign Branch over which the Bank has the capacity to exercise control, and form part of the Interim Consolidated Financial Statements as of March 31, 2015 and December 31, 2014 are detailed as follows:

| | | Participation | | | | | |
|---|---|---|---|---|---|---|---|
| | | March 31, 2015 | | | December 31, 2014 | | |
| RUT | Company and/or foreing Branch | Direct | Indirect | Total | Direct | Indirect | Total |
| 96.564.330-3 | BancoEstado S.A. Corredores de Bolsa | 99.9996% | - | 99.9996% | 99.9996% | - | 99.9996% |
| 77.330.030-5 | BancoEstado Corredores de Seguros S.A. | 50.1000% | - | 50.1000% | 50.1000% | - | 50.1000% |
| 96.900.150-0 | BancoEstado Servicios de Cobranza S.A. (*) | 99.9000% | 0.1000% | 100.0000% | 99.9000% | 0.1000% | 100.0000% |
| 96.836.390-5 | BancoEstado S.A. Administradora General de Fondos | 50.0100% | - | 50.0100% | 50.0100% | - | 50.0100% |
| 96.979.620-1 | BancoEstado Contacto 24 Horas S.A. (*) | 99.9000% | 0.1000% | 100.0000% | 99.9000% | 0.1000% | 100.0000% |
| 96.781.620-5 | BancoEstado Microempresas S.A. Asesorías Financieras (*) | 99.9000% | 0.1000% | 100.0000% | 99.9000% | 0.1000% | 100.0000% |
| 76.727.730-K | Sociedad de Servicios Transaccionales Caja Vecina S.A. (*) | 99.8494% | 0.1506% | 100.0000% | 99.8494% | 0.1506% | 100.0000% |
| 99.578.880-2 | BancoEstado Centro de Servicios S.A. (*) | 99.9000% | 0.1000% | 100.0000% | 99.9000% | 0.1000% | 100.0000% |
| 76.015.414-8 | Sociedad de Promoción de Productos Bancarios S.A. (*) | 99.8300% | 0.1700% | 100.0000% | 99.8300% | 0.1700% | 100.0000% |
| - | BancoEstado - New York Branch (*) | 100.0000% | - | 100.0000% | 100.0000% | - | 100.0000% |

(*) These entities are regulated by the Superintendencia de Bancos e Instituciones Financieras. The remaining companies are regulated by the Superintendencia de Valores y Seguros. The New York Branch is also regulated by the State of New York and the US Federal Reserve.

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

Entities supporting the line of business are those over which the Bank has the ability to exercise significant influence, but not control or joint control.

The companies that support the line of business are detailed as follows:

| | Participation % | |
|---|---|---|
| **Company** | **03/31/2015** | **12/31/2014** |
| Administrador Financiero Transantiago S.A. | 21.0000% | 21.0000% |
| Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. | 13.0336% | 13.0336% |
| Operadora de Tarjetas de Crédito Nexus S.A. | 12.9030% | 12.9030% |
| Transbank S.A. | 8.7188% | 8.7188% |
| IMERC-OTC S.A. | 11.1100% | 11.1100% |

The Bank analyzed the valuation method and decided to continue to apply the equity method (EM) to account for all entities supporting the line of business, using as main criterion the level of significant influence exercised over these companies through its participation in the Board rather than its share in the equity of those companies.

The business support entities are closed corporations that do not trade their shares on a stock exchange, and aim to facilitate the execution of operational activities with associated banks, and are considered permanent investments.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Investments in other companies:**

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

Between March 31, 2015 and December 31, 2014 there have been no changes in the Bank's composition or changes in ownership.

The Bank has 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 Interim Consolidated Income Statements, and in equity in the Interim Consolidated Statement of Financial Position, and separately from the equity attributable to the Bank.

**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 for which separate financial information is available, that is used regularly by the chief decision maker to decide how to allocate resources and to evaluate performance.

The Bank's operating segments are determined based on the different business units. These business units generate services subject to risks and performance that are different from another operating segment.

**f) Functional and presentation currency:**

The Bank and its Subsidiaries have defined the Chilean peso as their functional currency because:

- It is the currency of the main economic environment whose competitive forces and regulations determine the prices of financial services provided by the Bank and its Subsidiaries.

- It is the currency that mainly influences payroll and other costs necessary to provide the services that the Bank and its Subsidiaries provide to its clients.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The New York Branch has defined its functional currency as the US dollar. Balances of the Branch's Financial Statements are converted to Chilean pesos as follows:

- Assets and liabilities are converted at the exchange rate, as of the Financial Statement closing date.
- Income, expenses and cash flows, are converted applying the accounting representation exchange rate for the month of the transaction.
- Net equity at historical exchange rates.

The presentation currency for the Interim Consolidated Financial Statements is the Chilean peso, expressed in millions of 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 Interim Consolidated Financial Statements of the Bank and its Subsidiaries, monetary assets and liabilities in foreign currencies are translated into Chilean pesos using exchange rates current as of the closing date of the respective Interim Consolidated Financial Statements. The resulting gains or losses are recognized as profits or losses.

Differences produced from the converted of balances in the functional currency of the New York Branch to Chilean pesos is recorded in "Valuation accounts-Conversion difference" in the Interim Consolidated Statement of Changes in Equity.

**h) Valuation criteria of assets and liabilities:**

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

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

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the amortization accumulated of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

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

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For financial instruments the part systematically recorded in the accounts of profit 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 and liabilities measured at fair value:**

The fair value of an asset or liability at a given date is understood to be the amount at which the asset could be exchanged and the liability could be settled on that date between two prudent, 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").

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 to estimate its fair value.

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

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

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

- Derivative financial instruments, which have been measured at fair value.
- Assets classified as held for sale are valued at 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 investments available for sale are measured at fair value.

- **Assets valued at acquisition cost:**

Acquisition cost is the cost of the transaction to acquire the asset, less any impairment losses should there be any.

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### i) Investment securities:

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

Investment securities are initially recognized at cost, including transaction costs.

Subsequent to initial recognition, available-for-sale investments are measured at fair value based on market prices or valuations obtained from using models, less impairment losses. Unrealized gains or losses from changes in fair value are recognized with a charge or credit to equity accounts. When these investments are sold or impaired, the amount of the accumulated fair value adjustment in equity is transferred to income and reported under “Net income from financial operations”.

Held-to-maturity investments are recorded at cost plus accrued interest and readjustments less impairment provisions recorded when their carrying amount exceeds their estimated recovery amount.

Interests and adjustments of held-to-maturity investments and available-for-sale instruments are included under, "Interest income".

Investment securities designated as hedged instruments are adjusted following the rules on hedge accounting.

Investment securities purchases and sales that must be delivered within the time period established by market regulations and conventions are recognized on the trading date, which is the date when the commitment is made to purchase or sell the asset.

The Bank has evaluated its held-to-maturity and available-for-sale investment portfolio as of March 31, 2015 and December 31, 2014, in order to assess whether there are any impairment indicators. This assessment includes economic evaluations, credit rating of the debt issues and the intent and ability of management to hold these investments to maturity. Based on such evaluation, no impairment losses have been recognized.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**j) Instruments held for trading**:

Instruments held for trading are securities acquired for the purpose of generating earnings from current price fluctuation or from brokerage margins, or which form part of a portfolio in which there is a pattern of current profit-taking.

Instruments held for trading are valued at fair value based on market prices as of the closing date of the Interim Consolidated Statement of Financial Position. Profits or losses generated by adjustments for the valuation of their fair value, as well as income from negotiation activities (sale of instruments), are included in the Interim Consolidated Statement of Income under "Net income from financial operations". Accrued interest and readjustments are also reported in the Interim Consolidated Statement of Income under "Net income from financial operations".

Management has designated all investments held by Subsidiaries as instruments held for trading.

All purchases and sales of instruments held for trading to be delivered in the period established by market regulations or conventions are recognized on the trading date, which is the date on which the commitment is made to purchase or sell the asset.

**k) Financial derivative contracts:**

Financial derivative contracts including foreign currency (FC) and UF, interest rate futures, currency and interest rate swaps, interest rate and currency options, and other financial derivatives are initially recognized in the Interim Consolidated Statement of Financial Position at their cost (including transaction costs) and subsequently measured at fair value. 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 it is negative under "Financial derivative contracts", as applicable.

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.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Any changes in the fair value of financial derivative contracts for negotiation are included in the Interim Consolidated Statement of Income under “Net income from financial operations".

If the derivative instrument is classified as for accounting hedge purposes, it can be: (1) a fair value hedge of existing assets or liabilities or firm commitments, or (2) a hedge for cash flows related to existing assets or liabilities or expected transactions. A hedge relationship for hedge accounting purposes must meet all the following conditions: (a) at inception of the hedge there is formal documentation of the hedge 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 highly effective in relation to the hedged risk, continuously throughout the hedge relationship.

Certain transactions with derivatives that do not qualify for hedge accounting are treated and reported as trading derivatives, even though they provide effective coverage for managing risk positions.

When a derivative hedges exposure to changes in the fair value of a recognized asset or liability, such asset or liability is recorded at fair value with respect to the specific risk hedged. Profits or losses from valuating both the hedged item and the hedge derivative at fair value are recognized in profit or loss.

If the hedged item in a fair value hedge is a firm commitment, changes in the fair value of the commitment in regard to the risk hedged are recorded as an asset or liability with an effect on income for the year. Profits or losses from fair value measurement of the hedge derivative are recognized with an effect on income for the period. When an 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 accumulated effect of fair value valuation of the firm commitment that was recorded in the Interim Consolidated Statement of Financial Position.

When a derivative hedges exposure to changes in the cash flows of recognized assets or liabilities or of expected transactions, the effective part of the change in fair value with respect to the hedged risk is recorded in shareholders’ equity. Any ineffective part is recognized directly in income for the period.

The amounts recorded directly in equity for the effective portion of cash hedges, are carried to income duranting the same periods in which the hedged assets or liabilities affect profit or loss for the period.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**l) Loans to customers:**

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

When the Bank is the landlord in a lease agreement and substantially transfers all incidental risks and benefits over the leased asset, the transactions is presented under loans to customers, as leasing operations.

Loans are initially valued at cost, plus incremental transaction costs and are then measured at their amortized cost using the effective interest rate method, except when the Bank defines certain loans as the object of hedging, which are valued at fair value with effect on income, as described in letter k) of this note.

**m) Interest revenue and expenses:**

Interest revenue and expenses 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 suspend accrual of interest and readjustments, and recognize them in the accounting when they are received.

In accordance with the criteria established by the Superintendencia de Bancos e Instituciones Financieras, suspension occurs in the following cases:

Loans with individual assessment:

- Loans classified in categories C5 and C6: accrual is suspended by the sole fact of being in the impaired portfolio.

- Loans classified in categories C3 and C4: accrual is suspended due to having been three months in the impaired portfolio.

Loans with collective assessment:

- Loans with less than 80% real guarantees: accrual is suspended when payment of the loan or one of its installments has been overdue for six months.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Notwithstanding the above, in the case of loans subject to individual assessment, recognition of income from accrual of interest and readjustments can be maintained for loans that are being paid normally and which correspond to obligations whose cash flows are independent, as can occur in the case of project financing.

**n) Income and expenses from fees and commissions:**

Income and expenses from fees and commissions are recognized in the Interim Consolidated Statements of Income with different criteria, depending on their nature. The most significant criteria as the follows:

- Those originating from specific actions which are recognized when the action that generates them is produced.
- Those originating from transactions or services that are rendered over a period of time, which are recognized over the life, maturity or term covering such transactions or services.
- Those related to financial assets or liabilities, which are recognized at the time of their collection.

**o) Impairment:**

The Bank, New York Branch and its Subsidiaries use the following criteria to evaluate the impairment of its assets, as applicable:

- **Financial assets:**

Financial assets are evaluated at each reporting date to determine whether there is objective evidence of impairment. A financial asset or group or assets will be impaired if there is objective evidence that one or more events have had a negative effect on future cash flows 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 an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are individually reviewed to determine their impairment (individual assessment). The remaining financial assets are evaluated collectively in groups that share similar credit risk characteristics (collective assessment).

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All impairment losses are recognized in profit or loss. Any accumulated loss related to an available-for-sale financial asset, previously recognized in equity is transferred to income.

Reversal of an impairment loss occurs only if it can be objectively related to an event occurred after its recognition. In the case of financial assets carried at amortized cost and sales deeds available-for-sale, reversal is recognized in 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, which is its fair value less cost of sales or its value in use, whichever is greater.

Losses for impairment 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. The increased carrying amount of an asset attributable to reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortization), had no impairment loss been recognized for the asset in prior periods.

**p) Investments in companies:**

Associated entities, which correspond to entity's that provide business-related support, are valued using the share method (Note 1 c)), which consists of determining the value of the investment according to the percentages of participation in the associate's equity. Income on these investments is recognized on an accrued basis.

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### q) Intangible assets:

Intangible assets held by the Bank are mainly investments in software.

Acquired software is measured at cost less accumulated amortization and accumulated impairment losses.

Expenses for internally developed software are recognized as assets 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 reliably measured. Capitalization of the cost of internally developed software includes all direct costs attributable to the development of the software and is amortized over its useful life.

Amortization is recognized on a straight-line basis over the estimated useful life of the software since it is ready for use. The average estimated useful life of software is 3 years.

Expenses incurred, in research and evaluation of technological alternatives, are recognized as an expense 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 at the construction stage includes the cost of materials and direct labor and any other costs directly attributable to the process of conditioning an asset so that it is ready for use.

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

Depreciation is recognized in the Interim Consolidated Income Statement on the linear depreciation method applied to the useful lives of each part of a property, plant and equipment item. Leased assets are amortized over the term of the lease or their useful lives, whichever is shorter, unless there is certainty that the Bank will obtain ownership at the end of the term of the lease.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As of March 31, 2015 and December 31, 2014, the Bank applied approximately the following useful lives estimated for depreciation of assets:

| | |
|---|---|
| - Buildings | 80 years |
| - Equipment and facilities | 5 to 10 years |
| - Equipment and accessories | 3 years |

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

The estimated useful lives of property, plant and equipment items are reviewed at the end of the reporting period in order to detect any significant changes. If changes are observed in the useful lives of the assets, they are adjusted and depreciation is corrected in the current period and any future affected periods.

Repair and maintenance expenses are recognized when they occur.

**s) Lease agreements:**

- **Operating leases:**

  When the Bank, New York Branch and its Subsidiaries act as lessee and the contract qualifies as an operating lease, the total payment is recording in operating income, according to the date on which the service was received.

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

- **Financial leases:**

  Financial leases consist of lease agreements with a clause that gives the lessee the option to purchase the leased asset at the end of the lease. The sum of the present value of lease payments that will be received from the lessee, plus the purchase option is recognized as third party financing and therefore presented in the "Loans and accounts receivable from customers" at present value and the asset is derecognized.

  Goods acquired for financial lease operations are presented under "Other assets" at acquisition cost.

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### t) Cash and cash equivalents:

The Bank has used the indirect method for preparing the Consolidated Statement of Cash Flows, whereby the Bank's net income is adjusted for the effects of non-cash transactions, as well as for income and expenses associated to cash flows classified as from operating, investing or financing activities.

In accordance with the specific provisions applicable to financial institutions, the Bank and its Subsidiaries consider cash and cash equivalents as the balance of the "Cash and deposits in banks", plus (minus) the net balance of "Transactions in the course of collection" as shown in the Consolidated Statements of Financial Position, plus "Financial assets held for trading" and "Financial investments available for sale" of high liquidity and insignificant risk of a change in value, whose maturity does not exceed three months from the date of acquisition, and "Repurchase agreements and securities loans" in that position. It also includes investments in fixed income mutual funds, which are found under "Financial assets held for trading" in the Consolidated Financial Statements.

The preparation of the Consolidated Statements of Cash Flows considers the following concepts:

a) **Operating activities:** correspond to normal activities performed by banks, as well as other activities that cannot be qualified as from investing or financing.

b) **Investing activities:** correspond to acquisition or disposal by other means of non-current assets and other investments not included in cash and cash equivalents.

c) **Financing activities:** correspond to activities that produce changes in the size and composition of net equity and liabilities that do not form part of operating or investing activities.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**u) Provisions for loan losses:**

The provisions required to cover loan losses have been recognized according to the standards of the Superintendencia de Bancos e Instituciones Financieras. Assets are presented net of the provision or showing the reduction in the case of "Loans and accounts receivable from customers". In the case of contingent credits, provisions are recorded in liabilities, under "Provisions".

The models established by the Superintendencia de Bancos e Instituciones Financieras for determining provisions are summarized as follows:

**u.1) Provisions for individual assessment:**

In accordance with Chapter B-1 of the Compendium of Accounting Standards of the Superintendencia de Bancos e Instituciones Financieras the individual assessment of debtors is necessary when dealing with clients who due to their size, complexity or exposure level, need to be known and analyzed in detail.

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

The following risk rating criteria are applied to commercial debtors subject to individual analysis, and are based on the principles established in Chapter B-1 of the Compendium of Accounting Standards of the Superintendencia de Bancos e Instituciones Financieras.

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

**Debtor portfolio with normal risk**

The portfolio with normal risk includes debtors whose payment capacity allows them to fulfill their obligations and commitments and it is not perceived that this condition will change based on the assessment of their economic financial position. Therefore, these are debtors without substantial risks, whose payment capacity allows them to cover obligations under the agreed terms and which would continue being satisfactory in spite of unfavorable business, economic and financial situations.

(In millions of Chilean Pesos – MCh$)

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The probability of default and expected loss in each category of the normal risk portfolio is as follows:

| Type of portfolio | Category | Probability of default % | Loss due to default % | Expected loss (provision %) |
|---|---|---|---|---|
| Normal risk 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 debtors with financial difficulties or significant worsening of their payment capacity and for which there are reasonable doubts about the total reimbursement of agreed principal and interest, showing little room to fulfill their current financial obligations.

This portfolio also includes debtors, which lately (in the last twelve months) have shown delinquencies in excess of thirty days, show poor payment behavior with the Bank and with third parties (delinquency during the year for significant amounts outstanding for less than 90 days).

The probability of default and expected loss in each category of the substandard portfolio are detailed as follows:

| Type of portfolio | Category | Probability of default % | Loss due to default % | Expected loss (provision %) |
|---|---|---|---|---|
| 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 |

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Provisions on portfolio under normal or substandard compliance**

To determine the amount of the provisions that should be established for portfolios with normal and substandard compliance, banks must first estimate the exposure subject to provisions, to which the respective loss percentages will be applied (expressed in decimals), which comprise the likelihood of default (PI) and loss due to default (PDI) established for the category within which the debtor and/or its qualified guarantor fall, as applicable.

The exposure subject to provisions corresponds to loans plus contingent loans less amounts that would be recovered by means of executing guarantees, as stated in No. 4.1 of Chapter B-1 of the Compendium of Accounting Standards of the Superintendencia de Bancos e Instituciones Financieras. Likewise, loans are understood to be the carrying amount of loans and accounts receivable of the respective debtor, whereas contingent loans are understood as the value resulting of applying the regulations contained in No. 3 of Chapter B-3 of the Compendium of Accounting Standards of the Superintendencia de Bancos e Instituciones Financieras.

The following should be considered for calculation purposes:

$$\boxed{\text{Provision}_{debtor} = (\text{EAP-EA})*(\text{PI}_{debtor}/100)*(\text{PDI}_{debtor}/100)+\text{EA}*(\text{PI}_{GUARANTOR}/100)*(\text{PDI}_{GUARANTOR}/100)}$$

Where:

EAP = Exposure subject to provision (Loans + contingent loans) - (financial or real) guarantees
EA = Guaranteed exposure
PI = Likelihood of default
PDI = Loss due to default

Notwithstanding the above, the Bank must maintain a minimum provision percentage required of 0.50% on loans and contingent loans in the Normal Portfolio.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Non-performing portfolio**

This portfolio includes debtors with loans overdue for more than 90 days or which are in judicial collection and whose source of payment is supported in the guarantees established. Should there be concrete information that justifies it; the present value of recoveries that might be obtained by exerting the collection actions, net of expenses associated to them can also be considered.

"Concrete information" is considered to be any recovery by judicial means that is supported with a report from the Bank's Legal Department, determining the effectiveness of the collection. This must be free of any encumbrance or preferential 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 payment infringement, returned and not cleared notes, debt past due in the Financial System (SF), write-offs in the financial system, etc., as well as debtors in default or showing a preventive judicial arrangement.

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

**Provision for non-performing portfolio**

For the purpose of establishing the provision, there are percentages that must be applied to the amount of the exposure which correspond to the sum of loans and contingent loans held by the same debtor. To apply this percentage, an expected loss rate should first be estimated by deducting from the amount of the exposure the amounts recoverable through execution of guarantees and, in case there is concrete information to justify it, also deducting the present value of recoveries that can be obtained exerting collection actions, net of the related expenses associated to them. This loss rate should be included in one of the six categories defined according to the range of losses actually expected by the Bank for all the operations of the same debtor.

These categories and their loss range as estimated by the Bank and the provision percentages that should ultimately be applied on the amounts of exposure for the non-performing portfolio are those indicated in the following table:

(In millions of Chilean Pesos – MCh$)

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

| Type of portfolio | Risk category | Range of expected loss | Provision (%) |
|---|---|---|---|
| Non-performing portfolio | C1 | More than 0 up to 3% | 2 |
| | C2 | More than 3 % up to 20% | 10 |
| | C3 | More than 20% up to 30% | 25 |
| | C4 | More than 30% up to 50% | 40 |
| | C5 | More than 50% up to 80% | 65 |
| | C6 | More than 80% | 90 |

The following should be considered for calculation purposes:

$$\text{Expected loss rate} = (E\text{-}R)/E$$

$$\text{Provision} = E*(PP/100)$$

Where:

E = Amount of the exposure
R = Recoverable amount
PP = Provision percentage (as per category where the expected loss rate must fall).

**u.2) Collective assessment provisions:**

Collective assessment is used to analyze a large number of operations whose individual amounts are low, generally involving individuals or small businesses. For this purpose the Bank uses models based on probability of default of debtors and their loans. In collective assessments, allowances are always established according to the expected loss using the models and formulas indicated by the Superintendencia de Bancos e Instituciones Financieras.

Provisions for the collectively assessed portfolio are determined as follows:

$$\text{Provision} = EG*(1-EA/100)*(PI/100)*(PDI/100)+EG*EA/100\ (PI_{GUARANTOR}/100) * (PDI_{GUARANTOR}/100)$$

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Where:

| | | |
|---|---|---|
| EG | = | Amount of exposure. |
| EA | = | Percentage of guaranteed exposure, for the group of loans. |
| PI | = | Probability of default. |
| PDI | = | Percentage of loss due to expected default, which must be calculated excluding recoveries from guarantors. |
| $PI_{GUARANTOR}$ | = | Percentage of probability that the guarantor will default. |
| $PDI_{GUARANTOR}$ | = | Percentage of loss due to guarantor default. |

**u.3) Impaired portfolio:**

The impaired loan portfolio includes those loans for which there is concrete evidence that debtors will default by failing to make any of the contractual payments, regardless of the possibility of recovering the amounts owed through guarantees, through exercising legal collection actions or by agreeing to different conditions.

In any case, when dealing with debtors subject to individual assessment, the Bank considers in impaired portfolio all credits of debtors classified in any of the categories of the non-performing portfolio, as well as in categories B3 and B4 of the substandard portfolio. Likewise for debtors being collectively assessed, the impaired portfolio includes all loans in the non-performing portfolio.

Based on the above, the Bank shall maintain loans in the impaired portfolio until it observes regularization of the debtor’s payment capacity or behavior; otherwise it will write these loans off.

**u.4) Loans write-off:**

Loans and accounts receivable are written-off based on due, past due and outstanding installments. The timeframe for the write-off is from the beginning of the default, i.e. when the default time of an installment or portion of a loan of an operation reaches the deadline to be written-off, detailed as follows:

(In millions of Chilean Pesos – MCh$)

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

| Type of loan | Deadline |
|---|---|
| Consumer loans with or without real guarantees | 6 months |
| Other transactions without real guarantees | 24 months |
| Commercial loans with real guarantees | 36 months |
| Residential mortgage loans | 48 months |
| Leasing of consumer goods | 6 months |
| Other non-real estate lease transactions | 12 months |
| Real estate lease (commercial and residential) | 36 months |

**u.5) Recovery of written-off loans:**

Recovery of previously written-off loans is recognized directly in income under the “Risky assets provision”, netting the provision expense for the period.

**u.6) Additional provisions:**

In addition to the provision for loan losses, the Bank may make additional provisions to those derived from the application of portfolio assessment models, for the purpose of safeguarding against unpredictable economic fluctuations that might affect the macroeconomic environment or the situation of a specific economic sector, in accordance with the Bank’s policies (Note No. 9). Within the additional provisions the Bank contemplates a countercyclical mechanism of accumulation of provisions in the commercial, consumer and mortgage portfolio, to safeguard against any recessionary periods and also considers additional provisions for portfolio concentration of the mortgage loan portfolio.

In January 2014 the Bank's Executive Committee decided to replace limits for setting up additional provisions and established new limits between 0% and 2.5% of risk weighted assets. At March 31, 2015 the Bank has additional provisions equivalent to 2.28% (2.31% at December 31, 2014) of risk weighted assets. In 2015 there has been no effect on profit or loss due to additional provisions, as these provisions were set up in prior years.

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### v) Provisions and contingent liabilities:

Provisions are liabilities of uncertain timing and amount. These provisions are recognized in the Interim Consolidated Statement of Financial Position when the following requirements are fulfilled collectively:

- It is a real obligation as a result of past events and,
- As of the date of the Interim Consolidated Financial Statement it is probable that the Bank or group will use an outflow of resources to settle the obligation and the amount of the obligation can be reliably estimated.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed only by the 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:

- **Employee vacations:**

  The annual cost of vacations and employee benefits are recognized on an accrual basis.

- **Current benefits:**

  The Bank provides to its employees an annual bonus incentive plan based on achievement of certain objectives and goals, which consists in a specific number or portion of monthly salaries. That bonus is accrued based on the expected amount to be paid.

  The Bank has also agreed on a negotiation bonus for its workers, which is recognized as an expense at the time in which it is incurred or the legal obligation is produced.

- **Non-current benefits:**

  The Bank has made provisions for long-term benefits to its employees due to the existence of implied obligations in the collective agreement. These obligations result in provisions that are calculated using actuarial assumptions including variables such as the rate of staff turnover, increased salaries, mortality tables and the likelihood of using this benefit. BancoEstado does not have defined contribution plans.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**x) Current and deferred income taxes:**

The Bank and its Subsidiaries have recognized a corporate income tax expense as of the end of each reporting period in accordance with applicable tax regulations.

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

The effects of deferred taxes on temporary differences, between the tax balance sheet and the Interim Consolidated Statement of Financial Position, are recorded in accordance with IAS 12.

The Bank and its Subsidiaries recognize, when applicable, deferred tax assets and/or liabilities for future estimated tax effects attributable to differences between the carrying amounts of assets and/or liabilities and their tax values. Deferred tax assets and/or liabilities are measured on the basis of the tax rate, which according to current tax legislation must be applied in the year in which the deferred tax assets and/or liabilities are realized or settled. Future effects of changes in tax legislation or in tax rates are recognized in deferred taxes, as of the date in which the law approving those changes is enacted.

On September 29, 2014, Law No. 20,780 was published in the Diario Oficial that permanently changed the income tax rate established in Article No. 20 of the Income Tax Law, setting the First Category tax rate at 21% and 22.5% for the 2014 and 2015 business year, respectively.

In relation to the above-mentioned Law No. 20,780, a "*Tax reform that amends the income tax system and introduces various adjustments in the tax system*" establishing a temporary increase in the First Category income tax rate, BancoEstado and Subsidiaries have chosen the option B) tax regime in Article No. 14 of the Income Tax Law for the sole purpose of reversing the effects of deferred taxes on assets and liabilities for the years 2017 onwards. However, the definitive regime will be resolved in the timeframes and manners as specified by Law.

**y) Transactions with agreements:**

The Bank, New York Branch and Subsidiaries enter into sales with repurchase agreements as a method of financing. In this regard, investments sold under repurchase agreements which serve as loan guarantees are classified under "Instruments held for trading" and "Investment securities available for sale". The repurchase obligation is classified under "Repurchase agreements and securities loans", recognizing interest and adjustments accrued as of the closing date.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 as assets under "Repurchase agreements and securities loans" recognizing interest and readjustments accrued as of the closing date.

**z) Factoring transactions:**

The Bank performs factoring transactions with its customers, whereby it receives invoices and other commercial papers representing receivables, with or without the responsibility of the transferor, paying the transferor a percentage of the total amounts receivable from the debtor for the transferred documents.

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 maintains the responsibility of payment on the invoices not collected.

**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 regulatory write-offs. Write-offs are required by the Superintendencia de Bancos e Instituciones Financieras if the asset has not been sold within one year from its reception.

**bb) Derecognition of financial assets and liabilities:**

The Bank, New York Branch and its Subsidiaries derecognize a financial asset from their Statement of Financial Position when all the contractual rights over the cash flows of the financial asset expire, or when they transfer the rights to receive contractual cash flows for the financial asset during a transaction in which the risks and benefits of ownership of the financial asset are substantially transferred. Any share in financial assets transferred that is created or retained by the Bank is recognized as a separate asset or liability.

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

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

When the Bank transfers a financial asset, it evaluates to what extent it retains the risks and benefits inherent to ownership. In this case:

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

(b) If the risks and advantages inherent to ownership of a financial asset are substantially retained, it will continue to be recognized.

(c) If all the risks and advantages inherent to ownership of the financial asset are not substantially transferred or retained, it shall determine whether it has retained control over the financial asset. In this case:

(i) If the transferring entity has not retained control, it will derecognize the financial asset and shall separately recognize, as an asset or liability, any right or obligation created or retained due to the transfer.

(ii) If the transferring entity has retained control, it shall continue recognizing the financial asset in the Interim Consolidated Statement of Financial Position in an amount equal to the exposure to changes in value that it might experience and recognizes a financial liability associated to the financial asset transferred.

**cc) Use of estimates and judgment:**

The preparation of Interim Consolidated Financial Statements requires that management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Significant estimates and assumptions are reviewed by the Bank’s 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.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In particular, the information regarding the most significant areas of estimates and uncertainties and critical judgments in the application of accounting policies that have the most significant effect on the amounts recognized in the Interim Consolidated Financial Statements, correspond to the following items:

- Useful lives of Property, plant and equipment and intangible assets.
- Current and deferred income taxes.
- Contingencies and commitments.
- Provisions for loan losses.
- Assumptions used in the actuarial valuation of employee benefits liabilities and commitments and other obligations.
- Impairment losses of certain assets.
- Assets and liabilities at fair value.

During the 3-month period ended March 31, 2015 there have been no significant changes in estimates performed as of 2014 year-end other than those indicated in these Interim Consolidated Financial Statements.

**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 mainly through a sales transaction rather than through continuing use. Immediately before this classification, the assets (or elements of a disposal group) are re-measured in accordance with the Bank's accounting policies. From that time on, the assets (or disposal group) are measured at the carrying amount or fair value less cost of sales, whichever is lower. In the initial classification of assets held for sale and any profits and/or losses subsequent to the revaluation, impairment losses are recognized in income. Profits are not recognized if they do exceed any cumulative impairment.

**ee) Distribution of net income to the Government:**

As of March 31, 2015 and December 31, 2014, the Bank has recognized a liability for the portion of net income to be distributed to the Government in accordance with its dividend distribution policy. For this purpose, it establishes a provision against a supplementary equity reserve account.

This policy establishes that in order to determine the provision for the distribution of net income to the Government, it shall consider the average distribution of net income for the last three years (established from the decrees issued by the Treasury Department) or that of the last year should it be greater. In accordance with the above, the provision percentage used for distribution of net income for the period amounted to 100% as of March 31, 2015 and December 31, 2014.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ff) Interim Consolidated Comprehensive Statement of Income:**

This statement presents income and expenses generated by the Bank for the period as a result of its activities, and all other income and expenses are recognized directly in equity.

The Financial Statement is detailed as follows:

a) Consolidated income for the year.
b) Net amount of income and expenses temporarily recognized in equity as "Valuation accounts".
c) Deferred taxes originated from items a) and b), except for the foreign currency translation adjustment and hedge derivative for investment abroad.
d) The net amount of revenue and expenses temporarily recognized in equity as other reserves not included in the period's net income.
e) Adjustments for IAS 19 actuarial calculation that are not reversed to income.
f) Total consolidated income and expenses recognized, calculated as the sum of the previous letters, separately showing the amount attributable to the Bank and to non-controlling interest.

**gg) Comparison of information:**

The information contained in these Interim Consolidated Financial Statements for 2014 is presented solely and exclusively for the purpose of comparing it to the information for the 3-month period ended March 31, 2015.

**hh) Seasonality or cyclical nature of transactions in the interim period:**

Due to the line of business of the Bank, New York Branch and Subsidiaries, their transactions are not of a cyclical or seasonal nature. Therefore no specific details are presented in the explanatory notes to the Interim Consolidated Financial Statements for the 3-month period ended as of March 31, 2015.

**ii) Relative significance:**

When determining the information to be disclosed regarding the different items of the Interim Consolidated Financial Statements or other matters in accordance with IAS 34, the Bank has taken into consideration their relative significance in relation to the Interim Consolidated Financial Statements.

(In millions of Chilean Pesos – MCh$)

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### jj) Restructuring costs:

As of March 31, 2015 and December 31, 2014, the Bank, New York Branch and Subsidiaries have not incurred restructuring expenses.

### kk) Error correction:

As of March 31, 2015 the Bank, New York Branch and Subsidiaries have not made error correction adjustments.

### ll) Compliance with agreements:

As of March 31, 2015, the Bank, New York Branch and Subsidiaries have not violated any agreements.

### mm) New accounting pronouncements (IFRS, Interpretations of the IFRS Interpretations Committee, SBIF Regulations and SVS Regulations)

The new standards and improvements and modifications to the IFRS, as well as the interpretations that have been published during the period are detailed below. At the date of these Financial Statements, these regulations have not yet gone into effect, and the Bank has not opted for their early application:

### a) New standards

| | | Date of obligatory application |
|---|---|---|
| IFRS 15 | Revenue from Contracts with Customers | January 1, 2017 |
| IFRS 9 | Financial Instruments | January 1, 2018 |

### IFRS 15 "Revenue from Contracts with Customers"

In May 2014 IFRS 15 was issued. This is a new standard that is applicable to all contracts with clients, except for leases, financial instruments and insurance contracts. This is joint project of the International Accounting Standards Board (IASB) and the national US issuer of standards, Financial Accounting Standards Board (FASB), to eliminate differences in the revenue recognition between IFRS and US GAAP. The purpose of this new standard is to correct inconsistencies and weaknesses of IAS 18 and provide a model that will make comparability of companies in different industries and

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

regions easier. The new standard will also provide a new model for revenue recognition and more detailed requirements for contracts with multiple elements. This standard requires more detailed disclosures.

The effective date of the new standard is January 1, 2017. Earlier application permitted.

BancoEstado is evaluating the impact that could be generated by this standard on its Consolidated Financial Statements.

**IFRS 9 "Financial Instruments"**

In July 2014, the final version of IFRS 9 *Financial Instruments*, was issued, bringing together all of the phases of the IASB Project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. This Standard introduces new requirements based on principles for classification and measurement, and introduces a "more prospective" model of expected credit losses for the accounting of impairment and a substantially reformed approach to hedge accounting. The entities also have the option to apply early the accounting of profits and losses for changes in fair value related to the "own credit risk" for financial liabilities designated at fair value with effect on income, without applying the other requirements of IFRS 9. The standard shall be of obligatory application for annual periods beginning on or after January 1, 2018. It early adoption is permitted.

At present, this regulation has not yet been approved by the Superintendencia de Bancos e Instituciones Financieras, as is required for its application.

(In millions of Chilean Pesos – MCh$)

## NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) Improvements and modifications of standards

| | | Date of obligatory application |
|---|---|---|
| IFRS 11 | Joint Arrangements | January 1, 2016 |
| IAS 16 & IAS 38 | Property, Plant and Equipment and Intangible Assets | January 1, 2016 |
| IAS 27 | Separate Financial Statements | January 1, 2016 |
| IAS 28 & IFRS 10 | Investments in Associates and Joint Ventures and Consolidated Financial Statements | January 1, 2016 |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | January 1, 2016 |
| IFRS 7 | Financial Instruments: Disclosures | January 1, 2016 |
| IAS 19 | Employee Benefits | January 1, 2016 |
| IAS 34 | Interim Financial Reporting | January 1, 2016 |
| IFRS 10, IFRS 12 & IAS 28 | Consolidated Financial Statements, Disclosure of Interests in Other Entities and Investments in Associates and Joint Ventures | January 1, 2016 |
| IAS 1 | Presentation of Financial Statements | January 1, 2016 |

**IFRS 11 "Joint Arrangements"**

The modifications to IFRS 11, issued in May 2014, are applied to the acquisition of participation in a joint operation that constitutes a business. The amendments clarify that the acquirers of these parts must apply all accounting principles for business combinations in IFRS 3 *Business Combinations* and other standards that are in conflict with the guidance of IFRS 11 *Joint Arrangements*. The modifications are applicable as of January 1, 2016. Their early application is permitted.

In Management's opinion, this modification has no impact on the Bank's Consolidated Financial Statements.

**IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"**

IAS 16 and IAS 38 establish the principle of the depreciation and amortization base. This is the expected pattern of consumption of future economic benefits of an asset. In its amendments to IAS 16 and IAS 38 published in May 2014, the IASB cleared that the use of methods based on revenues to calculate the depreciation of an asset is not appropriate, as revenues from an activity including the use of an asset usually reflect factors other than the consumption of economic benefits included in the asset. The IASB also cleared that revenues usually have an inappropriate base to measure the

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

consumption of economic benefits included in an intangible asset. However, this assumption may be refuted in certain limited circumstances. The amendments will be mandatory for annual periods beginning from January 1, 2016. Earlier application is permitted.

According to Management, this modification has no impact on the Bank's Consolidated Financial Statements.

**IAS 27 "Separate Financial Statements"**

The modifications to IAS 27, issued in August 2014, reinstate the option to use the share method for the accounting of investments in subsidiaries, joint ventures and associates in separate Financial Statements. The modifications shall be of obligatory application for annual periods beginning on or after January 1, 2016. Its early adoption is permitted.

According to Management, this modification has no impact on the Bank's Consolidated Financial Statements.

**IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements"**

The amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) address an inconsistency recognized between the requirements of IFRS 10 and those of IAS 28 (2011) in the treatment of the sale or contribution of assets between an investor and its associate or joint venture. The amendments, issued in September 2014, establish that when the transaction involves a business (in a Subsidiary or not) a complete profit or loss is recognized. A partial profit or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are in a Subsidiary. The modifications shall be of obligatory application for annual periods beginning on or after January 1, 2016. Its early adoption is permitted.

According to Management, this modification has no impact on the Bank's Consolidated Financial Statements.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"**

*"Annual Improvements cycle 2012–2014"*, issued in September 2014, clarifies that if the entity reclassifies an asset (or group of assets for disposal) from when it held for direct sale to when it is held for distribution to owners, or from when it is held for direct distribution to owners to when it is held for sale, then the change in classification is considered a continuation of the original sale plane. The IASB clarifies that in these cases, the accounting requirements for the changes in a sale plan shall not apply. The modifications shall be of obligatory application for annual periods beginning on or after January 1, 2016. Its early adoption is permitted.

According to Management, this modification has no impact on the Bank's Consolidated Financial Statements.

**IFRS 7 "Financial Instruments: Disclosures"**

*"Annual Improvements cycle 2012–2014"*, issued in September 2014, clarifies that service agreements may constitute a continued implication in an asset transferred for the purposes of disclosing transfers of financial assets. This is generally the case when the administrator has an interest in the future performance of the financial assets transferred as a consequence of said contract. The modifications shall be of obligatory application for annual periods beginning on or after January 1, 2016. Its early adoption is permitted.

According to Management, this modification has no impact on the Bank's Consolidated Financial Statements.

**IAS 19 "Employee Benefits"**

*"Annual Improvements cycle 2012–2014"*, issued in September 2014, clarifies that corporate bonds with high quality credit used to estimate the discount rate for obligations for post-employment benefits should be denominated in the same currency as the liabilities, clarifying the extent of the market for corporate bonds to be assessed at the level of the currency and no country. The modifications shall be of obligatory application for annual periods beginning on or after January 1, 2016. Its early adoption is permitted.

According to Management, this modification has no impact on the Bank's Consolidated Financial Statements.

**NOTE 1 – CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**IAS 34 "Interim Financial Reporting"**

*"Annual Improvements cycle 2012–2014"*, emitido en septiembre de 2014, clarifica que las revelaciones requeridas deben estar o en los estados financieros interinos o deben ser indicadas con referenciadas cruzadas entre los estados financieros interinos y cualquier otro informe que lo contenga. Las modificaciones serán de aplicación obligatoria para los periodos anuales que comiencen a partir del 1 de enero de 2016. Se permite su aplicación anticipada.

According to Management, this modification has no impact on the Bank's Consolidated Financial Statements.

**IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"**

Amendments to IFRS 10, IFRS 12 and IAS 28 introduced minor clearances on the requirements for accounting for investment entities. Also, these amendments provided a relief in certain circumstances. This will reduce the cost of applying these standards. The amendments will be mandatory for annual periods beginning from January 1, 2016. Earlier application is permitted.

BancoEstado is currently evaluating the impact that this amendment could have on its Consolidated Financial Statements

**IAS 1 "Presentation of Financial Statements"**

In December 2014 the IASB published amendments to IAS 1 *"Disclosure Initiative"*. These amendments to IAS 1 address some concerns on presentation and disclosure requirements, and ensure that entities have the possibility of exercising judgment when they apply IAS 1. The amendments will be mandatory for annual periods beginning from January 1, 2016. Earlier application is permitted.

BancoEstado is currently evaluating the impact that this amendment could have on its Consolidated Financial Statements

**NOTE 2 - ACCOUNTING CHANGES**

During the 3-month period ended as of March 31, 2015 there have been no significant accounting changes that affect the interpretation of these Interim Consolidated Financial Statements.

(In millions of Chilean Pesos – MCh$)

## NOTE 3 - RELEVANT EVENTS

### a) Bond issue:

- On January 16, 2015, the Bank issued a bond abroad for JPY 31,000 million with a 5-year term, a capital expiration date on January 23, 2020, a yield of 0.52% per annum, and semiannual interest payments beginning July 23, 2015.

- On January 27, 2015, the Bank issued a bank bond for UF 2.0 million with a remaining term of 29 years and 11 months, a yield of 3.70% per annum, semiannual interest payments and payment of the principal in one installment at maturity.

- On February 24, 2015, the Bank issued a bank bond for UF 3.0 million with a remaining term of 4 years and 10 months, a yield of 3.30% per annum, semiannual interest payments and payment of the principal in one installment at maturity.

- On March 3, 2015, the Bank issued a bank bond for UF 2.0 million with a remaining term of 19 years and 11 months, a yield of 3.20% per annum, semiannual interest payments and payment of the principal in one installment at maturity.

### b) Distribution of dividends and renewal and changes to the Board of Directors of Subsidiary BancoEstado S.A. Administradora General de Fondos:

On March 30, 2015, the eighteenth Ordinary Shareholders' Meeting of BancoEstado S.A. Administradora General de Fondos, was held, where they unanimously agreed on the distribution and payment of a final cash dividend to the shareholders, equivalent to 100% of net profits for 2014 equal to a total of MCh$ 5,045. These dividends were paid on April 1, 2015.

The present Shareholders' Board also renewed the Company's Board of Directors, with the following final composition:

| Regular Directors | Alternate Directors |
|---|---|
| Emiliano Figueroa Sandoval | Victoria Martínez Ocamica |
| Cecilia Vergara Fisher | María Verónica Hevia Lobo |
| Antonio Bertrand Hermosilla | Cristián Wolleter Valderrama |
| Carlos Alberto Curi | Dominique Lienart |
| Luiz Sorge | Henri Jean Auguste Coste |
| Cécile Emmanuelle Besse Advani | Ligia Torres |

## NOTE 4 - OPERATING SEGMENTS

**Segmentation criteria:**

Segment information is structured according to the different lines of business of the Bank, which are based on its organizational structure, products and services offered and the customer segments for which they are intended.

Segment information provided is based on monthly reports prepared from information facilitated by a management control information application.

The structure of this management information is designed as if each line of business were treated as an autonomous business. The Bank obtains most of its income from interest, readjustments and fees, discounting provisions and expenses. As such, the financial performance of each segment is calculated by applying the following criteria: a) the net interest margin of loans and deposits is measured at an individual transaction level and it corresponds to the difference between the effective rate of the customer and the internal transfer pricing established based on the term and currency of each operations; b) Net revenue from commissions, the net income from financial operations, income (loss) from foreign exchange and other operating income are distributed to each functional area and allocated to business segments using different allocation criteria, regarding which specific indicators are defined for different concepts; c) Operating expenses and taxes are managed at the corporate level and are not allocated to business segments.

Transfer pricing between operating segments are carried out at market values as if they were transactions with third parties.

**Segments:**

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

**Wholesale Banking**, which comprises large companies, medium sized companies and institutions

**Retail Banking**, which includes individuals, small companies and micro companies

**Treasury and International**, which represents financial and international business

**Other Segments**, this group comprises corporate concepts, where the assets, liabilities, income and expenses, as applicable, cannot be clearly attributed to any of the lines of business or segment or which are the result of decisions affecting the Bank as a whole.

(In millions of Chilean Pesos – MCh$)

## NOTE 4 - OPERATING SEGMENTS (Continued)

As of March 31, 2015 and 2014 segment income is detailed as follows:

| INCOME | March 31, 2015 | | | | | | March 31, 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Wholesaler Banking | Retail Banking | Treasury and International | Other | Total | | Wholesaler Banking | Retail Banking | Treasury and International | Other | Total |
| | MCh$ | MCh$ | MCh$ | MCh$ | MCh$ | MUS$ | MCh$ | MCh$ | MCh$ | MCh$ | MCh$ |
| **Net interest income** | **42,740** | **113,676** | **1,343** | **15,537** | **173,296** | **277** | **51,265** | **109,789** | **6,491** | **15,136** | **182,681** |
| Net fee and commission income | 7,940 | 44,689 | 632 | (2,027) | 51,234 | 82 | 7,101 | 37,358 | 669 | (1,521) | 43,607 |
| Net income from financial operations | 1,315 | 1,408 | (14,543) | 537 | (11,283) | (18) | 1,554 | 1,579 | 29,329 | - | 32,462 |
| Profit (loss) foreign exchange transactions, net | 880 | 848 | 45,707 | (1) | 47,434 | 76 | 759 | 783 | 6,680 | 83 | 8,305 |
| Other operating income | 48 | 74 | 1 | 4,238 | 4,361 | 7 | 32 | 87 | (6) | 1,963 | 2,076 |
| **Total operating Income** | **52,923** | **160,695** | **33,140** | **18,284** | **265,042** | **424** | **60,711** | **149,596** | **43,163** | **15,661** | **269,131** |
| Provisions for loan losses | 8,671 | (45,997) | 29 | 191 | (37,106) | (59) | (29) | (12,424) | (161) | (52,942) | (65,556) |
| **Operating income, net** | **61,594** | **114,698** | **33,169** | **18,475** | **227,936** | **365** | **60,682** | **137,172** | **43,002** | **(37,281)** | **203,575** |
| Operating expense | | | | | (167,679) | (268) | | | | | (142,908) |
| Other operating expenses | | | | | (13,637) | (22) | | | | | (9,278) |
| **Total operating expenses** | | | | | **(181,316)** | **(290)** | | | | | **(152,186)** |
| **Net operating income** | | | | | **46,620** | **75** | | | | | **51,389** |
| Income from investments in companies | | | | | 281 | - | | | | | 128 |
| **Income before income taxes** | | | | | **46,901** | **75** | | | | | **51,517** |

**BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES**
Notes to the Interim Consolidated Financial Statements
As of March 31, 2015 and 2014 and December 31, 2014
(In millions of Chilean Pesos – MCh$)
(Translation of Financial Statements originally issued in Spanish – See Note 1b)

## NOTE 4 - OPERATING SEGMENTS (Continued)

As of March 31, 2015 and December 31, 2014 the Statement of Financial Position by segment is detailed as follows:

| | March 31, 2015 | | | | | | December 31, 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Wholesaler Banking MCh$ | Retail Banking MCh$ | Treasury and International MCh$ | Others MCh$ | Total MCh$ | Total MUS$ | Wholesaler Banking MCh$ | Retail Banking MCh$ | Treasury and International MCh$ | Others MCh$ | Total MCh$ |
| **ASSETS** | | | | | | | | | | | |
| Cash and cash equivalents | - | - | 3,548,678 | - | 3,548,678 | 5,664 | - | - | 3,991,859 | - | 3,991,859 |
| Transactions in the course of collection | - | - | 612,195 | - | 612,195 | 977 | - | - | 383,694 | - | 383,694 |
| Financial assets held for trading | - | - | 1,753,783 | - | 1,753,783 | 2,799 | - | - | 1,876,891 | - | 1,876,891 |
| Loans to customers, net | 6,411,329 | 9,890,537 | (215) | - | 16,301,651 | 26,017 | 6,459,083 | 9,705,296 | (225) | 36 | 16,164,190 |
| Financial investments available for sale | 20,284 | - | 3,250,132 | - | 3,270,416 | 5,219 | 19,054 | - | 3,314,668 | - | 3,333,722 |
| Other assets | 150,806 | 10 | 685,110 | 1,482,884 | 2,318,810 | 3,701 | 187,644 | 20 | 779,093 | 1,399,091 | 2,365,848 |
| **TOTAL ASSETS** | **6,582,419** | **9,890,547** | **9,849,683** | **1,482,884** | **27,805,533** | **44,377** | **6,665,781** | **9,705,316** | **10,345,980** | **1,399,127** | **28,116,204** |
| **LIABILITIES** | | | | | | | | | | | |
| Current accounts and other demand deposits | 3,379,201 | 1,970,650 | 46,687 | 266,557 | 5,663,095 | 9,038 | 4,358,231 | 1,992,671 | 57,569 | 244,696 | 6,653,167 |
| Transactions in the course of payment | - | - | 562,370 | - | 562,370 | 898 | - | - | 351,760 | - | 351,760 |
| Saving accounts and time deposits | 2,532,224 | 4,879,113 | 5,137,445 | 62,059 | 12,610,841 | 20,126 | 3,454,222 | 4,743,682 | 4,440,168 | 3,856 | 12,641,928 |
| Obligations with banks | - | - | 717,154 | - | 717,154 | 1,145 | - | - | 679,003 | - | 679,003 |
| Debt issued instruments | - | - | 4,898,012 | - | 4,898,012 | 7,817 | - | - | 4,562,943 | - | 4,562,943 |
| Other liabilities | 555,473 | 17,939 | 210,479 | 1,327,580 | 2,111,471 | 3,370 | 536,173 | 16,831 | 210,380 | 1,221,520 | 1,984,904 |
| **TOTAL LIABILITIES** | **6,466,898** | **6,867,702** | **11,572,147** | **1,656,196** | **26,562,943** | **42,394** | **8,348,626** | **6,753,184** | **10,301,823** | **1,470,072** | **26,873,705** |
| **EQUITY** | **-** | **-** | **-** | **1,242,590** | **1,242,590** | **1,983** | **-** | **-** | **-** | **1,242,499** | **1,242,499** |
| **TOTAL LIABILITIES AND EQUITY** | **6,466,898** | **6,867,702** | **11,572,147** | **2,898,786** | **27,805,533** | **44,377** | **8,348,626** | **6,753,184** | **10,301,823** | **2,712,571** | **28,116,204** |

The Others column mainly includes the following concepts: a) Assets: Investments in companies, Intangibles assets, Property, plant and equipment, Deferred taxes and Other assets; b) Liabilities: Current taxes, Deferred taxes, Provisions and Other liabilities.

(In millions of Chilean Pesos – MCh$)

## NOTE 5 – CASH AND CASH EQUIVALENTS

**a)** As of March 31, 2015 and December 31, 2014, balances included in cash and cash equivalents and their reconciliation with the Interim Consolidated Statement of Cash Flows are detailed as follows:

| | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | MUS$ | MCh$ | MCh$ |
| **Cash and due from banks** | | | |
| Cash | 654 | 409,549 | 410,831 |
| Deposits in the Chilean Central Bank | 2,643 | 1,655,668 | 1,964,438 |
| Deposits in domestic Banks | 1 | 927 | 431 |
| Foreign Deposit | 2,366 | 1,482,534 | 1,616,159 |
| Subtotal Cash and due from banks | 5,664 | 3,548,678 | 3,991,859 |
| Transactions in the course of collection net | 79 | 49,825 | 31,934 |
| High liquidity financial instruments (1) | 305 | 189,800 | 670,983 |
| Repurchase agreements (2) | 165 | 103,478 | 179,780 |
| **Total Cash and cash equivalents** | **6,213** | **3,891,781** | **4,874,556** |

(1) Corresponds to instruments held for trading and investment securities available-for-sale with little risk of change in value, maturing in 90 days or less from the date of acquisition. These are detailed as follows:

| **Highly liquid financial instruments** | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | MUS$ | MCh$ | MCh$ |
| **Financial assets held for trading** | | | |
| Fixed time deposits | 83 | 51,252 | 38,804 |
| Readjustable time deposits | - | - | - |
| Promissory note Central Bank | - | - | - |
| Mutual fund | 152 | 95,097 | 157,385 |
| Subtotal financial assets held for trading | 235 | 146,349 | 196,189 |
| **Financial investments available for sale** | | | |
| Fixed time deposits | 11 | 6,258 | - |
| Readjustable time deposits | - | - | - |
| Promissory note Central Bank | 59 | 37,193 | 398,068 |
| Promissory note Treasury | - | - | 76,726 |
| Subtotal financial investments available for sale | 70 | 43,451 | 474,794 |
| **Total** | **305** | **189,800** | **670,983** |

(2) Corresponds to repurchase agreements in identical situation as that stated in the previous point.

(In millions of Chilean Pesos – MCh$)

## NOTE 5 – CASH AND CASH EQUIVALENTS (Continued)

As of March 31, 2015 and December 31, 2014, the Bank presents balances corresponding to mandatory reserves which are not available to be used in the amount of MCh$ 676,252 and MCh$ 472,026, respectively as part of its cash and deposits in the Chilean Central Bank.

The level of cash funds and amounts held in deposits at the Chilean Central Bank is due to regulations on mandatory cash reserve that the Bank must maintain on average, which are measured monthly.

### b) Transactions in the course of collection

Transactions in the course of being settled correspond to transactions only pending settlement, which will increase or decrease the funds in the Chilean Central Bank or in foreign banks, normally within the following 12 or 24 business hours. As of March 31, 2015 and December 31, 2014, these transactions are detailed as follows:

| | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | MUS$ | MCh$ | MCh$ |
| **Assets:** | | | |
| Outstanding notes from other Banks (clearing) | 81 | 50,989 | 64,348 |
| Accounts receivables | 896 | 561,206 | 319,346 |
| Subtotal assets | 977 | 612,195 | 383,694 |
| **Liabilities:** | | | |
| Accounts payables | 898 | 562,370 | 351,760 |
| Subtotal liabilities | 898 | 562,370 | 351,760 |
| **Net transactions in the course of collection** | **79** | **49,825** | **31,934** |

(In millions of Chilean Pesos – MCh$)

## NOTE 6 – PORTFOLIO SALES

At March 31, 2015 BancoEstado has not sold loan portfolios. At December 31, 2014 Bancoestado sold new operations and new loans from lists from prior years from the portfolio of state guaranteed university student loans (CUGE), within the scope of the public bidding for the higher education loan financing and management service of Law No 20.027. The biding conditions of the public bidding model for financial institutions state that selling a percentage of the portfolio may be sold to third parties. In regard to the sold portfolio, BancoEstado substantially transferred all risks and benefits related to that portfolio. BancoEstado only held the management of that portfolio that considers extending new loans and collecting the installments of those loans. The details of the sold loans are as follows:

| Sale at December 31, 2014 | Number of transactions | Par value MCh$ | Sale value MCh$ | Release of provisions MCh$ | Gain on sale MCh$ | Income received in advance MCh$ (*) |
|---|---|---|---|---|---|---|
| Bid lists | 1,171 | 1,573 | 2,063 | (58) | - | 548 |
| New credits based on prior years list | 37,244 | 55,755 | 72,835 | (1,985) | - | 19,065 |
| Others (**) | - | - | - | - | 4,061 | 30,891 |
| **Total MCh$** | **38,415** | **57,328** | **74,898** | **(2,043)** | **4,061** | **50,504** |

(*) Income received in advance is reflected in "Other liabilities" under the concept of income received in advance, and is carried to income once the term of deferment is determined, recognizing the equivalent of the effective rate of these operations, according to IAS 39.

(**) As of March 31, 2015, the amount of MCh$ 1,406 (MCh$ 4,061 for the entire year 2014) is recognized in the 3-month period, and this amount is reflected under "Net income from financial operations" in the Interim Consolidated Statement of Income, according to the following detail:

| Portfolio sales | Income received in advance 12/31/2013 MCh$ | Income received in advance 2014 MCh$ | Annual amortization 2014 MCh$ | Balance 12/31/2014 MCh$ | Amortization period ended 03/31/2015 MCh$ | Balance 03/31/2015 MCh$ |
|---|---|---|---|---|---|---|
| 2012 | 13,700 | - | (1,536) | 12,164 | (384) | 11,780 |
| 2013 | 21,252 | - | (2,125) | 19,127 | (531) | 18,596 |
| 2014 | - | 19,613 | (400) | 19,213 | (491) | 18,722 |
| **Total MCh$** | **34,952** | **19,613** | **(4,061)** | **50,504** | **(1,406)** | **49,098** |
| **Total MUS$** | **56** | **31** | **(6)** | **81** | **(2)** | **79** |

(In millions of Chilean Pesos – MCh$)

## NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

As of March 31, 2015 and December 31, 2014, Property, plant and equipment movements by class are detailed as follows:

| 03/31/2015 | Land and buildings MCh$ | Equipment MCh$ | Others MCh$ | Total MCh$ | Total MUS$ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance as of January 1, 2015 | 223,585 | 108,314 | 59,521 | 391,420 | 625 |
| Additions | 759 | 641 | 4,595 | 5,995 | 9 |
| Withdrawals / disposals | - | (23) | (856) | (879) | (1) |
| Transfer | (106) | 5,380 | (5,274) | - | - |
| Others | 8 | 12 | (1) | 19 | - |
| Subtotal | 224,246 | 114,324 | 57,985 | 396,555 | 633 |
| **Accumulated depreciation** | (25,806) | (89,358) | (23,917) | (139,081) | (222) |
| **Property, plant and equipment, net balances as of March 31, 2015** | **198,440** | **24,966** | **34,068** | **257,474** | **411** |

| 12/31/2014 | Land and buildings MCh$ | Equipment MCh$ | Others MCh$ | Total MCh$ |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance as of January 1, 2014 | 222,458 | 99,568 | 46,135 | 368,161 |
| Additions | 6,896 | 6,829 | 15,000 | 28,725 |
| Withdrawals / disposals | (2,399) | (625) | (1,833) | (4,857) |
| Transfer | (3,868) | 2,474 | 752 | (642) |
| Others | 498 | 68 | (533) | 33 |
| Subtotal | 223,585 | 108,314 | 59,521 | 391,420 |
| **Accumulated depreciation** | (24,707) | (87,347) | (22,805) | (134,859) |
| **Property, plant and equipment, net balances as of December 31, 2014** | **198,878** | **20,967** | **36,716** | **256,561** |

(In millions of Chilean Pesos – MCh$)

## NOTE 8 – DEBT INSTRUMENTS ISSUED AND OTHER OBLIGATIONS

As of March 31, 2015 and December 31, 2014, debt instruments issued and other obligations are detailed as follows:

| | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | MUS$ | MCh$ | MCh$ |
| **Debt issued instruments:** | | | |
| Bills of exchange | 1,615 | 1,011,877 | 1,053,483 |
| Ordinary bonds | 4,857 | 3,043,142 | 2,654,701 |
| Subordinated bonds | 1,345 | 842,993 | 854,759 |
| Subtotal | 7,817 | 4,898,012 | 4,562,943 |
| **Other Financial Obligations:** | | | |
| Obligations public sector | - | - | - |
| Other local obligations | 31 | 19,299 | 33,279 |
| Borrowings abroad | - | - | - |
| Subtotals | 31 | 19,299 | 33,279 |
| **Total** | **7,848** | **4,917,311** | **4,596,222** |

(In millions of Chilean Pesos – MCh$)

## NOTE 8 – DEBT INSTRUMENTS ISSUED AND OTHER OBLIGATIONS (Continued)

As of March 31, 2015 and December 31, 2014 bonds issued are detailed as follows:

### 03/31/2015

**ORDINARY BONDS**

| Series | UF issued | UF placement | Issuance date | Maturity date | Issuance rate | UF Original currency | Balance due MCh$ | Balance due MUS$ |
|---|---|---|---|---|---|---|---|---|
| BEST-D0807 | 6,000,000 | 6,000,000 | 01/08/2007 | 01/08/2017 | 4.00% | 6,057,400.30 | 149,150 | 239 |
| BEST-F1007 | 2,000,000 | 2,000,000 | 01/10/2007 | 01/10/2027 | 4.25% | 2,118,650.70 | 52,167 | 83 |
| BEST-H1207 | 4,000,000 | 4,000,000 | 01/12/2007 | 01/12/2017 | 4.00% | 4,103,328.37 | 101,035 | 161 |
| BESTA30400 | 3,000,000 | 3,000,000 | 01/04/2000 | 01/04/2025 | 6.50% | 2,017,734.22 | 49,682 | 79 |
| BESTJ20708 | 3,000,000 | 3,000,000 | 01/07/2008 | 01/07/2018 | 3.50% | 2,965,052.46 | 73,008 | 117 |
| BESTJ31008 | 5,000,000 | 5,000,000 | 01/10/2008 | 01/10/2018 | 3.50% | 5,006,273.42 | 123,268 | 197 |
| BESTJ41008 | 2,000,000 | 2,000,000 | 01/10/2008 | 01/10/2028 | 4.00% | 1,932,114.03 | 47,574 | 76 |
| BESTJ50109 | 5,000,000 | 5,000,000 | 01/01/2009 | 01/01/2019 | 3.50% | 5,043,671.40 | 124,189 | 198 |
| BESTJ60109 | 2,000,000 | 2,000,000 | 01/01/2009 | 01/01/2029 | 4.00% | 1,977,825.28 | 48,699 | 78 |
| BESTJ70112 | 5,000,000 | 5,000,000 | 01/01/2012 | 01/01/2017 | 3.50% | 5,063,355.73 | 124,674 | 199 |
| BESTJ80112 | 3,000,000 | 3,000,000 | 01/01/2012 | 01/01/2032 | 3.75% | 3,070,332.71 | 75,600 | 121 |
| BESTK10713 | 3,000,000 | 3,000,000 | 01/07/2013 | 01/07/2018 | 3.30% | 3,144,861.41 | 77,435 | 124 |
| BESTK20713 | 2,000,000 | 2,000,000 | 01/07/2013 | 01/07/2043 | 3.70% | 2,283,126.49 | 56,217 | 90 |
| BESTK30114 | 3,000,000 | 3,000,000 | 01/01/2014 | 01/01/2019 | 3.30% | 3,118,851.71 | 76,795 | 123 |
| BESTK40114 | 2,000,000 | 2,000,000 | 01/01/2014 | 01/01/2044 | 3.70% | 2,323,484.85 | 57,211 | 91 |
| BESTK50714 | 3,000,000 | 3,000,000 | 01/07/2014 | 01/07/2019 | 3.30% | 3,211,679.35 | 79,081 | 126 |
| BESTK60714 | 2,000,000 | 2,000,000 | 01/07/2014 | 01/07/2044 | 3.70% | 2,365,856.10 | 58,254 | 93 |
| BESTK70115 | 3,000,000 | 3,000,000 | 01/01/2015 | 01/01/2020 | 3.30% | 3,204,699.45 | 78,909 | 126 |
| BESTK80115 | 2,000,000 | 2,000,000 | 01/01/2015 | 01/01/2045 | 3.70% | 2,351,934.78 | 57,911 | 92 |
| BESTN10814 | 3,000,000 | 3,000,000 | 01/08/2014 | 01/08/2024 | 3.00% | 3,064,770.86 | 75,463 | 120 |
| BESTN20814 | 2,000,000 | 2,000,000 | 01/08/2014 | 01/08/2044 | 3.30% | 2,144,630.69 | 52,807 | 84 |
| BESTO10215 | 2,000,000 | 2,000,000 | 01/02/2015 | 01/02/2035 | 3.20% | 2,141,488.79 | 52,730 | 84 |
| **Subtotal UF Bonds** | **67,000,000** | **67,000,000** | | | | **68,711,123.10** | **1,691,859** | **2,701** |

| Series | US$ issued | US$ placement | Issuance date | Maturity date | Issuance rate | US$ Original currency | Balance due MCh$ | Balance due MUS$ |
|---|---|---|---|---|---|---|---|---|
| Bond Issued Abroad | 500,000,000 | 500,000,000 | 07/10/2010 | 07/10/2020 | 4.13% | 505,593,176.89 | 316,795 | 506 |
| Bond Issued Abroad | 500,000,000 | 500,000,000 | 08/02/2012 | 08/02/2022 | 3.88% | 494,932,986.05 | 310,115 | 495 |
| Bond Issued Abroad | 500,000,000 | 500,000,000 | 05/11/2012 | 09/11/2017 | 2.00% | 497,273,734.92 | 311,582 | 497 |
| Bond Issued Abroad | 200,000,000 | 200,000,000 | 07/05/2013 | 09/11/2017 | 2.00% | 201,353,934.17 | 126,164 | 201 |
| **Subtotal US$ Bonds** | **1,700,000,000** | **1,700,000,000** | | | | **1,699,153,832** | **1,064,656** | **1,699** |

| Series | ¥ issued | ¥ placement | Issuance date | Maturity date | Issuance rate | ¥ Original currency | Balance due MCh$ | Balance due MUS$ |
|---|---|---|---|---|---|---|---|---|
| Bond Issued Abroad | 24,000,000,000 | 24,000,000,000 | 11/06/2013 | 18/06/2018 | 0.84% | 23,910,682,141 | 124,881 | 199 |
| Bond Issued Abroad | 31,000,000,000 | 31,000,000,000 | 16/01/2015 | 23/01/2020 | 0.52% | 30,969,180,465 | 161,746 | 258 |
| **Subtotal ¥ Bonds** | **55,000,000,000** | **55,000,000,000** | | | | **54,879,862,606** | **286,627** | **457** |
| | | | | | | | | |
| **Total Ordinary Bonds** | | | | | | | **3,043,142** | **4,857** |

**SUBORDINATED BONDS**

| Series | UF issued | UF placement | Issuance date | Maturity date | Issuance rate | UF Original currency | Balance due MCh$ | Balance due MUS$ |
|---|---|---|---|---|---|---|---|---|
| UEST-A0799 | 4,000,000 | 4,000,000 | 01/07/1999 | 01/07/2024 | 6.50% | 2,459,454.08 | 60,559 | 97 |
| UEST-B0603 | 2,500,000 | 2,500,000 | 01/06/2003 | 01/06/2025 | 4.80% | 1,715,707.64 | 42,245 | 67 |
| UEST-C0405 | 4,000,000 | 4,000,000 | 01/04/2005 | 01/04/2027 | 4.50% | 3,330,156.34 | 81,998 | 131 |
| UEST-D0106 | 2,000,000 | 2,000,000 | 01/01/2006 | 01/01/2031 | 4.50% | 1,749,199.42 | 43,070 | 69 |
| UEST-E0806 | 2,500,000 | 2,500,000 | 01/08/2006 | 01/08/2031 | 4.50% | 2,267,797.44 | 55,839 | 89 |
| UEST-F0207 | 2,500,000 | 2,500,000 | 01/02/2007 | 01/08/2031 | 4.00% | 2,275,998.68 | 56,041 | 89 |
| UEST-I0308 | 2,000,000 | 2,000,000 | 01/03/2008 | 01/03/2033 | 4.00% | 1,848,065.10 | 45,504 | 73 |
| UESTI20110 | 3,000,000 | 3,000,000 | 01/01/2010 | 01/01/2038 | 4.50% | 3,360,809.42 | 82,752 | 131 |
| UESTL10111 | 2,000,000 | 2,000,000 | 01/01/2011 | 01/01/2041 | 4.00% | 2,067,742.38 | 50,914 | 81 |
| UESTL20711 | 2,000,000 | 2,000,000 | 01/07/2011 | 01/07/2041 | 4.00% | 2,177,720.08 | 53,622 | 86 |
| UESTL30112 | 2,000,000 | 2,000,000 | 01/01/2012 | 01/01/2042 | 4.00% | 2,183,175.70 | 53,756 | 86 |
| UESTM11213 | 2,000,000 | 2,000,000 | 01/12/2013 | 01/12/2043 | 3.50% | 2,061,396.34 | 50,757 | 81 |
| UESTM20114 | 2,000,000 | 2,000,000 | 01/01/2014 | 01/01/2045 | 3.50% | 2,176,788.50 | 53,599 | 86 |
| UESTM30114 | 2,000,000 | 2,000,000 | 01/01/2014 | 01/01/2046 | 3.50% | 2,353,656.02 | 57,954 | 92 |
| UESTM40114 | 2,000,000 | 2,000,000 | 01/01/2014 | 01/01/2047 | 3.50% | 2,208,645.72 | 54,383 | 87 |
| **Total Subordinated Bonds** | **36,500,000** | **36,500,000** | | | | **34,236,312.86** | **842,993** | **1,345** |
| | | | | | | | | |
| **Total** | | | | | | | **3,886,135** | **6,202** |

(In millions of Chilean Pesos – MCh$)

## NOTE 8 – DEBT INSTRUMENTS ISSUED AND OTHER OBLIGATIONS (Continued)

### 12/31/2014

ORDINARY BONDS

| Series | UF issued | UF placement | Issuance date | Maturity date | Inssuance rate | UF Original currency | Balance due MCh$ |
|---|---|---|---|---|---|---|---|
| BEST-D0807 | 6,000,000 | 6,000,000 | 01/08/2007 | 01/08/2017 | 4.00% | 6,119,448.00 | 150,704 |
| BEST-F1007 | 2,000,000 | 2,000,000 | 01/10/2007 | 01/10/2027 | 4.25% | 2,099,054.17 | 51,694 |
| BEST-H1207 | 4,000,000 | 4,000,000 | 01/12/2007 | 01/12/2017 | 4.00% | 4,068,684.20 | 100,200 |
| BESTA30400 | 3,000,000 | 3,000,000 | 01/04/2000 | 01/04/2025 | 6.50% | 1,982,753.86 | 48,829 |
| BESTJ20708 | 3,000,000 | 3,000,000 | 01/07/2008 | 01/07/2018 | 3.50% | 2,987,148.79 | 73,565 |
| BESTJ31008 | 5,000,000 | 5,000,000 | 01/10/2008 | 01/10/2018 | 3.50% | 4,957,888.85 | 122,098 |
| BESTJ41008 | 2,000,000 | 2,000,000 | 01/10/2008 | 01/10/2028 | 4.00% | 1,913,900.24 | 47,134 |
| BESTJ50109 | 5,000,000 | 5,000,000 | 01/01/2009 | 01/01/2019 | 3.50% | 5,087,575.35 | 125,292 |
| BESTJ60109 | 2,000,000 | 2,000,000 | 01/01/2009 | 01/01/2029 | 4.00% | 1,997,495.63 | 49,193 |
| BESTJ70112 | 5,000,000 | 5,000,000 | 01/01/2012 | 01/01/2017 | 3.50% | 5,110,504.53 | 125,857 |
| BESTJ80112 | 3,000,000 | 3,000,000 | 01/01/2012 | 01/01/2032 | 3.75% | 3,099,268.34 | 76,326 |
| BESTK10713 | 3,000,000 | 3,000,000 | 01/07/2013 | 01/07/2018 | 3.30% | 3,178,646.13 | 78,281 |
| BESTK20713 | 2,000,000 | 2,000,000 | 01/07/2013 | 01/07/2043 | 3.70% | 2,303,152.00 | 56,720 |
| BESTK30114 | 3,000,000 | 3,000,000 | 01/01/2014 | 01/01/2019 | 3.30% | 3,149,974.44 | 77,575 |
| BESTK40114 | 2,000,000 | 2,000,000 | 01/01/2014 | 01/01/2044 | 3.70% | 2,343,912.26 | 57,724 |
| BESTK50714 | 3,000,000 | 3,000,000 | 01/07/2014 | 01/07/2019 | 3.30% | 3,247,252.60 | 79,970 |
| BESTK60714 | 2,000,000 | 2,000,000 | 01/07/2014 | 01/07/2044 | 3.70% | 2,386,265.20 | 58,767 |
| BESTN10814 | 3,000,000 | 3,000,000 | 01/08/2014 | 01/08/2024 | 3.00% | 3,088,511.94 | 76,061 |
| BESTN20814 | 2,000,000 | 2,000,000 | 01/08/2014 | 01/08/2044 | 3.30% | 2,162,040.12 | 53,244 |
| **Subtotal UF Bonds** | **60,000,000** | **60,000,000** | | | | **61,283,476.65** | **1,509,234** |

| Series | US$ issued | US$ placement | Issuance date | Maturity date | Inssuance rate | US$ Original currency | Balance due MCh$ |
|---|---|---|---|---|---|---|---|
| Bond Issued Abroad | 500,000,000 | 500,000,000 | 07/10/2010 | 07/10/2020 | 4.13% | 500,183,357 | 303,486 |
| Bond Issued Abroad | 500,000,000 | 500,000,000 | 08/02/2012 | 08/02/2022 | 3.88% | 496,525,359 | 301,267 |
| Bond Issued Abroad | 500,000,000 | 500,000,000 | 05/11/2012 | 09/11/2017 | 2.00% | 491,114,007 | 297,983 |
| Bond Issued Abroad | 200,000,000 | 200,000,000 | 07/05/2013 | 09/11/2017 | 2.00% | 200,295,864 | 121,530 |
| **Subtotal US$ Bonds** | **1,700,000,000** | **1,700,000,000** | | | | **1,688,118,587** | **1,024,266** |

| Series | ¥ issued | ¥ placement | Issuance date | Maturity date | Inssuance rate | ¥ Original currency | Balance due MCh$ |
|---|---|---|---|---|---|---|---|
| Bond Issued Abroad | 24,000,000,000 | 24,000,000,000 | 11/06/2013 | 18/06/2018 | 0.84% | 23,840,714,962 | 121,201 |
| **Subtotal ¥ Bonds** | **24,000,000,000** | **24,000,000,000** | | | | **23,840,714,962** | **121,201** |
| | | | | | | | |
| **Total Ordinary Bonds** | | | | | | | **2,654,701** |

SUBORDINATED BONDS

| Series | UF issued | UF placement | Issuance date | Maturity date | Inssuance rate | UF Original currency | Balance due MCh$ |
|---|---|---|---|---|---|---|---|
| UEST-A0799 | 4,000,000 | 4,000,000 | 01/07/1999 | 01/07/2024 | 6.50% | 2,595,044.96 | 63,908 |
| UEST-B0603 | 2,500,000 | 2,500,000 | 01/06/2003 | 01/06/2025 | 4.80% | 1,691,918.61 | 41,667 |
| UEST-C0405 | 4,000,000 | 4,000,000 | 01/04/2005 | 01/04/2027 | 4.50% | 3,296,182.70 | 81,175 |
| UEST-D0106 | 2,000,000 | 2,000,000 | 01/01/2006 | 01/01/2031 | 4.50% | 1,806,438.33 | 44,487 |
| UEST-E0806 | 2,500,000 | 2,500,000 | 01/08/2006 | 01/08/2031 | 4.50% | 2,339,717.20 | 57,621 |
| UEST-F0207 | 2,500,000 | 2,500,000 | 01/02/2007 | 01/08/2031 | 4.00% | 2,347,456.09 | 57,811 |
| UEST-I0308 | 2,000,000 | 2,000,000 | 01/03/2008 | 01/03/2033 | 4.00% | 1,902,115.98 | 46,844 |
| UESTI20110 | 3,000,000 | 3,000,000 | 01/01/2010 | 01/01/2038 | 4.50% | 3,397,312.02 | 83,666 |
| UESTL10111 | 2,000,000 | 2,000,000 | 01/01/2011 | 01/01/2041 | 4.00% | 2,088,111.34 | 51,424 |
| UESTL20711 | 2,000,000 | 2,000,000 | 01/07/2011 | 01/07/2041 | 4.00% | 2,199,003.49 | 54,155 |
| UESTL30112 | 2,000,000 | 2,000,000 | 01/01/2012 | 01/01/2042 | 4.00% | 2,204,518.54 | 54,291 |
| UESTM11213 | 2,000,000 | 2,000,000 | 01/12/2013 | 01/12/2043 | 3.50% | 2,044,576.25 | 50,352 |
| UESTM20114 | 2,000,000 | 2,000,000 | 01/01/2014 | 01/01/2045 | 3.50% | 2,195,146.39 | 54,060 |
| UESTM30114 | 2,000,000 | 2,000,000 | 01/01/2014 | 01/01/2046 | 3.50% | 2,373,197.58 | 58,445 |
| UESTM40114 | 2,000,000 | 2,000,000 | 01/01/2014 | 01/01/2047 | 3.50% | 2,227,311.74 | 54,853 |
| **Total Subordinated Bonds** | **36,500,000** | **36,500,000** | | | | **34,708,051.22** | **854,759** |
| **Total** | | | | | | | **3,509,460** |

(In millions of Chilean Pesos – MCh$)

## NOTE 9 – PROVISIONS

As of March 31, 2015 and December 31, 2014, "Provisions" are detailed as follows:

a) Provisions:

| | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | MUS$ | MCh$ | MCh$ |
| Employee benefits and remunerations provision | 212 | 132,864 | 111,288 |
| Distribution of net income provision (tax benefit) | 293 | 183,344 | 165,659 |
| Credit risk on contingent loans provision | 65 | 40,527 | 40,096 |
| Contingent provision (*) | 708 | 443,965 | 435,907 |
| Country risk provisions | 1 | 884 | 672 |
| **Total** | **1,279** | **801,584** | **753,622** |

(*) Includes additional provisions in the amount of MCh$ 413,820 as of March 31, 2015 (MCh$ 413,820 as of December 31, 2014)

b) As of March 31, 2015 and December 31, 2014 the movement of provisions is detailed as follows:

| | Employee benefits and remunerations MCh$ | Contingent credit risks MCh$ | Provisions for contingencies MCh$ | Other provisions MCh$ | Total MCh$ | Total MUS$ |
|---|---|---|---|---|---|---|
| Balances at January 1, 2015 | 111,288 | 40,096 | 435,907 | 166,331 | 753,622 | 1,203 |
| Provisions established | 28,708 | 3,448 | 8,195 | 17,919 | 58,270 | 93 |
| Applied provisions | (3,796) | (250) | (136) | - | (4,182) | (7) |
| Release of provisions | (3,335) | (2,767) | - | (23) | (6,125) | (10) |
| Other movements | (1) | - | (1) | 1 | (1) | - |
| **Balances at March 31, 2015** | **132,864** | **40,527** | **443,965** | **184,228** | **801,584** | **1,279** |
| Balances at January 1, 2014 | 106,777 | 32,816 | 293,903 | 103,842 | 537,338 | |
| Provisions established | 48,538 | 20,207 | 172,924 | 165,871 | 407,540 | |
| Applied provisions | (32,407) | - | (1,644) | (103,188) | (137,239) | |
| Release of provisions | (11,620) | (13,363) | (29,275) | (194) | (54,452) | |
| Other movements | - | 436 | (1) | - | 435 | |
| **Balances at December 31, 2014** | **111,288** | **40,096** | **435,907** | **166,331** | **753,622** | |

(In millions of Chilean Pesos – MCh$)

## NOTE 9 – PROVISIONS (Continued)

c) As of March 31, 2015 and December 31, 2014, provisions for employment benefits and payroll are detailed as follows:

| | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | **MUS$** | **MCh$** | **MCh$** |
| Severance indemnity provision | 113 | 70,790 | 69,031 |
| Severance benefit provision | - | - | - |
| Provision for other employee benefits | 62 | 39,144 | 15,136 |
| Vacation provision | 37 | 22,930 | 27,121 |
| **Total** | **212** | **132,864** | **111,288** |

d) As of March 31, 2015 and December 31, 2014, termination benefits (Note 11)) are detailed as follows:

| | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | **MUS$** | **MCh$** | **MCh$** |
| Present value of liabilities at beginning of year | 110 | 69,031 | 67,580 |
| Increase in provision | 7 | 4,157 | 19,858 |
| Advanced payments | - | - | - |
| Applied provisions | (3) | (2,035) | (14,027) |
| Release of provisions | (1) | (363) | (4,375) |
| Effects for discount rate | - | - | - |
| Others | - | - | (5) |
| **Total** | **113** | **70,790** | **69,031** |

(In millions of Chilean Pesos – MCh$)

## NOTE 9 – PROVISIONS (Continued)

e) Additional provisions

Additional provisions (included under the concept of contingencies provisions) are destined to cover countercyclical adverse effects on the Bank's businesses and concentration risks, in accordance with the criteria approved by the Bank's Executive Committee, as described in Note 1 u.6). As of March 31, 2015 and December 31, 2014, movements of additional provisions are detailed as follows:

| | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | MUS$ | MCh$ | MCh$ |
| Balance as of January 1 | 660 | 413,820 | 281,201 |
| Provision established | - | - | 132,622 |
| Release of provisions | - | - | - |
| Others | - | - | (3) |
| **Total** | **660** | **413,820** | **413,820** |

The effects for the period are recorded in "Provisions for loan losses" in the Interim Consolidated Statement of Income for the Period.

(In millions of Chilean Pesos – MCh$)

## NOTE 10 – CONTINGENCIES AND COMMITMENTS

### a) Commitments and responsibilities recorded in memorandum accounts:

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

| | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | **MUS$** | **MCh$** | **MCh$** |
| **Contingent Loans** | | | |
| Guarantee and deposits: | | | |
| Guarantees and deposits in local currency | 18 | 11,258 | - |
| Guarantees and deposits in foreign currency | 323 | 202,593 | 155,750 |
| Confirmed foreign letters of credit | 112 | 70,480 | 126,721 |
| Issued documented letters of credit | 113 | 70,973 | 61,620 |
| Performance bonds | 1,565 | 980,368 | 885,139 |
| Interbank letters of credit | - | - | - |
| Immediately available lines of credit | 1,873 | 1,173,819 | 1,182,277 |
| Amount of committed credits and not placed | - | - | - |
| Other credit commitments | - | - | - |
| Credits for higher education Law No. 20,027 | 593 | 371,827 | 374,758 |
| Others | 594 | 372,183 | 460,843 |
| Other contingent credits | - | - | - |
| **Operations on account of third parties** | | | |
| Collections: | | | |
| Foreign collections | 49 | 30,416 | 32,450 |
| Local collections | 143 | 89,631 | 82,696 |
| Placement or sale of financial instruments: | | | |
| Placement of securities for public bid | - | - | - |
| Sale of letters of credit of bank operations | - | - | - |
| Sales 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 | 1,279 | 801,589 | 1,555,737 |
| 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 | 1,579 | 989,479 | 1,079,788 |
| Securities held in custody deposited in another entity | 7,092 | 4,443,482 | 4,490,902 |
| Securities issued by the bank: | - | | |
| Promissory notes of time deposits | 3,883 | 2,433,087 | 2,374,356 |
| Letters of credit for sale | 5 | 3,431 | 3,150 |
| Other documents | - | - | - |
| **Commitment** | | | |
| Guarantees for underwriting operations | - | - | - |
| Commitments for assets purchase | - | - | - |
| **Total** | **19,221** | **12,044,616** | **12,866,187** |

(In millions of Chilean Pesos – MCh$)

## NOTE 10 – CONTINGENCIES AND COMMITMENTS (Continued)

### b) Lawsuits and legal proceedings:

b.1) Normal legal contingencies of the industry:

As of the date of issuance of these Interim Consolidated Financial Statements, there are several legal proceedings that have been filed against the Bank, its New York Branch and its Subsidiaries in relation to normal operations in its line of business. According to Management and based on the advice of its legal counsel, the Bank has recorded the provisions it deems appropriate to cover potential losses not contemplated by the Bank, New York Branch and Subsidiaries. As of March 31, 2015 and December 31, 2014, the Bank and its Subsidiaries have provisions for this concept that amount to MCh$ 7,013 and MCh$ 6,118, respectively, which form part of "Provisions" in the Interim Consolidated Statement of Financial Position. Lawsuits and provisions by type are detailed as follows:

| TYPE | 03/31/2015 | | | 12/31/2014 | |
|---|---|---|---|---|---|
| | No. of case | Provision Amount | | No. of case | Provision Amount |
| | | MUS$ | MCh$ | | MCh$ |
| Labor | 7 | - | 143 | 12 | 211 |
| Civil | 351 | 11 | 6,870 | 352 | 5,907 |
| **Totales** | **358** | **11** | **7,013** | **364** | **6,118** |

b.2) Contingencies due to significant lawsuit at Courts of Justice:

As of March 31, 2015 and December 31, 2014, the Bank, its New York Branch and Subsidiaries do not have contingencies due to significant lawsuits in courts, which affect or could affect these Interim Consolidated Financial Statements.

### c) Operating guarantees granted:

| | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | MUS$ | MCh$ | MCh$ |
| Financial assets in guarantee CCLV, Bolsa de Comercio de Santiago | 12 | 7,676 | 8,934 |
| Shares in guarantee for the Bolsa de Comercio de Santiago by simultany operations | 41 | 25,917 | 30,372 |
| **Total** | **53** | **33,593** | **39,306** |

(In millions of Chilean Pesos – MCh$)

## NOTE 10 – CONTINGENCIES AND COMMITMENTS (Continued)

### BancoEstado Corredores de Seguros S.A.

- **Guarantees on transactions and third party liability:**

  In accordance with Article No. 58 of Decree Law No. 251, as of March 31, 2015, Subsidiary BancoEstado Corredores de Seguros S.A. has a guarantee deposit which covers possible damages that might affect it as a consequence of infractions of the law, regulations and complementary standards that regulate insurance brokers, and especially when the non-compliance arises from acts, errors and omissions of the broker its representatives, managers or dependents participating in the brokerage.

Guarantee information is as follows:

| | | |
|---|---|---|
| Number | : | 7459812 |
| Amount | : | UF 60,000 |
| Issuer | : | BancoEstado |
| Purpose | : | To guarantee any present or 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 D.F.L. No. 251 dated 1931. |
| Effective | : | Until April 14, 2015. |

### BancoEstado S.A. Corredores de Bolsa

- **Operating guarantees:**

  In order to comply with the obligation of transaction guarantees established in Article No. 30 of Law No. 18,045, Subsidiary BancoEstado S.A. Corredores de Bolsa has purchased insurance policy No. 214105230 from Compañía de Seguros de Crédito Continental S.A. for a value of UF 20,000, valid from April 22, 2014, to April 22, 2016, with Bolsa de Comercio de Santiago, Bolsa de Valores as the representative of the beneficiaries of the guarantee.

  BancoEstado S.A. Corredores de Bolsa has established a first priority pledge on its share of Bolsa de Comercio de Santiago, Bolsa de Valores, in order to guarantee faithful and timely performance of its obligations owed to that institution. In addition, it has established a second priority pledge in favor of all stock brokers to secure its obligations with them.

(In millions of Chilean Pesos – MCh$)

## NOTE 10 – CONTINGENCIES AND COMMITMENTS (Continued)

BancoEstado S.A. Corredores de Bolsa has purchased two insurance policies with:

- AIG Chile Compañía de Seguros Generales S.A., policy No. 0020069664 covers the first tranche of US$ 9,000,000, effective until January 31, 2016.

- Orion Seguros Generales S.A., policy No. 14809 covers the second tranche of US$ 1,000,000, effective until January 31, 2016.

**BancoEstado S.A. Administradora General de Fondos:**

- **Operating guarantees**

In compliance with Articles No. 226 and No. 227 of Law No. 18,045, Subsidiary BancoEstado S.A. Administradora General de Fondos, designated Banco del Estado de Chile as representative of the beneficiaries of the guarantees it has established. The guarantee deposits established are detailed as follows:

| | Currency | Amount | Start Date | Maturity date |
|---|---|---|---|---|
| Fondo Solidez BECH | UF | 10,000.00 | 11/01/2015 | 08/03/2015 |
| Fondo Mutuo Corporativo BancoEstado | UF | 49,082.07 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo Solvente BancoEstado | UF | 303,910.38 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo Compromiso BancoEstado | UF | 64,313.83 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo Conveniencia BancoEstado | UF | 12,789.36 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo Protección BancoEstado | UF | 77,729.86 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo BancoEstado Acciones Nacionales | UF | 10,000.00 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo BancoEstado BNP Paribas Renta Emergente | UF | 10,000.00 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo BancoEstado BNP Paribas Acciones Emergentes | UF | 10,000.00 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo BancoEstado BNP Paribas Acciones Desarrolladas | UF | 10,000.00 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo BancoEstado BNP Paribas Más Renta Bicentenario | UF | 47,689.98 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo BancoEstado Perfil Dinámico A | UF | 10,000.00 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo BancoEstado Perfil Tradicional C | UF | 10,000.00 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo BancoEstado Perfil Moderado E | UF | 10,000.00 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo BancoEstado Renta Futura | UF | 10,000.00 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo BancoEstado Dólar Disponible | UF | 10,000.00 | 11/01/2015 | 10/01/2016 |
| Fondo Mutuo Ahorro Balanceado | UF | 10,000.00 | 02/02/2015 | 10/01/2016 |
| Fondo Mutuo Mediano y Largo Plazo | UF | 10,000.00 | 02/02/2015 | 10/01/2016 |

### d) Contingent loans and liabilities:

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

(In millions of Chilean Pesos – MCh$)

## NOTE 10 – CONTINGENCIES AND COMMITMENTS (Continued)

The contractual amounts of the transactions that obligate the Bank to grant loans and the amount of the provisions established for the credit risk assumed are detailed as follows:

| | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | MUS$ | MCh$ | MCh$ |
| Guarantees and deposits | 341 | 213,851 | 155,750 |
| Document letter of credit | 225 | 141,453 | 188,341 |
| Performance bonds | 1,565 | 980,368 | 885,139 |
| Amounts available for users of credit card | 1,873 | 1,173,819 | 1,182,277 |
| Amount of committed credits and not placed | 594 | 372,183 | 460,843 |
| Credits for higher education Law No. 20,027 | 593 | 371,827 | 374,758 |
| Provisions established | (65) | (40,527) | (40,096) |
| **Total** | **5,126** | **3,212,974** | **3,207,012** |

## NOTE 11 - PERSONNEL SALARIES AND EXPENSES

a) As of March 31, 2015 and 2014 "Personnel expenses" are detailed as follows:

| | 03/31/2015 | | 03/31/2014 |
|---|---|---|---|
| | MUS$ | MCh$ | MCh$ |
| Personnel remunerations | 89 | 55,863 | 51,985 |
| Bonuses or other benefits | 46 | 29,053 | 9,752 |
| Severance indemnity | 4 | 2,298 | 853 |
| Training expenses | 1 | 421 | 454 |
| Welfare expenses | 14 | 8,779 | 8,062 |
| Other personnel expenses | 10 | 6,036 | 7,192 |
| **Total** | **164** | **102,450** | **78,298** |

b) Employee benefits plans:

As of March 31, 2015 and December 31, 2014 the Bank and Subsidiaries maintain the following employee benefits:

**Employee vacations:**

The annual cost of vacations and employee benefits is recognized on an accrual basis.

## NOTE 11 - PERSONNEL SALARIES AND EXPENSES (Continued)

**Short-term benefits:**

The existence of short-term benefits (current expense) is primarily based on incentives for meeting commercial objectives and achieving operational efficiency. These benefits are:

- Individual performance bond: Each employee is given an amount of money based on the fulfillment of the Bank's objectives, the individual's goals and the employee's salary.

- Corporate bond: Defines a percentage of the Bank's monthly payroll to be distributed equally to all of the Bank's employees. It is based on the fulfillment of commercial objectives and operational efficiency.

**Long - term benefits:**

Long-term benefits correspond to those benefits granted by the Bank according to Law and/or the existence of implicit obligations derived from the current Collective Contract, signed on June 28, 2013, which has a duration of 26 months.

The methodology used to determine the provision for all employees uses actuarial assumptions that consider variables such as turnover rates, mortality rates, salary increases, probability of the use of the benefit according to the valuation method entitled the Valuation Method of Accumulated Benefits or Accrued Cost of the Benefit. This methodology is established in IAS 19.

**The benefits are the following**

- Years of service: Applies to all of the Company's employees. The Bank estimates that the employees will continue to work until their retirement age (men and women 65 years) and therefore constitutes provisions according to the probability of the occurence of resignation, death, dismissal and retirement during the employees' professional life at the Bank. The benefits are determined according to current legal regulations and the Collective Contract.

- Prizes for years of service: Applies to all of the Company's employees. This prize for years with the Company grants a percentage of salary to each milestone, including 10, 15, 20, 25, 30, 35, 40 and 45 years of service.

**NOTE 11 - PERSONNEL SALARIES AND EXPENSES (Continued)**

- Retirement savings: Applies to all of the Company's employees for an indefinite term who joined the company after August 14, 1981 and are not affiliated with the unemployment insurance established by Law 19,728. This benefit establishes a retirement savings program in the form of self-insurance, in order to provide a salary plus bonuses of a maximum of U.F. 90 for each 36 months of contribution to the program.

- Additional benefits for retirement plan: Applies to all of the Company's employees included in the plan established by the Collective Contract. Early and voluntary retirement plan for all workers between 55 and 60 years; and between 58 and 64 years whose compensation increases by a percentage according to age range and the hiring date. The benefits that can be provisioned refer to health plans and life insurance for a period of 24 months, as well as education scholarships during the current school year (preschool, elementary school, high school and university) for school-aged children.

**Actuarial Assumptions**

The actuarial assumptions used to calculate the abovementioned long-term commitments according to IFRS are the following:

- Mortality and invalidity: Uses the RV-2009 Mortality Chart of the Superintendencia de Valores y Seguros.

- Turnover rates (resignations and company's needs): Calculated based on the historical values registered in BancoEstado and subsidiaries, which records events occurred between 2010-2012.

- Discount rate: Determined based on BCU (bond rate of the Central Bank of Chile in Unidades de Fomento) at 5, 10 and 20 years plus a spread equivalent to the cost over the indicated rate, of bond issuances or high-quality company obligations. As of March 31, 2015, the annual real discount rates used are 1.75%, 2.08% and 2.34% respectively (2.09%, 2.29% and 2.42%, as of December 31, 2014).

- Salary increase: Historical estimates of an annual rate of 2%.

- Retirement age: According to determined by the Administration, 65 years for men women.

(In millions of Chilean Pesos – MCh$)

## NOTE 11 - PERSONNEL SALARIES AND EXPENSES (Continued)

The prepayment of employee benefits does not exist in the practice of the organization.

Actuarial provisions activity as of March 31, 2015 and December 31, 2014 is as follows:

| | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | **MUS$** | **MCh$** | **MCh$** |
| **Changes in obligations** | | | |
| Initial value of obligation | 110 | 69,031 | 67,580 |
| Provision for retirement plan | - | - | - |
| Benefits paid during the year | (3) | (2,035) | (14,027) |
| Cost of services during current year | 4 | 3,065 | 7,756 |
| Cost for interest | 1 | 356 | 1,720 |
| Actuarial profits and losses (*) | 1 | 373 | 6,002 |
| Turnover rate for resignation | 1 | 671 | 1,842 |
| Turnover rate for dismissal | - | 65 | 690 |
| Salary growth rate | - | 30 | 676 |
| Discount rate | - | (117) | 48 |
| Mortality | - | (276) | 2,746 |
| **Obligations at the end of the period** | **113** | **70,790** | **69,031** |

(*) For employee benefits, the Bank recorded in the Consolidated Comprehensive Statement of Income for the year and the Consolidated Statement of Changes in Equity, the sum of MCh$ 123 net of deferred taxes at March 31, 2015, due to the implementation of new IAS 19 instructions.

(In millions of Chilean Pesos – MCh$)

## NOTE 12 – TRANSACTIONS WITH RELATED PARTIES

In accordance with the provisions of the General Banking Law and the instructions set forth by the Superintendencia de Bancos e Instituciones Financieras, individuals or legal entities are considered to be associated when they are involved in the ownership or management of the institution directly or indirectly through third parties.

a) Group entities (consolidated in the Financial Statements)

| Company and/or foreing Branch | 03/31/2015 Direct | 03/31/2015 Indirect | 03/31/2015 Total | 12/31/2014 Direct | 12/31/2014 Indirect | 12/31/2014 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% |
| Sociedad de Servicios Transaccionales Caja Vecina S.A. | 99.8494% | 0.1506% | 100.0000% | 99.8494% | 0.1506% | 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. | 99.8300% | 0.1700% | 100.0000% | 99.8300% | 0.1700% | 100.0000% |
| BancoEstado - New York Branch | 100.0000% | - | 100.0000% | 100.0000% | - | 100.0000% |

b) Loans with related parties

Loans and accounts receivable, contingent loans and assets corresponding to trading and investing instruments associated to related parties are detailed as follows:

| | March 31, 2015 | | | | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Productive Companies | | Investment Companies | | Natural Persons | | Productive Companies | Investment Companies | Natural Persons |
| | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MCh$ | MCh$ | MCh$ |
| **Loans and receivables** | | | | | | | | | |
| Commercial loans | 1 | 412 | - | 1 | 1 | 716 | 227 | 3 | 571 |
| Mortgage loans | - | - | - | - | 10 | 6,293 | - | - | 6,342 |
| Consumer loans | - | - | - | - | 2 | 1,008 | - | - | 938 |
| **Gross loans** | 1 | 412 | - | 1 | 13 | 8,017 | 227 | 3 | 7,851 |
| Provision for loan losses | - | (5) | - | - | - | (25) | (2) | - | (30) |
| **Loans, net** | **1** | **407** | **-** | **1** | **13** | **7,992** | **225** | **3** | **7,821** |
| **Contingent credits:** | | | | | | | | | |
| Total contingent credits | 2 | 1,230 | 46 | 28,731 | 1 | 346 | 1,065 | 28,781 | 482 |
| Provisions for contingent loans | - | (1) | - | (178) | - | (4) | - | (180) | (4) |
| **Contingent loans, net** | **2** | **1,229** | **46** | **28,553** | **1** | **342** | **1,065** | **28,601** | **478** |
| **Acquired instruments:** | | | | | | | | | |
| For negotiation | - | - | - | - | - | - | - | - | - |
| For investment | - | - | - | - | - | - | - | - | - |

(In millions of Chilean Pesos – MCh$)

## NOTE 12 – TRANSACTIONS WITH RELATED PARTIES (Continued)

c) Other assets and liabilities with related parties

| | 03/31/2015 | | 12/31/2014 |
|---|---|---|---|
| | MUS$ | MCh$ | MCh$ |
| **Assets** | | | |
| Other Assets | - | 15 | 75 |
| **Liabilities** | | | |
| Demand deposits | 53 | 33,479 | 64,944 |
| Deposits and other loans | 4 | 2,793 | 2,877 |
| Other liabilities | - | 4 | 4 |

d) Income from transactions with related parties

| Type of income or expense | March 31, 2015 | | | | March 31, 2014 | |
|---|---|---|---|---|---|---|
| | Income | | Expenses | | Income | Expenses |
| | MUS$ | MCh$ | MUS$ | MCh$ | MCh$ | MCh$ |
| Interest income (expense) | 2 | 974 | - | (21) | 1,421 | (98) |
| Income (expense) from commissions and services | - | 44 | - | - | 84 | - |
| Income (loss) from negotiation | - | - | - | - | - | - |
| Income (loss) from other financial transactions | - | - | - | - | - | - |
| Exchange differences | - | 1 | - | - | 2 | - |
| Expenses from operational support | - | - | (1) | (396) | - | (329) |
| Other expenses | - | - | - | (38) | - | (5) |
| **Total** | **2** | **1,019** | **(1)** | **(455)** | **1,507** | **(432)** |

(In millions of Chilean Pesos – MCh$)

## NOTE 12 – TRANSACTIONS WITH RELATED PARTIES (Continued)

e) Contracts with related parties

| Contracts with related parties | March 31, 2015<br>Type of Contract | December 31, 2014<br>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. | Welcome package | Back office services |
| Transbank S. A. | Commission charge | Commission charge |
| Sociedad Operadora Camara Compensación Pago Alto Valor S.A. | Compensation chamber service | Compensation chamber service |
| 2) Contracts less than UF 1,000 | | |
| Fundación Asistencial y de Salud | Lease of office | Lease of office |

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

As of March 31, 2015 and 2014, remunerations received by key management employees are detailed as follows:

| | 03/31/2015 | | 03/31/2014 |
|---|---|---|---|
| | MUS$ | MCh$ | MCh$ |
| Short term benefits to employees | 2 | 952 | 1,055 |
| Staff severance indemnities | - | - | 197 |
| **Total** | **2** | **952** | **1,252** |

(In millions of Chilean Pesos – MCh$)

## NOTE 12 – TRANSACTIONS WITH RELATED PARTIES (Continued)

g) Key employees

As of March 31, 2015 and December 31, 2014, the Bank's key employees are detailed as follows:

| | 03/31/2015 | 12/31/2014 |
|---|---|---|
| **Position** | **Number of executives** | **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 | 11 | 11 |
| General Managers of Subsidiaries | 8 | 8 |
| **Total** | **30** | **30** |

h) Transactions with key employees and their related parties

As of March 31, 2015 and 2014, the Bank has performed transactions with key employees and their related parties, whose results are detailed as follows:

| | 03/31/2015 Income of key executives and related parties | | 03/31/2014 Income of key executives and related parties |
|---|---|---|---|
| | **MUS$** | **MCh$** | **MCh$** |
| Credit cards and other services | - | 1 | 23 |
| Loans | - | - | 355 |
| Guarantees | - | - | - |
| Mortgage credits | - | 22 | - |
| Others | - | 5 | 9 |
| **Totales** | **-** | **28** | **387** |

## NOTE 13 – ASSETS AND LIABILITIES AT FAIR VALUE

In general, "fair value" is understood to be the price that a financial instrument has, at a specific moment in time, in a free and voluntary transaction between interested parties, who are duly informed and independent from each other. For financial instruments without available market prices, fair values have been estimated using current values or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rate. In this sense, the fair value estimates of certain financial assets and liabilities, cannot be justified by comparison to independent markets and, in many cases cannot be made at immediate placement.

In addition, the fair value estimates presented below do not have the intention of estimating the fair value of the Bank's profits generated by its current or future business activities, and therefore do not represent the Bank's value as a going concern.

The methods used to estimate fair value of financial instruments are detailed below:

**a) Cash and due from banks:**

The carrying amount of cash and bank deposits approximates their estimated fair value due to their current nature.

**b) Transactions in the course of collection (assets and liabilities):**

The carrying value of transactions with foreign exchange approximates their estimated value due to their current nature.

**c) Financial investments and bonds issued:**

The estimated fair value of these financial instruments was determined using market values at prices quoted in the market for financial instruments with similar characteristics.

**d) Loans and accounts receivable from customers, loans and advance to banks, deposits and other obligations, letters of credit issued, agreements and other debts:**

The fair values of these financial instruments are estimated using the analysis of cash flow discounts, derived from the settlement of contractual cash flows for each of them, at a market discount rate, which considers credit risk, when applicable.

(In millions of Chilean Pesos – MCh$)

## NOTE 13 – ASSETS AND LIABILITIES AT FAIR VALUE (Continued)

### e) Derivative instruments

The fair value of derivatives represents the estimated amount that the Bank and its subsidiaries expect to receive or pay to rescind the contracts and agreements, keeping in mind current interest rates and prices.

Regarding the fair value of derivatives the Bank performs contrast price adjustment and adjustments for counterparty credit risk. In the case of contrast price adjustments (Bid/Ask) the Bank takes market information and incorporates it in the rate curves when assessing. For counterparty credit risk adjustments the Bank applies the criteria defined for the "normal compliance" portfolio, it takes the counterparty credit exposure and applies the expected loss factor over the fair value and records it as goodwill in the Interim Consolidated Statement of Income for the Period.

As of March 31, 2015 and December 31, 2014, estimated fair values of financial instruments are detailed as follows:

| | March 31, 2015 | | | | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | Estimated fair value | | Gain (loss) not recognized | | Carrying amount | Estimated fair value | Gain (loss) not recognized |
| | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MCh$ | MCh$ | MCh$ |
| **Assets** | | | | | | | | | |
| Cash and due from banks | 5,664 | 3,548,678 | 5,664 | 3,548,678 | - | - | 3,991,859 | 3,991,859 | - |
| Transactions in the course of collection | 977 | 612,195 | 977 | 612,195 | - | - | 383,694 | 383,694 | - |
| Financial assets held for trading | 2,799 | 1,753,783 | 2,799 | 1,753,783 | - | - | 1,876,891 | 1,876,891 | - |
| Repurchase agreements and securities loans | 165 | 103,478 | 165 | 103,432 | - | (46) | 179,780 | 179,696 | (84) |
| Financial derivative contracts | 500 | 313,012 | 500 | 313,012 | - | - | 306,971 | 306,971 | - |
| Loans and advance to banks | 601 | 376,611 | 639 | 400,546 | 38 | 23,935 | 437,373 | 466,576 | 29,203 |
| Loans and accounts receivables from customers | 26,017 | 16,301,651 | 30,889 | 19,354,459 | 4,872 | 3,052,808 | 16,164,190 | 19,058,777 | 2,894,587 |
| Financial investments available for sale | 5,219 | 3,270,416 | 5,219 | 3,270,416 | - | - | 3,333,722 | 3,333,722 | - |
| Financial investments held to maturity | 68 | 42,826 | 67 | 41,799 | (1) | (1,027) | 42,632 | 40,015 | (2,617) |
| **Total** | **42,010** | **26,322,650** | **46,919** | **29,398,320** | **4,909** | **3,075,670** | **26,717,112** | **29,638,201** | **2,921,089** |
| **Liabilities** | | | | | | | | | |
| Current accounts and other demand deposits | 9,038 | 5,663,095 | 9,038 | 5,663,095 | - | - | 6,653,167 | 6,653,167 | - |
| Transactions in the course of payment | 898 | 562,370 | 898 | 562,370 | - | - | 351,760 | 351,760 | - |
| Repurchase agreements and securities loans | 805 | 504,398 | 804 | 503,756 | 1 | 642 | 475,202 | 473,697 | 1,505 |
| Saving accounts and time deposits | 20,126 | 12,610,841 | 22,395 | 14,032,358 | (2,269) | (1,421,517) | 12,641,928 | 14,135,957 | (1,494,029) |
| Financial derivative contracts | 351 | 219,638 | 351 | 219,638 | - | - | 216,856 | 216,856 | - |
| Obligations with banks | 1,145 | 717,154 | 1,264 | 791,796 | (119) | (74,642) | 679,003 | 759,319 | (80,316) |
| Debt issued instruments | 7,817 | 4,898,012 | 7,243 | 4,538,508 | 574 | 359,504 | 4,562,943 | 4,167,940 | 395,003 |
| Other financial obligations | 31 | 19,299 | 31 | 19,284 | - | 15 | 33,279 | 33,269 | 10 |
| **Total** | **40,211** | **25,194,807** | **42,024** | **26,330,805** | **(1,813)** | **(1,135,998)** | **25,614,138** | **26,791,965** | **(1,177,827)** |

"Loans and advance to banks" and "Loans and accounts receivable from customers" are valued using market rates, discounting credit risk provisions, if applicable.

## NOTE 13 – ASSETS AND LIABILITIES AT FAIR VALUE (Continued)

### Fair value measurement and hierarchy

IFRS 7 establishes a fair value hierarchy, which prioritizes the entry of valuation techniques used to measure fair value. The hierarchy gives top priority to unadjusted prices quoted in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to measurements that imply important non-observable entries (level 3 measurements). The three levels of fair value hierarchy are detailed as follows:

- Level 1: entries with quoted prices (unadjusted) in active markets for identical assets and liabilities, which the Bank has the capacity to access as of the measurement date.

- Level 2: entries other than quoted prices included in level 1, which are directly or indirectly observable for assets or liabilities.

- Level 3: non-observable entries for assets or liabilities.

In the case of Banco Estado applies models recognized and validated in the financial industry to value financial instruments. Respect of Fixed Income Instruments (IRF) and Financial Intermediation Instruments (IIF) are valued applying the model developed by DICTUC S.A., subsidiary of Pontificia Universidad Católica de Chile, which consists of valuing instruments in portfolio with real transaction prices. Should there be no prices for a specific instrument; the Price Reference Model is applied based on all information available on transactions for the day and all historical information recorded in the Bolsa de Comercio de Santiago.

In the case of derivative instruments, the methodology applied corresponds to currency rate factors obtained from valid market sources and modeled using a 6-factor Svenson model, obtaining the rate curve with daily periodicity for each currency and term and market where the Bank operates.

As of March 31, 2015 and December 31, 2014, the assets and liabilities measured at fair value, are detailed as follows.

(In millions of Chilean Pesos – MCh$)

## NOTE 13 – ASSETS AND LIABILITIES AT FAIR VALUE (Continued)

| | March 31, 2015 Fair value measurements | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | | Prices in active markets for identical assets (level 1) | | Other significant input observable (level 2) | | Significant input non-observable (level 3) | |
| | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ |
| **ASSETS** | | | | | | | | |
| Financial assets held for trading | 2,799 | 1,753,783 | 564 | 353,464 | 2,235 | 1,400,319 | - | - |
| Financial derivative contracts | 500 | 313,012 | - | - | 500 | 313,012 | - | - |
| Financial investments available for sale | 5,219 | 3,270,416 | 811 | 508,547 | 4,408 | 2,761,869 | - | - |
| **TOTAL** | **8,518** | **5,337,211** | **1,375** | **862,011** | **7,143** | **4,475,200** | **-** | **-** |
| **LIABILITIES** | | | | | | | | |
| Financial derivative contracts | 351 | 219,638 | - | - | 351 | 219,638 | - | - |
| **TOTAL** | **351** | **219,638** | **-** | **-** | **351** | **219,638** | **-** | **-** |

| | December 31, 2014 Fair value measurements | | | |
|---|---|---|---|---|
| | Total MCh$ | Prices in active markets for identical (level 1) MCh$ | Other significant input observable (level 2) MCh$ | Significant input non-observable (level 3) MCh$ |
| **ASSETS** | | | | |
| Financial assets held for trading | 1,876,891 | 521,061 | 1,355,830 | - |
| Financial derivative contracts | 306,971 | - | 306,971 | - |
| Financial investments available for sale | 3,333,722 | 673,176 | 2,660,546 | - |
| **TOTAL** | **5,517,584** | **1,194,237** | **4,323,347** | **-** |
| **LIABILITIES** | | | | |
| Financial derivative contracts | 216,856 | - | 216,856 | - |
| **TOTAL** | **216,856** | **-** | **216,856** | **-** |

Assets and liabilities classified in level 2 correspond to instruments whose rates or valuation prices are obtained from market prices with the application of modeling.

(In millions of Chilean Pesos – MCh$)

## NOTE 14 – EVENTS OCCURRED AFTER THE REPORTING PERIOD

- On April 2, 2015 BancoEstado Corredores de Seguros S.A. issued a new bank guarantee with the following data:

| | | |
|---|---|---|
| Number | : | 8339912 |
| Amount | : | U.F. 60,000 |
| Issuer | : | BancoEstado |
| Purpose | : | To guarantee present or future creditors in regard to their insurance brokerage and with the only purpose of being used in accordance with Article No.58 Decree Law No. 251 of 1931. |
| Expiration date | : | April 14, 2016 |

- There are no others events occurred between April 1, 2015 and April 28, 2015 that might significantly affect the presentation of the Interim Consolidated Financial Statements of the Bank.

**CARLOS MARTABIT SCAFF**
**Chief Finance Officer**

**JESSICA LÓPEZ SAFFIE**
**Chief Executive Officer**

**MARCOS GAÍNZA ARAGONÉS**
**Accounting and Management Manager**

**ÓSCAR GONZÁLEZ NARBONA**
**Planning and Management Control Manager**