Interim Consolidated Financial Statements

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Santiago, Chile
As of March 31, 2016 and 2015 and December 31, 2015

Interim Consolidated Financial Statements

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As of March 31, 2016 and 2015 and December 31, 2015

Contents

Ch$	=	Chilean Pesos
MCh$	=	Millions of Chilean Pesos
US$	=	United States Dollar (US Dollar)
MUS$	=	Millions of United States dollars
U.F.	=	Unidad 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
€	=	Euros

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Interim Consolidated Statements of Financial Position
As of March 31, 2016 and December 31, 2015
(In millions of Chilean Pesos - MCh$)
(Translation of Financial Statements originally issued in Spanish – See Note 1b)

	Notes	03/31/2016 MUS$ (*)	03/31/2016 MCh$	12/31/2015 MCh$
ASSETS				
Cash and due from banks	5	7,337	4,914,600	4,634,708
Transactions in the course of collection	5	652	436,757	325,925
Financial assets held for trading		2,839	1,901,730	2,209,909
Repurchase agreements and securities loans		162	108,212	234,062
Financial derivative contracts		762	510,096	442,739
Loans and advance to banks		439	294,361	489,453
Loans and accounts receivable from customers		28,479	19,075,048	18,539,161
Financial investments available for sale		5,545	3,713,734	4,013,041
Financial investments held to maturity		55	36,745	36,273
Investments in companies		20	13,294	13,161
Intangible assets		217	145,548	133,804
Property, plant and equipment	7	456	305,318	303,777
Deferred taxes		1,220	816,967	802,298
Other assets		427	286,411	371,271
TOTAL ASSETS		**48,610**	**32,558,821**	**32,549,582**
LIABILITIES				
Current accounts and other demand deposits		10,084	6,754,252	7,940,027
Transactions in the course of payment	5	580	388,742	161,900
Repurchase agreements and securities loans		1,044	699,370	575,634
Saving accounts and time deposits		22,536	15,094,645	14,346,167
Financial derivative contracts		432	289,091	253,460
Obligations with banks		1,724	1,154,863	1,040,353
Debt issued instruments	8	7,970	5,338,054	5,421,541
Other financial obligations	8	61	40,535	39,265
Current taxes		118	79,144	42,246
Deferred taxes		370	247,874	267,334
Provisions	9	1,006	673,630	673,633
Other liabilities		432	289,360	294,055
TOTAL LIABILITIES		**46,357**	**31,049,560**	**31,055,615**
EQUITY				
Attributable to equity holders of the bank:				
Issued capital		858	574,632	574,632
Reserves		1,322	885,557	886,976
Valuation accounts		18	12,045	5,403
Retained earnings:				
From prior year's		168	112,583	
Net income for the period		80	53,784	112,583
Less: Provision for distribution of income to the benefit of the state		(203)	(136,171)	(92,149)
		2,243	1,502,430	1,487,445
Non-controlling interest		10	6,831	6,522
TOTAL EQUITY		**2,253**	**1,509,261**	**1,493,967**
TOTAL LIABILITIES AND EQUITY		**48,610**	**32,558,821**	**32,549,582**

(*) See Note 1b
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, 2016 and 2015
(In millions of Chilean Pesos - MCh$)
(Translation of Financial Statements originally issued in Spanish – See Note 1b)

	Notes	03/31/2016 MUS$ (*)	03/31/2016 MCh$	03/31/2015 MCh$
Interest income		581	389,366	281,792
Interest expense		(290)	(194,435)	(108,496)
Net interest income		**291**	**194,931**	**173,296**
Fees and commission income		127	84,976	73,065
Fees and commission expense		(43)	(28,863)	(21,831)
Net fee and commission income		**84**	**56,113**	**51,234**
Profit (loss) from financial operations, net		129	86,406	(11,283)
(Loss) profit foreign exchange transaction, net		(66)	(44,132)	47,434
Other operating income		4	2,994	4,361
Total operating income		**442**	**296,312**	**265,042**
Provisions for loan losses		(69)	(46,666)	(37,106)
OPERATING INCOME, NET		**373**	**249,646**	**227,936**
Personnel salaries and expenses	11	(144)	(96,744)	(102,450)
Administrative expenses		(89)	(59,571)	(54,039)
Depreciation and amortization		(30)	(19,796)	(11,190)
Impairment		-	-	-
Other operating expenses		(8)	(5,472)	(13,637)
Total operating expenses		**(271)**	**(181,583)**	**(181,316)**
NET OPERATING INCOME		**102**	**68,063**	**46,620**
Income from investments in companies		-	322	281
Income before income taxes		**102**	**68,385**	**46,901**
Income taxes expenses		(18)	(11,854)	(26,878)
NET INCOME FOR THE PERIOD		**84**	**56,531**	**20,023**
Attributable to:				
Equity holders of the bank		80	53,784	17,685
Non-controlling interest		4	2,747	2,338
		84	**56,531**	**20,023**

(*) See Note 1b
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, 2016 and 2015
(In millions of Chilean Pesos - MCh$)
(Translation of Financial Statements originally issued in Spanish – See Note 1b)

	Notes	03/31/2016 MUS$ (*)	03/31/2016 MCh$	03/31/2015 MCh$
NET INCOME FOR THE PERIOD		**84**	**56,531**	**20,023**
OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO THE INCOME FOR THE PERIOD				
Profit on valuation of investment securities available-for-sale		16	10,395	1,442
Profit on accumulated foreign currency translation adjustment		1	459	901
Net profit (loss) on cash flow hedge derivatives		11	7,393	(5,026)
Subtotal other comprehensive income components that will be reclassified to the income for the period		**28**	**18,247**	**(2,683)**
Income tax relating to components of other comprehensive income components that will be reclassified to the income for the period		(18)	(11,605)	2,525
Total other comprehensive income that will be reclassified to the income for the period		**10**	**6,642**	**(158)**
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO THE INCOME FOR THE PERIOD				
Adjustment for employee benefits plans	11	(6)	(4,053)	(373)
Subtotal other comprehensive income components that will not be reclassified to the income for the period		**(6)**	**(4,053)**	**(373)**
Income tax relating to components of other comprehensive income components that will not be reclassified to the income for the period		4	2,634	250
Total other comprehensive income that will not be reclassified to the income for the period	11	**(2)**	**(1,419)**	**(123)**
TOTAL OTHER COMPREHENSIVE INCOME		**8**	**5,223**	**(281)**
CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD		**92**	**61,754**	**19,742**
Attributable to:				
Equity holders of the bank		88	59,007	17,404
Non-controlling interest		4	2,747	2,338
		92	**61,754**	**19,742**

(*) See Note 1b

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, 2016 and 2015

(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 01/01/2015	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 New York Branch	-	-	-	-	-	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 MCh$	**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 01/01/2016	574,632	(984)	887,960	(3,274)	19,861	(1,465)	(9,719)	-	112,583	(92,149)	1,487,445	6,522	1,493,967
Transfers	-	-	-	-	-	-	-	112,583	(112,583)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(2,185)	(2,185)
Variation of financial investments available-for-sale	-	-	-	10,395	-	-	(6,749)	-	-	-	3,646	-	3,646
Variation of hedge accounting derivatives	-	-	-	-	7,393	-	(4,856)	-	-	-	2,537	-	2,537
Adjustment for conversion differences New York Branch	-	-	-	-	-	459	-	-	-	-	459	-	459
Adjustment for employee plans	-	(1,419)	-	-	-	-	-	-	-	-	(1,419)	-	(1,419)
Provision for distribution of minimum income	-	-	-	-	-	-	-	-	-	(44,022)	(44,022)	(253)	(44,275)
Net income for the period	-	-	-	-	-	-	-	-	53,784	-	53,784	2,747	56,531
Equity as of 03/31/2016 MCh$	**574,632**	**(2,403)**	**887,960**	**7,121**	**27,254**	**(1,006)**	**(21,324)**	**112,583**	**53,784**	**(136,171)**	**1,502,430**	**6,831**	**1,509,261**
Equity as of 03/31/2016 MUS$ (*)	**858**	**(4)**	**1,326**	**11**	**41**	**(2)**	**(32)**	**168**	**80**	**(203)**	**2,243**	**10**	**2,253**

(*) See Note 1b

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, 2016 and 2015
(In millions of Chilean Pesos – MCh$)
(Translation of Financial Statements originally issued in Spanish – See Note 1b)

	Notes	03/31/2016 MUS$ (*)	03/31/2016 MCh$	03/31/2015 MCh$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Net income for the period		84	56,531	20,023
Charges (credits) to income that do not represent cash flows:				
Depreciation and amortization		30	19,796	11,190
Provisions for loan losses		99	66,231	57,424
Adjustment to market of financial assets held-for-trading		15	10,255	8,759
Gain from investment in companies		-	(322)	(281)
Net gain on sales assets received in lieu of payment		(2)	(1,170)	(1,271)
Write-off of assets received in lieu of payment		1	685	1,205
Other charges to income that do not represent cash movements		20	13,462	39,212
Net loss for interest and inflation readjustment		(92)	(61,443)	(87,399)
Changes in assets and liabilities affecting operating cash flows:				
Decrease (increase) of trading instruments		158	105,712	(370,093)
Increase in loans		(870)	(582,553)	(174,567)
Decrease in held-to-maturity and financial investments available-for-sale		446	298,835	63,112
Decrease in other credit transactions		291	195,092	60,762
Decrease in currents accounts		(1,908)	(1,277,698)	(932,942)
Increase (decrease) of deposits and loans		1,096	734,068	(49,870)
Increase (decrease) in other demand and time liabilities		159	106,333	(38,347)
Increase of other obligations through brokerage of documents		185	123,736	29,196
Decrease of obligations in letters of credit		(42)	(27,946)	(41,606)
Increase of loans obtained from local banks		-	-	60,502
Increase (decrease) of loans obtained from foreign banks		171	114,510	(22,351)
Increase of other assets and liabilities		32	21,255	132,177
Net cash flows used in operating activities		**(127)**	**(84,631)**	**(1,235,165)**
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:				
Purchase of property, plant and equipment and intangible assets		(49)	(33,058)	(80,798)
Sale of property, plant and equipment and intangible assets		-	3	5
Dividends received from investments in companies		-	85	77
Sale of assets received in lieu of payment		3	2,145	1,565
Net cash flow used in investing activities		**(46)**	**(30,825)**	**(79,151)**
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:				
Issue of bonds		-	-	337,928
Expiration of bonds		(10)	(6,998)	(6,387)
Net cash flows provided by financing activities		**(10)**	**(6,998)**	**331,541**
NET VARIATION FOR THE PERIOD OF CASH AND CASH EQUIVALENTS		**(183)**	**(122,454)**	**(982,775)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	5	8,258	5,531,517	4,874,556
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	5	**8,075**	**5,409,063**	**3,891,781**

(*) See Note 1b

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 Banco del Estado de Chile (hereinafter referred to as "the Bank" or "BancoEstado") was established by Decree in Force of Law (D.F.L.) No. 126, published in the Official Gazette on July 24, 1953, and began operating on September 1, 1953.
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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 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, 2016, were approved by the Auditing Committee and by the Board of Directors on April 28, 2016.

(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 in Bandera No. 76, 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, 2016 and December 31, 2015, maintaining control over the operations of BancoEstado 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 2016 MUS$	Dividends Received 2016 MCh$	Dividends Received year 2015 MCh$
Bolsa de Comercio de Santiago; Bolsa de Valores	1	2.0833%	Fair Value	-	-	123
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	-	-	1

(*) 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 20 mutual funds from which 18 are operational and 2 in the process of liquidation, requested on February 1, 2016 to the Superintendencia de Valores y Seguros.

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, 2016 and December 31, 2015, 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 Amunátegui No. 232, 6nd 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, 2016 and December, 31, 2015, 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, 2016 and December 31, 2015, 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 2016 MUS$	Dividends Received 2016 MCh$	Dividends Received year 2015 MCh$
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 Microempresas 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, 2016 and December 31, 2015, holding controlling interest in the operations of BancoEstado Microempresas 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, 2016 and December 31, 2015, 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 2016 MUS$	Dividends Received 2016 MCh$	Dividends Received year 2015 MCh$
Sociedad de Servicios Transaccionales Caja Vecina S.A. (*)	30	0.1506%	Share Method	-	-	4

  (*) Entities 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, 2016 and December 31, 2015, 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 19, 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 99.85% of its equity as of March 31, 2016 and December 31, 2015, 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 2016		year 2015
				MUS$	MCh$	MCh$
Sociedad de Promoción de Productos Bancarios S.A. (*)	10	0.1700%	Share Method	-	-	-

(*) Entities 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, 2016 and December 31, 2015, 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 in that city. Its operation started on October 5, 2005. Its commercial orientation is preferably 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 Superintendencia de Bancos e Instituciones Financieras of Chile and 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, 2016

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	998	668,398	890	596,168	5	3,455	90	60,400	18	11,866
BancoEstado S.A. Administradora General de Fondos	8	5,590	4	2,927	3	1,687	1	822	3	2,143
BancoEstado Corredores de Seguros S.A.	59	39,771	43	28,750	6	3,814	10	6,934	22	14,546
BancoEstado Servicios de Cobranzas S.A.	8	5,414	6	3,689	1	555	1	607	3	2,261
BancoEstado Microempresas S.A. Asesorías Financieras	13	8,390	6	3,981	1	965	4	2,725	5	3,668
BancoEstado Centro de Servicios S.A.	41	27,674	38	25,331	-	130	(7)	(4,772)	1	400
BancoEstado Contacto 24 Horas S.A.	2	1,286	1	551	-	100	-	(143)	-	325
Sociedad de Servicios Transaccionales Caja Vecina S.A.	12	8,299	5	3,213	1	649	3	2,332	6	3,744
Sociedad de Promoción de Productos Bancarios S.A.	1	610	-	5	-	-	-	(17)	-	1

December 31, 2015

Entities	Assets MCh$	Liabilities MCh$	Company income MCh$	Accumulated profits MCh$	Cash and cash equivalent MCh$
BancoEstado S.A. Corredores de Bolsa	682,054	613,282	6,251	54,149	3,387
BancoEstado S.A. Administradora General de Fondos	10,201	4,348	6,245	842	4,936
BancoEstado Corredores de Seguros S.A.	32,921	25,714	14,449	3,386	8,861
BancoEstado Servicios de Cobranzas S.A.	5,769	4,044	580	27	2,261
BancoEstado Microempresas S.A. Asesorías Financieras	8,258	4,813	196	2,529	3,417
BancoEstado Centro de Servicios S.A.	22,464	20,252	1	(4,773)	406
BancoEstado Contacto 24 Horas S.A.	1,230	595	203	(346)	369
Sociedad de Servicios Transaccionales Caja Vecina S.A.	7,882	3,444	2,332	-	3,983
Sociedad de Promoción de Productos Bancarios S.A.	611	6	7	(25)	8

(*) For further information on the above companies, please refer to the Financial Statements of each company, posted on Banco Estado website www.bancoestado.cl.

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 as of March 31, 2016 and December 31, 2015, and Interim Consolidated Statement of Income, Interim Consolidated Comprehensive Statement of Income, Interim Consolidated Statement of Changes in Equity and Interim Consolidated Statement of Cash Flows for the periods from 1 January and March 31, 2016 and 2015, respectively.

b) Basis of preparation:

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 Superintendence of Banks and Financial Institutions 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 Superintendencia de Bancos e Instituciones Financieras may not conform to generally accepted accounting principles in the United Stated ("US GAAP") or to International Financial Reporting Standards.

These Interim Consolidated Financial Statements for the 3-month period ended as of March 31, 2016, have been prepared in accordance with chapter C-2 of the Compendium of Accounting Standards of the Superintendence of Banks and Financial Institutions 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, 2015.

Therefore, as of March 31, 2016 State Bank declares that it complies with the provisions of IAS 34.

c) Basis of preparation of the Interim Consolidated Financial Statements:

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, 2016, the assets and liabilities and operating income of Subsidiaries represent altogether 12.68%, 13.27% and 20.94%, respectively (10.76%, 11.26% and 18.45%, respectively as of December 31, 2015), of total consolidated assets, liabilities and operating income. Unearned income and/or losses 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 has 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, 2016 and December 31, 2015 are detailed as follows:

		Participation					
		March 31, 2016			December 31, 2015		
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 - Sucursal New York (*)	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	**03/31/2016**	**12/31/2015**
Administrador Financiero Transantiago S.A.	21.0000%	21.0000%
Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	14.9606%	14.9606%
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.

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

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.

- **Investments in other companies:**

Investments in 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, 2016 and December 31, 2015 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. The detail of the business segments is presented in Note 4 to the Interim Consolidated Financial Statements.

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

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.

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 in "(Loss) profit foreign exchange transaction, net".

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.

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

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.

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.

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

The Interim Consolidated Financial Statements have been prepared based on 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.
- Loans as object of hedging

- **Assets valued at acquisition cost:**

Acquisition cost is the cost of the transaction to acquire the asset, less any impairment.

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 “(Loss) Profit from financial operation, net” of the consolidated income statement of the period.

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" of the consolidated income statement of the period.

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

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

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, 2016 and December 31, 2015, 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.

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 "(Loss) Profit from financial operation, net". Accrued interest and readjustments are also reported in the Interim Consolidated Statement of Income under "(Loss) Profit from financial operation, net".

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.

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

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.

Any changes in the fair value of financial derivative contracts for negotiation are included in the Interim Consolidated Statement of Income under "(Loss) Profit from financial operation, net ".

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.

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

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 year.

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.

Investments via 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.

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

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.

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.

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

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 of assets will be impaired if the quoted objective evidence that one or more events have occurred after the initial recognition of the asset, and this event is causing the loss or has a negative effect on future cash flow of assets.

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).

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.

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

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.

q) Intangible assets:

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

Acquired software is measured at cost less accumulated amortization and the 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.

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

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.

As of March 31, 2016 and December 31, 2015, the Bank applied the following useful lives for depreciation of assets

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

The 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.

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

s) Leasing:

- **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.

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.

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.

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

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.

u) Provisions for loan losses:

The provisions required to cover loan losses have been recognized according to the standards of the Superintendence of Banks and Financial Institutions. Assets are presented net of the provisions for loan losses 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 for loan losses are summarized as follows:

u.1) Provisions for loan losses 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.

(In millions of Chilean Pesos – MCh$)

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

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.

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).

(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 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

Provisions for loan losses on portfolio under normal or substandard compliance

To determine the amount of the provisions for loan losses that should be established for portfolios with normal and substandard compliance, banks must first estimate the exposure subject to provisions for loan losses, to which the respective loss percentages will be applied (expressed in decimals), which comprise the probability 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 for loan losses 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:

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

Where:

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

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

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

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, protested 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.

Provisions for loan losses for non-performing portfolio

For the purpose of establishing the provisions for loan losses, 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.

(In millions of Chilean Pesos – MCh$)

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

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

Type of portfolio	Category	Range of expected loss	Provisions (%)
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:

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

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

Where:

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

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

u.2) Collective assessment provisions for loan losses:

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 internal models for the commercial and consumer portfolio, based on probability of default of debtors and their loans. In the case of the mortgage portfolio as of January 2016, the bank uses a standar model established on the Chapter B-1 of the Compendium of Accounting Standards of the Superintendencia de Bancos e Instituciones Financieras.

Provisions for loan losses for the consumer and commercial portfolio collectively assessed

Provisions for loan losses for the consumer and commercial portfolio collectively assessed are determined as follows:

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

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.

Evaluate mortgage portfolio provisions in groups

In the case of the mortgage portfolio evaluated collectively, provisions are determined by standard a method. Where the applicable provision factor, represented by the expected loss (PI) on the amount of mortgage loans for housing will depend on the overdue of each loan and the relationship between the amount of outstanding principal of each loan and the value of the mortgage guarantee (PVG) covering it, as shown in the following table:

(In millions of Chilean Pesos – MCh$)

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

Provision factors applied according to overdue and PVG						
PVG = Amount of outstanding principal of the loan / value of the mortgage guarantee						
Section PVG	**Days Past Due**	**0**	**1 - 29**	**30 - 59**	**60 - 89**	**90 or more**
PVG <= 40%	PI (%)	1.0916	21.3407	46.0536	75.1614	100.0000
	PDI (%)	0.0225	0.0441	0.0482	0.0482	0.0537
	PE (%)	0.0002	0.0094	0.0222	0.0362	0.0537
40% < PVG <= 80%	PI (%)	1.9158	27.4332	52.0824	78.9511	100.0000
	PDI (%)	2.1955	2.8233	2.9192	2.9192	3.0413
	PE (%)	0.0421	0.7745	1.5204	2.3047	3.0413
80% < PVG <= 90%	PI (%)	2.5150	27.9300	52.5800	79.6952	100.0000
	PDI (%)	21.5527	21.6600	21.9200	22.1331	22.2310
	PE (%)	0.5421	6.0496	11.5255	17.6390	22.2310
PVG > 90%	PI (%)	2.7400	28.4300	53.0800	80.3677	100.0000
	PDI (%)	27.2000	29.0300	29.5900	30.1558	30.2436
	PE (%)	0.7453	8.2532	15.7064	24.2355	30.2436

If the situation where a debtor keep more than one mortgage loan with the bank and one of them present loans overdue more than 90 days, for purposes of determining the percentage applicable provisions, all such loans will be allocated to the last section of overdue from the above table and the provisions for each of the loans shall be calculated according to the respective percentages of PVG.

In the case of residential mortgage loans linked to housing programs and grant the State of Chile, provided they have contractually with the auction insurance provided by the latter, the provisioning rate may be weighted by a factor of loss mitigation (MP), which depends on the percentage PVG and the price of residential in the deed of sale (V). MP factors applied to the provisioning rate applicable, are presented in the following table:

MP Factor of mitigation of loan losses with state guarantee.		
Section PVG	***Section V: Housing value on agreement (UF)***	
	V <= 1.000	**1.000 < V < = 2.000**
PVG <= 40%	100%	
40% < PVG <= 80%		
80% < PVG <= 90%	95%	96%
PVG > 90%	84%	89%

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

Collectively asses default portfolio

The default portfolio includes all loans and 100% of the amount of contingent loans, the debtors that the closing of a month presents overdue equal to or more than 90 days on payment of interest or principal of a credit. It also includes debtors to whom have being granted a credit to overrule a operation that had more than 60 days overdue on payment, as also to those debtors who have undergone forced restructuring or partial debt forgiveness.

They may be excluded from the default portfolio: a) mortgage loans for housing, whose overdue is less than 90 days, unless the debtor has another loan of the same type with more than 90 days overdue; and, b) loans to finance higher education of Law No 20,027, which do not present the default conditions outlined in Circular No. 3,454 of December 10, 2008, by the Superintendencia de Bancos e Instituciones Financieras.

All credits of the debtor shall be maintained in the default portfolio until a normalization of their capacity or conduct of payment is observe, without prejudice to proceed to the write off´s of each particular credit that meets the condition laid down in Title II of Chapter B -2. To remove a debtor of the default portfolio, once the circumstances that led to its classification in this portfolio under these rules exceeded, the following conditions must be met in a copulative maner:

i) No obligation of the debtor presents an overdue more than 30 calendar days payment.
ii) No new refinancings loans have been given to pay its obligations.
iii) At least one of the payments includes amortization of capital.
iv) If the debtor has a partial credit payments for a periods less than six months, it has already made two payments.
v) If the debtor must pay monthly fees for one or more credits, have paid four consecutive installments.
vi) The debtor does not appear with direct overdue on the information published by the Superintendencia de Bancos e Instituciones Financieras, except for insignificant amounts.

The condition of paragraph iii) does not apply in the case of debtors who have only loans to finance higher education in accordance with Law No 20,027.

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

u.3) Impaired portfolio:

The impaired portfolio will consist of the following assets, as provided in Chapter B-1:

a) In the case of debtors subject to individual assessment, including credit portfolio in default and those that must be typecast in B3 and B4 categories substandard portfolio.

b) Debtors subject to group evaluation, includes all loans in the portfolio in default.

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:

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 "Provision for loan losses", netting the provision expense for the period.

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

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.

As of March 31, 2016, the Bank maintains equivalent to 1.77% of assets weighted by risk of credit (2.02% at December 31, 2015) additional provisions. Product of the application of Circular No. 3,573 of December 30, 2014 of the Superintendencia de Bancos e Instituciones Financieras, the Bank, as of March 31, 2016 has released MCh$ 51,615 of additional provisions. During this period constituted under additional provisions MCh$ 7,200, according to the criteria mentioned in the above paragraphs.

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.

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

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 agreed with its workers in the collective negotiation of 2015 a bonus of negotiation, which is amortized over the term of the collective agreement and the unamortized portion is recorded under "Other assets". In order to have stable financial indicators of efficiency over time, the Bank have resumed the practice of taking the bonus amount to collective bargaining results within collective agreements.

- **Non-current benefits:**

  The Bank has made provisions for long-term benefits to its employees due to the existence 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 probability of using this benefit. BancoEstado does not have defined contribution plans.

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.

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

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 business 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 22.5% and 24% for the 2015 and 2016 business year, respectively.

On July 23, 2015, the Servicios Impuestos Internos issued Circular No. 66, which sets the taxation system to companies in which the State has a 100% of the participation are affected. Due to the above, applies to the effects of reverse of assets and deferred tax liabilities, the years 2017 onwards, the rate of first category tax of 25% on the affected revenues generated in the year.

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.

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.

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

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.

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 it 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 it 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.

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

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:

- Financial instrument and derivatives valuation.
- Useful lives of tangible and intangible assets.
- Current and deferred income taxes.
- Provision
- 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, 2016 there have been no significant changes in estimates performed as of 2015 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. Deferred tax assets, assets of employee benefit and investment properties continue to be evaluated according to the Bank's accounting policies. In the initial classification of assets held for sale and profits and/or losses subsequent to the revaluation, impairment losses are recognized in income. Profits are not recognized if they exceed any cumulative impairment.

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

ee) Distribution of net income to the Government:

As of March 31, 2016 and December 31, 2015, 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 year amounted to 81.85% as of March 31, 2016 and December 31, 2015.

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 period.
b) Net amount of income and expenses temporarily recognized in equity as “Valuation accounts”.
c) Deferred taxes originated from item 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, net of deferred taxes.
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 2015 is presented solely and exclusively for the purpose of comparing it to the information for the 3-month period ended March 31, 2016.

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

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, 2016.

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.

jj) Restructuring costs:

As of March 31, 2016 and December 31, 2015, the Bank, New York Branch and Subsidiaries have not incurred restructuring expenses.

kk) Error correction:

As of March 31, 2016 the Bank, New York Branch and Subsidiaries have not made error correction adjustments.

ll) Compliance with agreements:

As of March 31, 2016, 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 have not been adopted for early application:

(In millions of Chilean Pesos – MCh$)

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

a) New standards

		Date of obligatory application
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019

IFRS 15 "Revenue from Contracts with Customers"

In May 2014 was issued IFRS 15; this is a new standard that is applicable to all contracts with customers except leases, financial instruments and insurance contracts. This is a joint project of the Council of International Financial Reporting Standards (IASB) with the domestic issuer of standards of the United States, the Council of Financial Accounting Standards Board (FASB), in order to eliminate differences in revenue recognition between IFRS and US GAAP. This new standard aims to improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparability of companies from different industries and regions. It also provides a new model for the recognition of revenues and more detailed requirements for contracts with multiple elements. It also requires more detailed disclosures.

The application date of the new standard is as of January 1, 2018, but its earlier application is allowed.

BancoEstado is currently evaluating the impact that this policy could have 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.

(In millions of Chilean Pesos – MCh$)

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

The standard is mandatory for annual periods beginning on or after January 1, 2018. Its early application is allowed.

To date, this legislation has not been approved by the Superintendencia de Bancos e Instituciones Financieras, situation that is required for its application

IFRS 16 "Leases"

On January 13, 2016, the IASB published a new standard, IFRS 16 "Leases". The new standard implies that most leases are presented on the balance sheets of the leaseholders under a single model, eliminating the distinction between operating and financing leases. However, the accounting for lessees remains largely unchanged and the distinction between operating and finance leases is maintained.

IFRS 16 replaces IAS 17 "Leases" and the related interpretations and is effective for periods beginning on or after January 1, 2019; its early application is allowed provided that IFRS 15 "Revenues from Contracts with Customers" is also applied.

According to Management, this regulatory amendment has no impact on the Consolidated Financial Statements of the Bank.

b) Improvements and modifications of standards

		Date of obligatory application
IAS 28 e IFRS 10	Investments in Associates and Joint Ventures and Consolidated Financial Statements	postpone indefinitely
IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
IAS 7	Disclosure Initiative	January 1, 2017

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

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.

On December 17, 2015 the IASB published final amendments to "the sale or contribution of assets between an investor and his associate or joint venture." The amendments postpone the effective date until the research project on the equity method is completed.

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

IAS 12 "Recognition of deferred tax assets for unrealized losses"

On January 19, 2016, the IASB published final amendments to IAS 12 Income Taxes. The amendments clarify the following aspects

- The unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary differences regardless of whether the holder of the debt instrument expect to recover the book value of the debt instrument through its sale or use.

- The book value of an asset does not limit the estimate of probable future tax profits.

- The estimates of future taxable income excludes tax deductions resulting from the reversal of deductible temporary differences

- An entity evaluates a deferred tax asset in combination with other deferred tax assets. When the tax laws restrict the use of tax losses, an entity should evaluate a deferred tax asset in combination with other deferred tax assets of the same type.

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

The amendments are effective for annual periods beginning on or after January 1, 2017. Its early application is allowed.

BancoEstado is evaluating the impact that could generate such amendment in its Consolidated Financial Statements.

IAS 7 "Disclosure Initiative"

The amendments are part of the proposed disclosure initiative of the IASB and introduce additional disclosure requirements intended to address the concerns of investors that the financial statements do not currently allow us to understand the cash flows of the entity; in particular regarding the administration of financial activities. The amendments require disclosure of information that enables users of financial statements to evaluate changes in liabilities arising from financial activities. Although there is no specific format required to meet the new requirements, the modifications include illustrative examples to show how an entity can meet the objective of these amendments.

The amendments are effective for annual periods beginning on or after January 1, 2017. Its early application is allowed.

BancoEstado is evaluating the impact that could generate such amendment in its Consolidated Financial Statements.

c) Regulations issued by SBIF

- Circular No. 3,583 of the Superintendencia de Bancos e Instituciones Financieras, dated May 25, 2015, instructed in relation to all loans granted to finance higher education the same treatment of claims covered by law No 20,027, has changed chapter C-3 of the Compendium of Accounting Standards, student loans which were included in item consumer loans, are as of January 2016 included an item of commercial loans.

  Product of this amendment to January 2016, the Bank transferred from item consumer loans to item commercial loans MCH$ 143,928, which represented a decrease of 8.2% and an increase of 2.7% of their respective portfolios.

- On March 29, 2016, the Superintendencia de Bancos e Instituciones Financieras issued Circular No. 3,604, which instructs modify the percentage of credit equivalent to the credit lines freely available from 50% to 35%, when the debtor not granted any loans in default. According to the above Chapter B-3 of the Compendium of Accounting Standards, Credits Contingent changes. This amendment applies to tell the month of May 2016.

NOTE 2 - ACCOUNTING CHANGES

During the 3-month period ended as of March 31, 2016 there have been no significant accounting changes that affect the interpretation of these Interim Consolidated Financial Statements.

NOTE 3 - RELEVANT EVENTS

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

On 29 March 2016 the Nineteenth Annual General Meeting of Shareholders held BancoEstado S.A. Administradora General de Fondos, which was agreed unanimously the distribution and payment of a definitive dividend equivalent to 100% of net income for 2015, amounting to a total of MCh$ 6,245.

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
Marcelo Hiriart Vergara	María Verónica Hevia Lobo
Antonio Bertrand Hermosilla	Alexis Genkowsky Goic
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, 2016 and 2015 segment income is detailed as follows:

INCOME	March 31, 2016						March 31, 2015				
	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	53,494	123,632	(750)	18,555	194,931	291	42,740	113,676	1,343	15,537	173,296
Net fee and commission income	8,873	58,775	483	(12,018)	56,113	84	7,940	44,689	632	(2,027)	51,234
Net income from financial operations	999	1,991	83,416	-	86,406	129	1,315	1,408	(14,543)	537	(11,283)
Profit (loss) foreign exchange transactions, net	985	927	(46,050)	6	(44,132)	(66)	880	848	45,707	(1)	47,434
Other operating income	42	85	1	2,866	2,994	4	48	74	1	4,238	4,361
Total operating Income	**64,393**	**185,410**	**37,100**	**9,409**	**296,312**	**442**	**52,923**	**160,695**	**33,140**	**18,284**	**265,042**
Provisions for loan losses	(8,825)	(33,946)	170	(4,065)	(46,666)	(69)	8,671	(45,997)	29	191	(37,106)
Operating income, net	**55,568**	**151,464**	**37,270**	**5,344**	**249,646**	**373**	**61,594**	**114,698**	**33,169**	**18,475**	**227,936**
Operating expense					(176,111)	(263)					(167,679)
Other operating expenses					(5,472)	(8)					(13,637)
Total operating expenses					(181,583)	(271)					(181,316)
Net operating income					68,063	102					46,620
Income from investments in companies					322	-					281
Income before income taxes					**68,385**	**102**					**46,901**

(In millions of Chilean Pesos – MCh$)

NOTE 4 - OPERATING SEGMENTS (Continued)

As of March 31, 2016 and December 31, 2015 the Statement of Financial Position by segment is detailed as follows:

	March 31, 2016						December 31, 2015				
	Wholesaler Banking	Retail Banking	Treasury and International	Others	Total		Wholesaler Banking	Retail Banking	Treasury and International	Others	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MUS$	MCh$	MCh$	MCh$	MCh$	MCh$
ASSETS											
Cash and cash equivalents	-	-	4,914,600	-	4,914,600	7,337	-	-	4,634,708	-	4,634,708
Transactions in the course of collection	-	-	436,757	-	436,757	652	-	-	325,925	-	325,925
Financial assets held for trading	-	-	1,901,730	-	1,901,730	2,839	-	-	2,209,909	-	2,209,909
Loans to customers, net	7,898,193	11,176,915	(116)	56	19,075,048	28,479	7,581,043	10,957,549	556	13	18,539,161
Financial investments available for sale	39,574	-	3,674,160	-	3,713,734	5,545	25,051	-	3,987,990	-	4,013,041
Other assets	263,180	4	686,231	1,567,537	2,516,952	3,758	240,779	31	961,719	1,624,309	2,826,838
TOTAL ASSETS	**8,200,947**	**11,176,919**	**11,613,362**	**1,567,593**	**32,558,821**	**48,610**	**7,846,873**	**10,957,580**	**12,120,807**	**1,624,322**	**32,549,582**
LIABILITIES											
Current accounts and other demand deposits	4,020,592	2,366,133	59,662	307,865	6,754,252	10,084	5,226,835	2,354,851	131,760	226,581	7,940,027
Transactions in the course of payment	-	-	388,742	-	388,742	580	-	-	161,900	-	161,900
Saving accounts and time deposits	3,216,983	5,413,768	6,457,660	6,234	15,094,645	22,536	3,047,954	5,314,969	5,979,101	4,143	14,346,167
Obligations with banks	-	-	1,154,863	-	1,154,863	1,724	-	-	1,040,353	-	1,040,353
Debt issued instruments	-	-	5,338,054	-	5,338,054	7,970	-	-	5,421,541	-	5,421,541
Other liabilities	784,778	14,527	253,050	1,266,649	2,319,004	3,463	652,494	17,723	243,552	1,231,858	2,145,627
TOTAL LIABILITIES	**8,022,353**	**7,794,428**	**13,652,031**	**1,580,748**	**31,049,560**	**46,357**	**8,927,283**	**7,687,543**	**12,978,207**	**1,462,582**	**31,055,615**
EQUITY	**-**	**-**	**-**	**1,509,261**	**1,509,261**	**2,253**	**-**	**-**	**-**	**1,493,967**	**1,493,967**
TOTAL LIABILITIES AND EQUITY	**8,022,353**	**7,794,428**	**13,652,031**	**3,090,009**	**32,558,821**	**48,610**	**8,927,283**	**7,687,543**	**12,978,207**	**2,956,549**	**32,549,582**

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, 2016 and December 31, 2015, balances included in cash and cash equivalents and their reconciliation with the Interim Consolidated Statement of Cash Flows are detailed as follows:

	03/31/2016		12/31/2015
	MUS$	MCh$	MCh$
Cash and due from banks			
Cash	763	511,344	507,782
Deposits in the Chilean Central Bank	3,402	2,278,386	2,474,878
Deposits in domestic Banks	8	5,055	1,008
Foreign Deposit	3,164	2,119,815	1,651,040
Subtotal Cash and due from banks	7,337	4,914,600	4,634,708
Transactions in the course of collection net	72	48,015	164,025
High liquidity financial instruments (1)	505	338,236	498,722
Repurchase agreements (2)	161	108,212	234,062
Total Cash and cash equivalents	**8,075**	**5,409,063**	**5,531,517**

(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	03/31/2016		12/31/2015
	MUS$	MCh$	MCh$
Financial assets held for trading			
Fixed time deposits	223	149,345	27,219
Mutual fund	8	5,034	14,511
Subtotal financial assets held for trading	231	154,379	41,730
Financial investments available for sale			
Fixed time deposits	182	122,123	1,196
Readjustable time deposits	3	1,937	-
Promissory note Central Bank	84	56,313	455,796
Bonds	5	3,484	-
Subtotal financial investments available for sale	274	183,857	456,992
Total	**505**	**338,236**	**498,722**

(2) Corresponds to repurchase agreements in identical situation as that stated in the previous point (1).

(In millions of Chilean Pesos – MCh$)

NOTE 5 – CASH AND CASH EQUIVALENTS (Continued)

As of March 31, 2016 and December 31, 2015, the Bank presents balances corresponding to mandatory reserves which are not available to be used in the amount of MCh$ 569,674 and MCh$ 606,503, 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, 2016 and December 31, 2015, these transactions are detailed as follows:

	03/31/2016		12/31/2015
	MUS$	MCh$	MCh$
Assets:			
Outstanding notes from other Banks (clearing)	73	49,075	163,724
Accounts receivables	579	387,682	162,201
Subtotal assets	652	436,757	325,925
Liabilities:			
Accounts payables	580	388,742	161,900
Subtotal liabilities	580	388,742	161,900
Net transactions in the course of collection	**72**	**48,015**	**164,025**

(In millions of Chilean Pesos – MCh$)

NOTE 6 – PORTFOLIO SALES

At March 31, 2016 and December 31, 2015, Bancoestado sold new operations and new loans from lists from prior years from the portfolio of state guaranteed university student loans within the scope of the public bidding for the higher education loan financing and management service of Law No. 20.027. The bid model open to financial institutions is included in the respective tender documents, and allows the selling of a percentage of the portfolio to third parties. Regarding the sold portfolio, BancoEstado substantially transferred all the risks and benefits associated to that portfolio, maintaining only its administration service, which considers the generation of new loans and collection of loan installments. Loans sold are detailed as follows:

Sales at March 31, 2016	Number of transactions	Par value MCh$	Sale value MCh$	Release of provisions MCh$	Gain on sale MCh$	Income received in advance MCh$ (*)
Bid lists	-	-	-	-	-	-
New credits based on prior years list	577	661	607	(73)	-	19
Others (**)	-	-	-	-	1,985	65,723
Total	**577**	**661**	**607**	**(73)**	**1,985**	**65,742**
Total MUS$	**-**	**1**	**1**	**-**	**3**	**98**

Sales at December 31, 2015	Number of transactions	Par value MCh$	Sale value MCh$	Release of provisions MCh$	Gain on sale MCh$	Income received in advance MCh$ (*)
Bid lists	8,577	14,672	19,878	(394)	-	5,600
New credits based on prior years list	31,813	49,840	65,892	(1,514)	-	17,566
Others (**)	-	-	-	-	5,962	44,542
Total	**40,390**	**64,512**	**85,770**	**(1,908)**	**5,962**	**67,708**

(*) 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, 2016, the amount of MCh$ 1,985 (MCh$ 5,962 as total for the year 2015) is recognized in the 3-month period, and this amount is reflected under "Profit (loss) from financial operation" in the Interim Consolidated Statement of Income.

(In millions of Chilean Pesos – MCh$)

NOTE 6 – PORTFOLIO SALES (Continued)

The next table shows the amortization recorded in results:

Portfolio sales	Balance 12/31/2014	Income received in advance 2015	Annual amortization 2015	Balance 12/31/2015	Income received in advance 2016	Annual amortization 2016	Balance 03/31/2016	
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MM$	MUS$
Year 2012	12,164	-	(1,536)	10,628	-	(384)	10,244	15
Year 2013	19,127	-	(2,125)	17,002	-	(531)	16,471	25
Year 2014	19,213	-	(1,961)	17,252	-	(490)	16,762	25
Year 2015	-	23,166	(340)	22,826	-	(580)	22,246	33
Year 2016	-	-	-	-	19	-	19	-
Totals	**50,504**	**23,166**	**(5,962)**	**67,708**	**19**	**(1,985)**	**65,742**	**98**

(In millions of Chilean Pesos – MCh$)

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

As of March 31, 2016 and December 31, 2015, Property, plant and equipment movements by class are detailed as follows:

March 31, 2016	**Land and buildings**	**Equipment**	**Others**	**Total**	
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MUS$**
Cost					
Balance as of January 1, 2016	224,746	154,151	84,582	463,479	692
Additions	659	415	8,433	9,507	14
Withdrawals / disposals	-	-	(72)	(72)	-
Assets in transit (*)	1,796	8,308	(10,283)	(179)	-
Others	169	(33)	(216)	(80)	-
Subtotal	227,370	162,841	82,444	472,655	706
Accumulated depreciation	(29,278)	(109,804)	(28,255)	(167,337)	(250)
Property, plant and equipment, net Balances as of March 31, 2016	**198,092**	**53,037**	**54,189**	**305,318**	**456**

December 31, 2015	**Land and buildings**	**Equipment**	**Others**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**
Cost				
Balance as of January 1, 2015	223,585	108,314	59,521	391,420
Additions	997	39,812	8,365	49,174
Withdrawals / disposals	(1,344)	(486)	(2,919)	(4,749)
Assets in transit (**)	1,430	6,440	19,670	27,540
Others	78	71	(55)	94
Subtotal	224,746	154,151	84,582	463,479
Accumulated depreciation	(28,204)	(104,825)	(26,673)	(159,702)
Property, plant and equipment, net Balances as of December 31, 2015	**196,542**	**49,326**	**57,909**	**303,777**

(*) Corresponds to transfers of the period from Property, plant and equipment to Intangible assets.

(**) Corresponds to transfers of the year from Intangible assets to Property, plant and equipment.

(In millions of Chilean Pesos – MCh$)

NOTE 8 – DEBT INSTRUMENTS ISSUED AND OTHER OBLIGATIONS

As of March 31, 2016 and December 31, 2015, debt instruments issued and other obligations are detailed as follows:

	03/31/2016		12/31/2015
	MUS$	MCh$	MCh$
Debt issued instruments:			
Bills of exchange	1,355	907,715	935,661
Ordinary bonds	5,330	3,569,791	3,619,155
Subordinated bonds	1,285	860,548	866,725
Subtotal	7,970	5,338,054	5,421,541
Other Financial Obligations:			
Obligations public sector	-	-	-
Other local obligations	61	40,535	39,265
Borrowings abroad	-	-	-
Subtotal	61	40,535	39,265
Total	**8,031**	**5,378,589**	**5,460,806**

(In millions of Chilean Pesos – MCh$)

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

As of March 31, 2016 and December 31, 2015 bonds issued are detailed as follows:

03/31/2016

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	08/01/2007	08/01/2017	4.00%	6,049,597.26	156,152	233
BEST-F1007	2,000,000	2,000,000	10/01/2007	10/01/2027	4.25%	2,113,787.36	54,561	81
BEST-H1207	4,000,000	4,000,000	12/01/2007	12/01/2017	4.00%	4,084,723.12	105,435	157
BESTA30400	3,000,000	3,000,000	04/01/2000	04/01/2025	6.50%	1,883,952.18	48,629	73
BESTJ20708	3,000,000	3,000,000	07/01/2008	07/01/2018	3.50%	2,982,879.89	76,994	115
BESTJ31008	5,000,000	5,000,000	10/01/2008	10/01/2018	3.50%	5,028,106.38	129,786	194
BESTJ41008	2,000,000	2,000,000	10/01/2008	10/01/2028	4.00%	1,935,418.83	49,957	75
BESTJ50109	5,000,000	5,000,000	01/01/2009	01/01/2019	3.50%	5,043,641.85	130,187	194
BESTJ60109	2,000,000	2,000,000	01/01/2009	01/01/2029	4.00%	1,980,259.04	51,114	76
BESTJ70112	5,000,000	5,000,000	01/01/2012	01/01/2017	3.50%	5,051,729.59	130,395	195
BESTJ80112	3,000,000	3,000,000	01/01/2012	01/01/2032	3.75%	3,068,825.72	79,213	118
BESTK10713	3,000,000	3,000,000	07/01/2013	07/01/2018	3.30%	3,108,851.10	80,246	120
BESTK20713	2,000,000	2,000,000	07/01/2013	07/01/2043	3.70%	2,277,097.82	58,777	88
BESTK30114	3,000,000	3,000,000	01/01/2014	01/01/2019	3.30%	3,094,633.15	79,879	119
BESTK40114	2,000,000	2,000,000	01/01/2014	01/01/2044	3.70%	2,316,653.03	59,798	89
BESTK50714	3,000,000	3,000,000	07/01/2014	07/01/2019	3.30%	3,169,022.04	81,799	122
BESTK60714	2,000,000	2,000,000	07/01/2014	07/01/2044	3.70%	2,358,019.46	60,865	91
BESTK70115	3,000,000	3,000,000	01/01/2015	01/01/2020	3.30%	3,168,117.37	81,776	122
BESTK80115	2,000,000	2,000,000	01/01/2015	01/01/2045	3.70%	2,344,700.96	60,521	90
BESTN10814	3,000,000	3,000,000	08/01/2014	08/01/2024	3.00%	3,059,894.31	78,982	118
BESTN20814	2,000,000	2,000,000	08/01/2014	08/01/2044	3.30%	2,141,805.53	55,284	83
BESTN30914	2,000,000	2,000,000	09/01/2014	09/01/2044	3.30%	2,101,598.70	54,247	81
BESTN41114	2,000,000	2,000,000	11/01/2014	11/01/2046	3.30%	2,107,913.44	54,410	81
BESTN51214	2,000,000	2,000,000	12/01/2014	12/01/2046	3.30%	2,047,510.42	52,850	79
BESTO10215	2,000,000	2,000,000	02/01/2015	02/01/2035	3.20%	2,136,647.84	55,151	82
BESTO20315	2,000,000	2,000,000	03/01/2015	03/01/2020	2.80%	2,036,024.67	52,554	78
BESTO30315	3,000,000	3,000,000	03/01/2015	03/01/2025	3.00%	3,041,585.19	78,510	118
Subtotal UF Bonds	**78,000,000**	**78,000,000**				**79,732,996.25**	**2,058,072**	**3,072**

Series	US$ issued	US$ placement	Issuance date	Maturity date	Issuance rate	US$ Original currency	Balance due MCh$	Balance due MUS$
FOREIGN CURRENCY BONDS	500,000,000	500,000,000	10/07/2010	10/07/2020	4.13%	506,446,527	339,218	507
FOREIGN CURRENCY BONDS	500,000,000	500,000,000	02/08/2012	02/08/2022	3.88%	500,161,159	335,008	501
FOREIGN CURRENCY BONDS	500,000,000	500,000,000	11/05/2012	11/09/2017	2.00%	499,692,102	334,694	500
FOREIGN CURRENCY BONDS	200,000,000	200,000,000	05/07/2013	11/09/2017	2.00%	201,481,957	134,953	201
Subtotal US$ Bonds	**1,700,000,000**	**1,700,000,000**				**1,707,781,745**	**1,143,873**	**1,709**

Serie	¥ issued	¥ placement	Issuance date	Maturity date	Issuance rate	¥ Original currency	Balance due MCh$	Balance due MUS$
FOREIGN CURRENCY BONDS	24,000,000,000	24,000,000,000	06/11/2013	06/18/2018	0.84%	24,003,917,197	142,838	213
FOREIGN CURRENCY BONDS	31,000,000,000	31,000,000,000	01/16/2015	01/23/2020	0.52%	30,961,981,332	184,242	275
Subtotal ¥ Bonds	**55,000,000,000**	**55,000,000,000**				**54,965,898,529**	**327,080**	**488**

Serie	€ issued	€ placement	Issuance date	Maturity date	Issuance rate	€ Original currency	Balance due MCh$	Balance due MUS$
FOREIGN CURRENCY BONDS	53,000,000	53,000,000	07/08/2015	07/22/2025	1.58%	53,480,638	40,766	61
Subtotal € Bonds	**53,000,000**	**53,000,000**				**53,480,638**	**40,766**	**61**

Total Ordinary Bonds	**3,569,791**	**5,330**

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	07/01/1999	07/01/2024	6.50%	2,272,631.53	58,661	88
UEST-B0603	2,500,000	2,500,000	06/01/2003	06/01/2025	4.80%	1,592,911.33	41,116	61
UEST-C0405	4,000,000	4,000,000	04/01/2005	04/01/2027	4.50%	3,122,561.79	80,600	120
UEST-D0106	2,000,000	2,000,000	01/01/2006	01/01/2031	4.50%	1,672,074.93	43,160	64
UEST-E0806	2,500,000	2,500,000	08/01/2006	08/01/2031	4.50%	2,169,896.66	56,009	84
UEST-F0207	2,500,000	2,500,000	02/01/2007	08/01/2031	4.00%	2,174,481.31	56,128	84
UEST-I0308	2,000,000	2,000,000	03/01/2008	03/01/2033	4.00%	1,777,080.63	45,870	68
UESTI20110	3,000,000	3,000,000	01/01/2010	01/01/2038	4.50%	3,350,903.40	86,494	129
UESTL10111	2,000,000	2,000,000	01/01/2011	01/01/2041	4.00%	2,067,581.60	53,369	80
UESTL20711	2,000,000	2,000,000	07/01/2011	07/01/2041	4.00%	2,173,713.09	56,108	84
UESTL30112	2,000,000	2,000,000	01/01/2012	01/01/2042	4.00%	2,179,169.34	56,249	84
UESTM11213	2,000,000	2,000,000	12/01/2013	12/01/2043	3.50%	2,060,781.06	53,193	79
UESTM20114	2,000,000	2,000,000	01/01/2014	01/01/2045	3.50%	2,173,564.47	56,104	84
UESTM30114	2,000,000	2,000,000	01/01/2014	01/01/2046	3.50%	2,346,616.36	60,571	90
UESTM40114	2,000,000	2,000,000	01/01/2014	01/01/2047	3.50%	2,205,021.36	56,916	86
Total Subordinated Bonds	**36,500,000**	**36,500,000**				**33,338,989**	**860,548**	**1,285**

Total Bonds issued	**4,430,339**	**6,615**

(In millions of Chilean Pesos – MCh$)

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

12/31/2015

ORDINARY BONDS

Series	UF issued	UF placement	Issuance date	Maturity date	Issuance rate	UF Original currency	Balance due MCh$
BEST-D0807	6,000,000	6,000,000	08/01/2007	08/01/2017	4.00%	6,111,519.67	156,633
BEST-F1007	2,000,000	2,000,000	10/01/2007	10/01/2027	4.25%	2,094,002.05	53,667
BEST-H1207	4,000,000	4,000,000	12/01/2007	12/01/2017	4.00%	4,050,224.84	103,804
BESTA30400	3,000,000	3,000,000	04/01/2000	04/01/2025	6.50%	1,850,791.69	47,434
BESTJ20708	3,000,000	3,000,000	07/01/2008	07/01/2018	3.50%	3,004,851.32	77,012
BESTJ31008	5,000,000	5,000,000	10/01/2008	10/01/2018	3.50%	4,979,068.87	127,609
BESTJ41008	2,000,000	2,000,000	10/01/2008	10/01/2028	4.00%	1,912,929.25	49,027
BESTJ50109	5,000,000	5,000,000	01/01/2009	01/01/2019	3.50%	5,087,574.68	130,390
BESTJ60109	2,000,000	2,000,000	01/01/2009	01/01/2029	4.00%	1,999,739.28	51,251
BESTJ70112	5,000,000	5,000,000	01/01/2012	01/01/2017	3.50%	5,098,803.55	130,678
BESTJ80112	3,000,000	3,000,000	01/01/2012	01/01/2032	3.75%	3,097,129.17	79,377
BESTK10713	3,000,000	3,000,000	07/01/2013	07/01/2018	3.30%	3,142,664.40	80,544
BESTK20713	2,000,000	2,000,000	07/01/2013	07/01/2043	3.70%	2,297,041.76	58,871
BESTK30114	3,000,000	3,000,000	01/01/2014	01/01/2019	3.30%	3,125,579.75	80,106
BESTK40114	2,000,000	2,000,000	01/01/2014	01/01/2044	3.70%	2,336,967.40	59,894
BESTK50714	3,000,000	3,000,000	07/01/2014	07/01/2019	3.30%	3,204,546.04	82,130
BESTK60714	2,000,000	2,000,000	07/01/2014	07/01/2044	3.70%	2,378,512.09	60,959
BESTK70115	3,000,000	3,000,000	01/01/2015	01/01/2020	3.30%	3,202,111.97	82,067
BESTK80115	2,000,000	2,000,000	01/01/2015	01/01/2045	3.70%	2,365,070.19	60,615
BESTN10814	3,000,000	3,000,000	08/01/2014	08/01/2024	3.00%	3,083,646.98	79,031
BESTN20814	2,000,000	2,000,000	08/01/2014	08/01/2044	3.30%	2,159,182.60	55,338
BESTN30914	2,000,000	2,000,000	09/01/2014	09/01/2044	3.30%	2,118,470.86	54,294
BESTN41114	2,000,000	2,000,000	11/01/2014	11/01/2046	3.30%	2,091,931.12	53,614
BESTN51214	2,000,000	2,000,000	12/01/2014	12/01/2046	3.30%	2,031,411.47	52,063
BESTO10215	2,000,000	2,000,000	02/01/2015	02/01/2035	3.20%	2,153,859.22	55,201
BESTO20315	2,000,000	2,000,000	03/01/2015	03/01/2020	2.80%	1,852,883.70	50,039
BESTO30315	3,000,000	3,000,000	03/01/2015	03/01/2025	3.00%	3,065,005.74	78,553
Subtotal UF Bonds	**78,000,000**	**78,000,000**				**79,895,519.66**	**2,050,201**

Series	US$ issued	US$ placement	Issuance date	Maturity date	Issuance rate	US$ Original currency	Balance due MCh$
FOREIGN CURRENCY BONDS	500,000,000	500,000,000	10/07/2010	10/07/2020	4.13%	501,199,742	355,932
FOREIGN CURRENCY BONDS	500,000,000	500,000,000	02/08/2012	02/08/2022	3.88%	499,405,012	354,657
FOREIGN CURRENCY BONDS	500,000,000	500,000,000	11/05/2012	11/09/2017	2.00%	494,331,882	351,055
FOREIGN CURRENCY BONDS	200,000,000	200,000,000	05/07/2013	11/09/2017	2.00%	200,502,899	142,389
Subtotal US$ Bonds	**1,700,000,000**	**1,700,000,000**				**1,695,439,535**	**1,204,033**

Serie	¥ issued	¥ placement	Issuance date	Maturity date	Issuance rate	¥ Original currency	Balance due MCh$
FOREIGN CURRENCY BONDS	24,000,000,000	24,000,000,000	06/11/2013	06/18/2018	0.84%	23,991,524,276	141,287
FOREIGN CURRENCY BONDS	31,000,000,000	31,000,000,000	01/16/2015	01/23/2020	0.52%	30,967,818,331	182,371
Subtotal ¥ Bonds	**55,000,000,000**	**55,000,000,000**				**54,959,342,607**	**323,658**

Serie	€ issued	€ placement	Issuance date	Maturity date	Issuance rate	€ Original currency	Balance due MCh$
FOREIGN CURRENCY BONDS	53,000,000	53,000,000	07/08/2015	07/22/2025	1.58%	53,270,136	41,263
Subtotal € Bonds	**53,000,000**	**53,000,000**				**53,270,136**	**41,263**

Total Ordinary Bonds	**3,619,155**

SUBORDINATED BONDS

Series	UF issued	UF placement	Issuance date	Maturity date	Issuance rate	UF Original currency	Balance due MCh$
UEST-A0799	4,000,000	4,000,000	07/01/1999	07/01/2024	6.50%	2,410,968.68	61,791
UEST-B0603	2,500,000	2,500,000	06/01/2003	06/01/2025	4.80%	1,570,638.75	40,254
UEST-C0405	4,000,000	4,000,000	04/01/2005	04/01/2027	4.50%	3,090,640.65	79,210
UEST-D0106	2,000,000	2,000,000	01/01/2006	01/01/2031	4.50%	1,730,106.34	44,341
UEST-E0806	2,500,000	2,500,000	08/01/2006	08/01/2031	4.50%	2,242,512.06	57,473
UEST-F0207	2,500,000	2,500,000	02/01/2007	08/01/2031	4.00%	2,246,624.37	57,579
UEST-I0308	2,000,000	2,000,000	03/01/2008	03/01/2033	4.00%	1,831,663.33	46,944
UESTI20110	3,000,000	3,000,000	01/01/2010	01/01/2038	4.50%	3,387,191.68	86,811
UESTL10111	2,000,000	2,000,000	01/01/2011	01/01/2041	4.00%	2,087,571.80	53,503
UESTL20711	2,000,000	2,000,000	07/01/2011	07/01/2041	4.00%	2,194,720.14	56,249
UESTL30112	2,000,000	2,000,000	01/01/2012	01/01/2042	4.00%	2,200,235.18	56,390
UESTM11213	2,000,000	2,000,000	12/01/2013	12/01/2043	3.50%	2,043,773.91	52,380
UESTM20114	2,000,000	2,000,000	01/01/2014	01/01/2045	3.50%	2,191,890.57	56,176
UESTM30114	2,000,000	2,000,000	01/01/2014	01/01/2046	3.50%	2,366,049.24	60,640
UESTM40114	2,000,000	2,000,000	01/01/2014	01/01/2047	3.50%	2,223,412.21	56,984
Total Subordinated Bonds	**36,500,000**	**36,500,000**				**33,817,999**	**866,725**

Total Bonds issued	**4,485,880**

(In millions of Chilean Pesos – MCh$)

NOTE 9 – PROVISIONS

As of March 31, 2016 and December 31, 2015, "Provisions" are detailed as follows:

a) Provisions:

	03/31/2016		12/31/2015
	MUS$	MCh$	MCh$
Employee benefits and remunerations provision	172	115,234	108,391
Distribution of net income provision (tax benefit)	203	136,171	92,149
Credit risk on contingent loans provision	59	39,309	45,528
Contingent provision (*)	571	382,100	426,291
Country risk provisions	1	816	1,274
Totales	**1,006**	**673,630**	**673,633**

(*) Includes additional provisions in the amount of MCh$ 369,405 as of March 31, 2016, (MCh$ 413,820, as of december 31, 2015).

b) As of March 31, 2016 and December 31, 2015 the movement of provisions is detailed as follows:

	Employee benefits and remunerations	Contingent credit risks	Provisions for contingencies	Other provisions	Total	
	MCh$	MCh$	MCh$	MCh$	MCh$	MUS$
Balances at January 1, 2016	108,391	45,528	426,291	93,423	673,633	1,006
Provisions established	15,278	4,266	9,437	44,022	73,003	109
Applied provisions	(5,325)	-	(638)	-	(5,963)	(9)
Release of provisions	(3,111)	(10,487)	(52,988)	(458)	(67,044)	(100)
Other movements	1	2	(2)	-	1	-
Balances at March 31, 2016	**115,234**	**39,309**	**382,100**	**136,987**	**673,630**	**1,006**
Balances at January 1, 2015	111,288	40,096	435,907	166,331	753,622	
Provisions established	66,177	20,211	16,212	92,805	195,405	
Applied provisions	(45,268)	-	(9,643)	(165,659)	(220,570)	
Release of provisions	(23,807)	(15,741)	(16,185)	(55)	(55,788)	
Other movements	1	962	-	1	964	
Balances at December 31, 2015	**108,391**	**45,528**	**426,291**	**93,423**	**673,633**	

(In millions of Chilean Pesos – MCh$)

NOTE 9 – PROVISIONS (Continued)

c) As of March 31, 2016 and December 31, 2015, provisions for employment benefits and payroll are detailed as follows:

	03/31/2016		12/31/2015
	MUS$	MCh$	MCh$
Severance indemnity provision	104	69,355	63,584
Provision for other employee benefits	31	20,757	15,667
Vacation provision	37	25,122	29,140
Total	**172**	**115,234**	**108,391**

d) As of March 31, 2016 and December 31, 2015, termination benefits (Note 11)) are detailed as follows:

	03/31/2016		12/31/2015
	MUS$	MCh$	MCh$
Present value of liabilities at beginning of year	96	63,584	69,031
Increase in provision	11	7,536	11,356
Applied provisions	(3)	(1,755)	(13,285)
Release of provisions	-	(10)	(3,518)
Effects for discount rate	-	-	-
Others	-	-	-
Total	**104**	**69,355**	**63,584**

(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, 2016 and December 31, 2015, movements of additional provisions are detailed as follows:

	03/31/2016		12/31/2015
	MUS$	MCh$	MCh$
Balance as of January 1	618	413,820	413,820
Provision established	11	7,200	-
Release of provisions	(77)	(51,615)	-
Other	-	-	-
Balance as of December 31	**552**	**369,405**	**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:

	03/31/2016		12/31/2015
	MUS$	MCh$	MCh$
Contingent Loans			
Guarantee and deposits:			
Guarantees and deposits in local currency	17	11,258	11,258
Guarantees and deposits in foreign currency	309	207,170	176,432
Confirmed foreign letters of credit	59	39,447	83,283
Issued documented letters of credit	67	44,931	58,163
Performance bonds	1,606	1,075,404	1,072,734
Interbank letters of credit	-	-	-
Immediately available lines of credit	1,831	1,226,169	1,173,279
Amount of committed credits and not placed	-	-	-
Other credit commitments:			
Credits for higher education Law No. 20,027	542	363,235	364,711
Others	484	324,520	396,983
Other contingent credits	-	-	-
Operations on account of third parties			
Collections:			
Foreign collections	22	14,886	24,587
Local collections	116	77,761	64,844
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	1,284	860,251	811,806
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	458	306,516	448,308
Securities held in custody deposited in another entity	8,824	5,910,445	4,525,898
Securities issued by the bank:			
Promissory notes of time deposits	4,507	3,018,618	2,655,150
Letters of credit for sale	5	3,415	2,562
Other documents	-	-	-
Commitment			
Guarantees for underwriting operations	-	-	-
Commitments for assets purchase	-	-	-
Total	**20,131**	**13,484,026**	**11,869,998**

(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, 2016 and December 31, 2015, the Bank and its Subsidiaries have provisions for this concept that amount to MCh$ 3,216 and MCh$ 4,800, respectively, which form part of "Provisions" in the Interim Consolidated Statement of Financial Position. Lawsuits and provisions by type are detailed as follows:

	03/31/2016			12/31/2015	
TYPE	No. of case	Provision Amount		No. of case	Provision Amount
		MUS$	MCh$		MCh$
Labor	24	1	390	18	569
Civil	455	4	2,826	386	4,231
Total	**479**	**5**	**3,216**	**404**	**4,800**

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

As of March 31, 2016 and December 31, 2015, 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:

	03/31/2016		12/31/2015
	MUS$	MCh$	MCh$
Financial assets in guarantee CCLV, Bolsa de Comercio	9	5,995	6,208
Shares in guarantee for the Bolsa de Comercio de Santiago by simultany	21	14,050	18,799
Totales	**30**	**20,045**	**25,007**

(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, 2016, 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	:	8339912
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, 2016.

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.

NOTE 10 – CONTINGENCIES AND COMMITMENTS (Continued)

Regarding the Comprehensive Insurance for brokers, 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, 2017 and;

- Orion Seguros Generales S.A., policy No. 21435 covers the second tranche of US$ 1,000,000, effective until January 31, 2017.

On January 14, 2016, pursuant to the requirements established by the Superintendencia de Valores y Seguros, General Rule No. 363 for registering Portfolio Managers on behalf of third parties, the Company took a guarantee bill in pesos issued by Banco Estado, No. 9141917, for an amount of UF 195,000, effective until December 30, 2016.

(In millions of Chilean Pesos – MCh$)

NOTE 10 – CONTINGENCIES AND COMMITMENTS (Continued)

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 Mutuo BancoEstado Corporativo	UF	29,067.10	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Solvente	UF	312,013.60	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Compromiso	UF	92,896.97	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Conveniencia	UF	24,868.77	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Renta Futura	UF	10,000.00	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Protección	UF	104,067.72	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Acciones Nacionales	UF	10,000.00	01/07/2016	01/10/2017
Fondo Mutuo BNP Paribas Renta Emergente	UF	10,000.00	01/07/2016	01/10/2017
Fondo Mutuo BNP Paribas Acciones Emergentes	UF	10,000.00	01/07/2016	01/10/2017
Fondo Mutuo BNP Paribas Acciones Desarrolladas	UF	10,000.00	01/07/2016	01/10/2017
Fondo Mutuo BNP Paribas Más Renta Bicentenario	UF	34,158.94	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Perfil Dinámico A	UF	10,000.00	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Perfil Tradicional C	UF	10,000.00	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Perfil Moderado E	UF	10,000.00	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Dólar Disponible	UF	10,000.00	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Ahorro Mediano y Largo Plazo (*) (**)	UF	10,000.00	03/29/2016	01/10/2017
Fondo Mutuo BancoEstado Ahorro Balanceado (*)	UF	10,000.00	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Empresas Europeas	UF	10,000.00	01/07/2016	01/10/2017
Fondo Mutuo BancoEstado Ahorro Corto Plazo	UF	10,000.00	01/25/2016	01/10/2017
Fondo Mutuo BancoEstado Renta Mensual	UF	10,000.00	03/29/2016	01/10/2017

(*) On 1 February 2016 it has asked the Superintendencia de Valores y Seguros cancellation of such funds in the Register of Regulations of the Superintendence.

(**) On March 29, 2016, the amount of the guarantee bill of Fondo Mutuo Banco Estado Ahorro Mediano y Largo Plazo was modified, which it had been taken for UF 65,063.97, and modified to UF 10,000.00, with maturing on January 10, 2017.

(In millions of Chilean Pesos – MCh$)

NOTE 10 – CONTINGENCIES AND COMMITMENTS (Continued)

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.

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:

	03/31/2016		12/31/2015
	MUS$	**MCh$**	**MCh$**
Guarantees and deposits	326	218,428	187,690
Document letter of credit	126	84,378	141,446
Performance bonds	1,606	1,075,404	1,072,734
Amounts available for users of credit card	1,831	1,226,169	1,173,279
Amount of committed credits and not placed	484	324,520	396,983
Credits for higher education Law No. 20,027	542	363,235	364,711
Provisions established	(59)	(39,309)	(45,528)
Total	**4,856**	**3,252,825**	**3,291,315**

(In millions of Chilean Pesos – MCh$)

NOTE 11 - PERSONNEL SALARIES AND EXPENSES

a) As of March 31, 2016 and 2015 "Personnel expenses" are detailed as follows:

	03/31/2016		03/31/2015
	MUS$	MCh$	MCh$
Personnel remunerations	103	68,796	55,863
Bonuses or other benefits	15	10,102	29,053
Severance indemnity	1	388	2,298
Training expenses	-	338	421
Welfare expenses	14	9,552	8,779
Other personnel expenses	11	7,568	6,036
Total	**144**	**96,744**	**102,450**

b) Employee benefits plans:

As of March 31, 2016 and December 31, 2016 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.

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.

NOTE 11 - PERSONNEL EXPENSES (Continued)

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.

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 67 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.

- 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 No 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.

NOTE 11 - PERSONNEL EXPENSES (Continued)

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 corporate bonds. As of March 31, 2016, the annual real discount rates used are 2.10%, 2.60% and 2.66% respectively (2.39%, 2.84% and 2.97%, as of December 31, 2015).

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

- Retirement age: According to determined by the Administration, 67 years for men women.

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

(In millions of Chilean Pesos – MCh$)

NOTE 11 - PERSONNEL EXPENSES (Continued)

Actuarial provisions activity as of March 31, 2016 and December 31, 2015 is as follows:

	03/31/2016				12/31/2015	
		MUS$		MCh$		MCh$
Changes in obligations						
Initial value of obligation		96		63,584		69,031
Provision for retirement plan		-		-		-
Benefits paid during the year		(3)		(1,755)		(13,285)
Cost of services during current year		5		3,142		9,035
Cost for interest		-		331		1,650
Actuarial profits and losses		6		4,053		(2,847)
For experience or real behavior						
Turnover rate for resignation	(9)		(6,106)		(4,681)	
Turnover rate for dismissal	10		6,755		(105)	
Salary growth rate	(1)		(602)		(313)	
Discount rate	1		726		468	
Mortality	5		3,280		1,784	
Obligations at the end of the year		**104**		**69,355**		**63,584**

(*) For employee benefits, the Bank recorded in the Consolidated Comprehensive Statement of Income for the period and the Consolidated Statement of Changes in Equity, the debit of MCh$ 1,419 net of deferred taxes at March 31, 2016 (credit for MCh$ 997 at December 31, 2015, net of deferred taxes), due to the application of IAS 19.

(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	03/31/2016 Direct	03/31/2016 Indirect	03/31/2016 Total	12/31/2015 Direct	12/31/2015 Indirect	12/31/2015 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 - Sucursal New York	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:

	03/31/2016 Productive Companies MUS$	03/31/2016 Productive Companies MCh$	03/31/2016 Investment Companies MUS$	03/31/2016 Investment Companies MCh$	03/31/2016 Natural Persons MUS$	03/31/2016 Natural Persons MCh$	12/31/2015 Productive Companies MCh$	12/31/2015 Investment Companies MCh$	12/31/2015 Natural Persons MCh$
Loans and receivables									
Commercial loans	1	365	-	299	1	769	478	2	353
Mortgage loans	-	-	-	-	9	6,127	-	-	4,999
Consumer loans	-	-	-	-	2	1,253	-	-	380
Gross loans	1	365	-	299	12	8,149	478	2	5,732
Provision for loan losses	-	(2)	-	(1)	-	(44)	(8)	-	(23)
Loans, net	**1**	**363**	**-**	**298**	**12**	**8,105**	**470**	**2**	**5,709**
Contingent credits:									
Total contingent credits	1	962	43	28,791	2	1,253	1,025	8,767	124
Provision for contingent loans	-	-	-	(181)	-	(4)	-	(27)	(1)
Contingent loans, net	**1**	**962**	**43**	**28,610**	**2**	**1,249**	**1,025**	**8,740**	**123**
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

	03/31/2016		12/31/2015
	MUS$	MCh$	MCh$
Assets			
Other Assets	-	3	13
Liabilities			
Financial derivative contracts	-	-	-
Demand deposits	62	41,736	46,382
Deposits and other loans	36	23,800	33,151
Other liabilities	-	5	5

d) Income from transactions with related parties

Type of income or expense	03/31/2016				03/31/2015	
	Income		Expenses		Income	Expenses
	MUS$	MCh$	MUS$	MCh$	MM$	MCh$
Interest and readjustment income (expense)	2	1,223	-	(103)	974	(21)
Income (expense) from commissions and services	-	44	-	-	44	-
Income (loss) from negotiation	-	-	-	-	-	-
Income (loss) from other financial transactions	-	-	-	-	-	-
Exchange differences	-	1	-	-	1	-
Expenses from operational support	-	-	-	(259)	-	(396)
Other expenses	-	-	-	(6)	-	(38)
Total	**2**	**1,268**	**-**	**(368)**	**1,019**	**(455)**

(In millions of Chilean Pesos – MCh$)

NOTE 12 – TRANSACTIONS WITH RELATED PARTIES (Continued)

e) Contracts with related parties

Related parties	03/31/2016 Type of Contract	12/31/2015 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.	Back office services	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, 2016 and 2015, remunerations received by key Management employees are detailed as follows:

	03/31/2016		03/31/2015
	MUS$	MCh$	MCh$
Short term benefits to employees	1	1,002	952
Staff severance indemnities	-	-	-
Total	**1**	**1,002**	**952**

(In millions of Chilean Pesos – MCh$)

NOTE 12 – TRANSACTIONS WITH RELATED PARTIES (Continued)

g) Key employees

As of March 31, 2016 and December 31, 2015, the Bank's key employees are detailed as follows:

	03/31/2016	12/31/2015
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, 2016 and 2015, the Bank has performed transactions with key employees and their related parties, whose results are detailed as follows:

	03/31/2016 Income of key executives and related parties		03/31/2015 Income of key executives and related parties
	MUS$	**MCh$**	**MCh$**
Credit cards and other services	-	5	1
Loans	-	-	-
Guarantees	-	-	-
Mortgage credits	-	-	22
Others	-	11	5
Total	**-**	**16**	**28**

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, New York Branch and 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, 2016 and December 31, 2015, estimated fair values of financial instruments are detailed as follows:

	03/31/2016						12/31/2015		
	Carrying amount		Estimated fair value		Gain (loss) not recognized		Valor Libro	Valor razonable estimado	(Pérdida) ganancia no reconocida
	MUS$	MCh$	MUS$	MCh$	MUS$	MCh$	MCh$	MCh$	MCh$
Assets									
Cash and due from banks	7,337	4,914,600	7,337	4,914,600	-	-	4,634,708	4,634,708	-
Transactions in the course of collection	652	436,757	652	436,757	-	-	325,925	325,925	-
Financial assets held for trading	2,839	1,901,730	2,839	1,901,730	-	-	2,209,909	2,209,909	-
Repurchase agreements and securities loans	162	108,212	162	108,187	-	(25)	234,062	233,952	(110)
Financial derivative contracts	762	510,096	762	510,096	-	-	442,739	442,739	-
Loans and advance to banks	439	294,361	999	669,246	560	374,885	489,453	678,351	188,898
Loans and accounts receivables from customers	28,479	19,075,048	33,317	22,315,775	4,838	3,240,727	18,539,161	20,327,300	1,788,139
Financial investments available for sale	5,545	3,713,734	5,545	3,713,734	-	-	4,013,041	4,013,041	-
Financial investments held to maturity	55	36,745	52	35,097	(3)	(1,648)	36,273	34,189	(2,084)
Total	**46,270**	**30,991,283**	**51,665**	**34,605,222**	**5,395**	**3,613,939**	**30,925,271**	**32,900,114**	**1,974,843**
Liabilities									
Current accounts and other demand deposits	10,084	6,754,252	10,084	6,754,252	-	-	7,940,027	7,940,027	-
Transactions in the course of payment	580	388,742	580	388,742	-	-	161,900	161,900	-
Repurchase agreements and securities loans	1,044	699,370	1,044	699,313	-	57	575,634	574,168	1,466
Saving accounts and time deposits	22,536	15,094,645	22,544	15,100,004	(8)	(5,359)	14,346,167	14,463,072	(116,905)
Financial derivative contracts	432	289,091	432	289,091	-	-	253,460	253,460	-
Obligations with banks	1,724	1,154,863	1,719	1,151,513	5	3,350	1,040,353	1,264,156	(223,803)
Debt issued instruments	7,970	5,338,054	7,387	4,947,860	583	390,194	5,421,541	4,892,213	529,328
Other financial obligations	61	40,535	61	40,499	-	36	39,265	39,248	17
Total	**44,431**	**29,759,552**	**43,851**	**29,371,274**	**580**	**388,278**	**29,778,347**	**29,588,244**	**190,103**

“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 and Financial Intermediation Instruments 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, 2016 and December 31, 2015, 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)

	03/31/2016 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	2,839	1,901,730	560	375,345	2,279	1,526,385	-	-
Financial derivative contracts	762	510,096	-	-	762	510,096	-	-
Financial investments available for sale	5,545	3,713,734	653	437,240	4,892	3,276,494	-	-
TOTAL	**9,146**	**6,125,560**	**1,213**	**812,585**	**7,933**	**5,312,975**	**-**	**-**
LIABILITIES								
Financial derivative contracts	432	289,091	-	-	432	289,091	-	-
TOTAL	**432**	**289,091**	**-**	**-**	**432**	**289,091**	**-**	**-**

	12/31/2015 Fair value measurements			
	Total	Prices in active markets for identical (level 1)	Other significant input observable (level 2)	Significant non-observable (level 3)
	MCh$	MCh$	MCh$	MCh$
ASSETS				
Financial assets held for trading	2,209,909	353,460	1,856,449	-
Financial derivative contracts	442,739	-	442,739	-
Financial investments available for sale	4,013,041	615,733	3,397,308	-
TOTAL	**6,665,689**	**969,193**	**5,696,496**	**-**
LIABILITIES				
Financial derivative contracts	253,460	-	253,460	-
TOTAL	**253,460**	**-**	**253,460**	**-**

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 13 – ASSETS AND LIABILITIES AT FAIR VALUE (Continued)

f) Offsetting Financial Assets and Liabilities:

BancoEstado performs financial derivative transactions with counterparties residing abroad using the documentation of the Master Agreement ISDA (International Swaps and Derivatives Association, Inc.) under the current legal jurisdiction of the City of New York, USA, or city of London, England. The legal framework in those jurisdictions, in conjunction with the aforementioned documentation, give the Bank the right to anticipate the maturity of the transactions and then offset the net value of the same in case of default of the respective counterpart. Additionally, BancoEstado has negotiated with some counterparts an additional annex (CSA Credit Support Annex), which includes other mitigating credit, as is learned margins over a certain threshold amount or range limit net value of transactions; and other clauses.

		ISDA CONTRACTS		CONTRACTS WITH ISDA AND CSA				
	Fair Value in balance sheet	Negative Fair Value Contracts with right to compensation	Positive Fair Value Contracts with right to compensation	Negative Fair Value Contracts with credit mitigator	Positive Fair Value Contracts with credit mitigator	Financial guarantees	Net fair value	
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MUS$
Assets for financial derivative contracts as of March 31, 2016	510,096	(61,758)	114,685	(108,196)	263,666	(73,330)	427,955	639
Assets for financial derivative contracts as of December 31, 2015	442,739	(67,708)	169,535	(109,312)	344,615	(84,239)	291,675	

(In millions of Chilean Pesos – MCh$)

NOTE 14 – EVENTS OCCURRED AFTER THE REPORTING PERIOD

- On April 1, 2016 BancoEstado Corredores de Seguros S.A. issued a new bank guarantee with the following data:

Number	:	9143746
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, 2017

- To comply with the obligation to provide security for the operations established in Article No. 30 of Law No. 18,045, of the Superintendencia de Valores y Seguros, BancoEstado S.A. Corredores de Bolsa, renewed insurance policy with Credit Insurance Company Continental S.A., worth of UF 20,000 with effect from April 22, 2016 until April 22, 2018.

- There are no others events occurred between April 1, and April 28, 2016 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