Quarterly Financial Report

Second Quarter 2020 – 2Q20

BancoEstado Key Figures

Key figures of the quarterly income statement

	2Q19	1Q20	2Q19	Change	
		Ch$ billion		2Q20/2Q19	2Q20/1Q20
Net interest income	291.0	267.8	264.1	-9.2%	-1.4%
Net fee and commission income	83.7	86.1	71.9	-14.1%	-16.5%
Net interest, inflation adjustment & fee income	**374.7**	**353.9**	**336.0**	**-10.3%**	**-5.1%**
Net financial income	49.0	56.2	50.6	3.3%	-10.0%
Provision expense	-64.2	-118.9	-117.0	82.1%	-1.6%
Operating income, net of provisions	**359.4**	**291.2**	**269.6**	**-25.0%**	**-7.4%**
Operating expense	-217.6	-209.8	-192.9	-11.4%	-8.1%
Other operating & non op. income	-16.7	-5.8	-4.5	-73.0%	-21.6%
Net income before taxes	**125.0**	**75.6**	**72.2**	**-42.3%**	**-4.5%**
Income tax	-57.7	-25.3	-37.7	-34.6%	48.8%
Net income after taxes	**67.4**	**50.3**	**34.5**	**-48.8%**	**-31.4%**
Non-controlling interests	3.6	3.5	2.5	-30.2%	-26.9%
Net income attributable to equity holders	63.7	46.8	32.0	-49.9%	-31.7%

Key figures of the balance sheet

	2Q19	1Q20	2Q20	Change	
		Ch$ billion		2Q20/2Q19	2Q20/1Q20
Total assets	40,234	46,163	46,850	16.4%	1.5%
Loans	24,751	26,615	27,415	10.8%	3.0%
Liquid assets	12,175	14,499	14,711	20.8%	1.5%
Total liabilities	38,464	44,147	44,842	16.6%	1.6%
Customer funds	26,979	29,273	30,685	13.7%	4.8%
Issued debt instruments	7,959	9,688	9,706	21.9%	0.2%
Equity	1,771	2,016	2,009	13.4%	-0.4%

Key ratios

	2Q19	1Q20	2Q20	Change	
		Ch$ billion		2Q20/2Q19	2Q20/1Q20
ROAE	28.2%	15.0%	14.4%	-1387 bps	-62 bps
Efficiency ratio	53.6%	52.0%	50.5%	-313 bps	-151 bps
Net interest margin	3.7%	3.2%	3.0%	-69 bps	-18 bps
Risk index	3.0%	3.3%	3.5%	54 bps	18 bps
Coverage PDL	250%	272%	261%		
PDL/Loans	1.22%	1.26%	1.38%	17 bps	12 bps
Tier 1 capital ratio	6.9%	7.3%	7.1%	29 bps	-15 bps
BIS ratio	11.1%	11.3%	11.2%	15 bps	-8 bps

Other figures

	2Q19	1Q20	2Q20	Change	
		Ch$ billion		2Q20/2Q19	2Q20/1Q20
Employees	14,857	14,839	14,835	-22	-4
Branches	409	411	410	1	-1
ATMs	2,432	2,298	2,313	-119	15

Contents

BancoEstado 2Q20 Milestones

The Chilean GDP will contract in 2020. However, the decrease in activity should be transitory and the economy will recover strongly in 2021.

The spread of COVID-19 and the actions taken to contain it are having a substantial impact on the local economy. Economic activity has fallen sharply and unemployment has risen markedly. The outlook for the economy is still uncertain and forecasts will ultimately depend on how the pandemic evolves.

Economic circumstances in 2Q20 have led to a tightening of financial conditions. First, the drop-off in the economic activity caused substantial job losses. In addition, low consumer and business confidence have restricted spending and investment. Moreover, the housing market is under pressure and business activity has diminished.

In this context, local authorities have implemented several measures to counteract the negative effects of the pandemic's impact, providing extraordinary monetary and fiscal support in response to the crisis.

Update

New funding measures for clients. Due to the current pandemic and its effects on economic activity, BancoEstado has taken a number of extraordinary steps to help micro- and small business customers, larger companies, and retail clients.

COVID-19 credit, guaranteed through FOGAPE[1]. Through this government fund, BancoEstado has boosted the countercyclical behaviour of aggregate commercial credit, increasing the share of credits allocated to smaller firms.

Extraordinary capitalization. BancoEstado received a capital injection of US$ 500 million from the government in 4Q19-1Q20 to insert liquidity into the real economy. It is also expecting an additional US$ 500 million capitalization as part of the government's COVID-19 crisis measures to support small business and household lending.

[1] *Fondo de Garantía para Pequeños Empresarios* (the Guarantee Fund for Small and Medium-Sized Entrepreneurs), a state credit guarantee service available to the banking sector and managed by BancoEstado.

Summary of Results

Net income before taxes totalled Ch$ 72.2 billion in 2Q20, a decrease of 42.3% from the prior year, largely reflecting a considerable increase in provision expenses. Thus, ROAE was 14.4%, in line with a lower pre-tax income and the extraordinary capitalization of the first quarter.

The abrupt economic contraction, its impact on the labour market, and tightening credit conditions have deteriorated credit quality. These conditions have resulted in increased levels of net allowances for loan losses (82.1% yoy), which also reflect a higher level of uncertainty. Consequently, the risk index and the NPL/Loans ratio increased to 3.5% and 3.8%, respectively, in 2Q20.

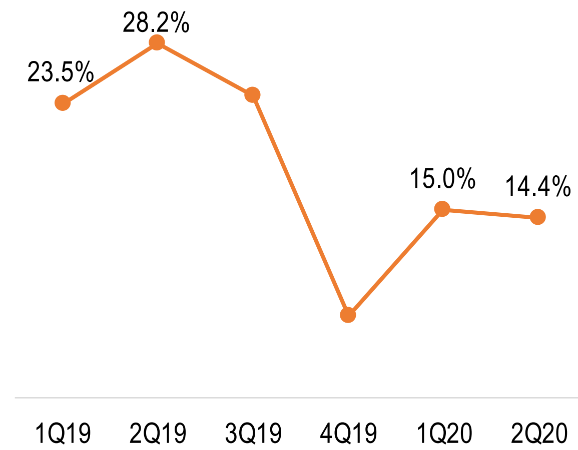
Total operating expenses decreased 11.4% yoy, due to limited expenditures, allowing BancoEstado's operational efficiency ratio to improve to 50.5% in 2Q20.

The capital position of BancoEstado strengthened after it received a capital injection of US$ 500 million in 4Q19-1Q20. Thus, capital adequacy (BIS ratio) reached 11.24% in 2Q20, an increase of 15 bps from the prior year. The Tier 1 capital ratio of 7.1% increased 29 bps from 2Q19. BancoEstado is expecting an additional capitalization of US$ 500 million as part of the COVID-19 crisis measures to support lending.

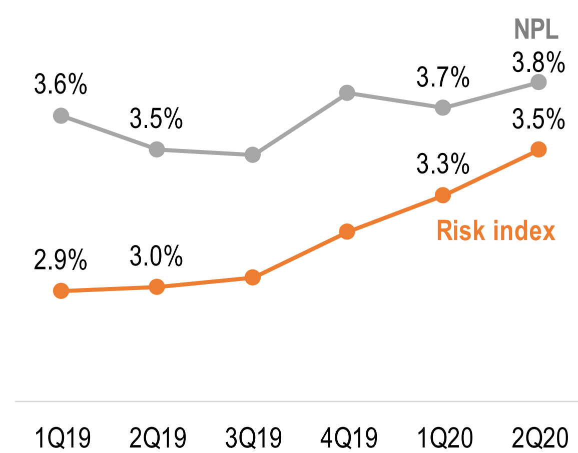
Total loans increased 10.8% yoy, maintaining BancoEstado's market share of about 14.3% in 2Q20. This expansion was mainly driven by growth in commercial loans.

BancoEstado Key Indexes

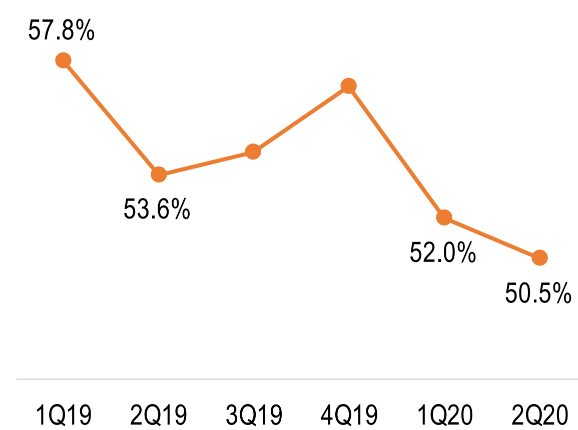
ROAE (%)



Credit Risk (%)



Efficiency (%)



Credit Ratings

In 2Q20, BancoEstado maintained its position as one of the most highly rated Chilean financial institutions. International rating agencies highlighted BancoEstado's sound business position as the country's only state-owned bank, as well as its business scale and stability that stems from its prominence as one of the leading banks in Chile.

Nevertheless, Moody's outlook on BancoEstado changed in April 2020. In the context of the COVID-19 crisis, the agency changed the long-term debt and deposit outlook from stable to negative. Moody's ratings of BancoEstado now have a negative outlook, reflecting the challenges that weaker economic growth in Chile has created for its operating environment, asset quality, and profitability.

Likewise, in April 2020, S&P revised downwards its outlook on Chile (and BancoEstado) from stable to negative, based on the effects of the social unrest of 4Q19 and the impact of the pandemic, both of which resulted in significant financial volatility, supply and demand disruptions, and declining commodity prices. However, S&P points out BancoEstado's high likelihood of receiving extraordinary support from the Chilean government, due to both its strong business position as the third largest and only public bank in Chile, and its above-average and diversified funding due to its access to a large and stable deposit base.

At the same time, Fitch's local credit risk ratings for BancoEstado were sustained without changes in 2Q20.

MOODY'S

Significant public policy role with an explicit mandate to promote home ownership and savings, to finance small and midsized enterprises, and foster financial inclusion.

	Jan. 20	Apr. 20
Long-Term	A1	A1
Outlook	Stable	Negative
Short-Term	P-1	P-1

S&P Global
Ratings

Strong market position and public policy role.

	Dec. 19	Apr. 20
Long-Term	A+	A+
Outlook	Stable	Negative
Short-Term	A-1	A-1

I. Economic Environment

COVID-19 and the measures to contain it have damaged the Chilean economy. GDP in Chile (which averaged an annual growth of 2.3% in 2013-2019) will contract by 6.5% in 2020, its steepest drop in 35 years. Nevertheless, the economy should recover in 2021, reaching a 5.5% annual expansion.

Chile's GDP fell by 15% yoy in 2Q20. The COVID-19 outbreak's impact on all productive sectors depressed the economy. There is still a high degree of uncertainty regarding the pandemic's effects and duration, but it has already led to a sharp decline in economic activity, as well as falling consumer and financial firm expectations in the last two quarters.

The unemployment rate exceeded 12.0% in June. A weaker economic scenario has deteriorated the labour market, which experienced significant job loss and income reduction in 2Q20. However, the new Employment Protection Law has allowed nearly 650,000 workers to withdraw their unemployment insurance funds even if they have not lost their jobs.

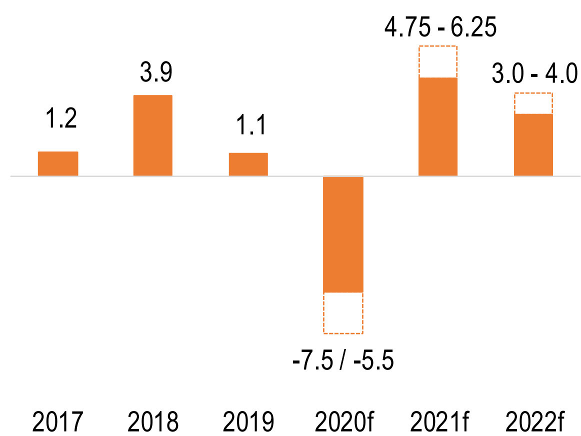
Fiscal, monetary, and financial policy responses have been implemented to protect employment, support household income, provide liquidity to the productive system, and boost economic recovery. Moreover, the government has approved resources for US$ 17 billion aimed at supporting such social protection measures, complementing its Emergency Plan for Family Income Protection and Economic and Employment Reactivation.

Economic Growth (annual change, %)

	2019	2020f	2021f	2022f
GDP	1.1	-7.5/-5.5	4.75-6.25	3.0-4.0
National income	0.8	-5.9	6.2	3.6
Domestic demand	1.0	-10.4	7.7	4.1
Domestic demand (w/o inv. change)	1.5	-6.8	6.9	3.5
Gross fixed capital formation	4.2	-15.9	8	4.7
Total consumption	0.8	-4.2	6.6	3.2
Exports	-2.3	-0.3	3.2	3.3
Imports	-2.3	-14.1	11.2	5.8

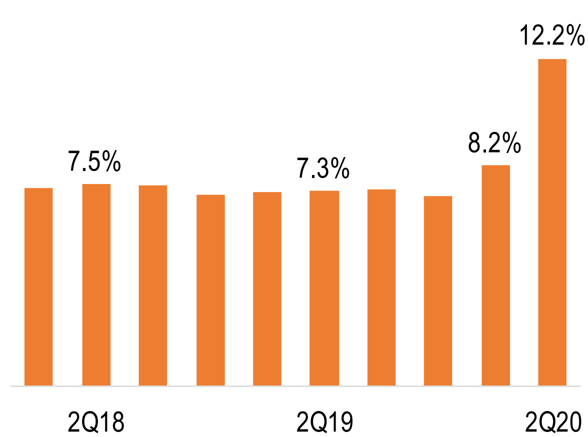
Source: Central Bank of Chile.

GDP (annual growth, %)



Source: Central Bank of Chile.

Unemployment rate (%)



Source: Instituto Nacional de Estadística (INE).

Additionally, the Central Bank has cut the policy rate to 0.5% (its effective zero lower bound) and has implemented several measures to provide liquidity and foster lending.

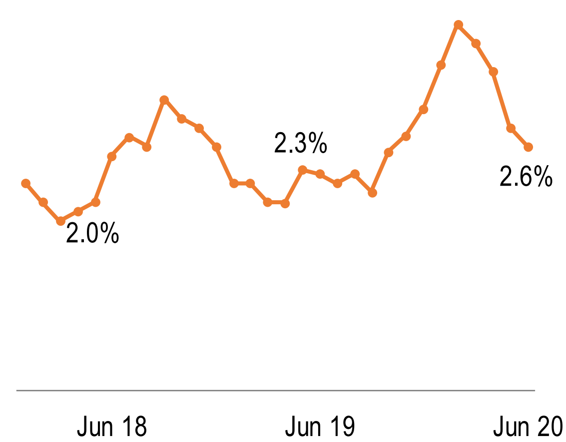
Likewise, the Financial Market Commission (CMF) enacted measures to support credit for firms and households and deferred the implementation of Basel III standards.

In this context, the credit expansion (driven mainly by growth in commercial loans) reflects the efforts of the Central Bank Conditional Facility for Increased Lending (FCIC), the COVID-19 credit line guaranteed through the FOGAPE organization created by the Ministry of Finance, and the CMF regulatory adjustments.

Inflationary pressures have dropped significantly due to the widening of the activity gap. In fact, the CPI fell to 2.6% yoy in June and market prospects have a downward sloping trajectory in the coming months. Inflation fluctuated between 1.5% and 3.0% yoy in 2017-2019 and will probably decline to around 2.0% at the end of 2020. Though uncertainty is still high, projected inflation remains at about 3.0% in a two-year horizon.

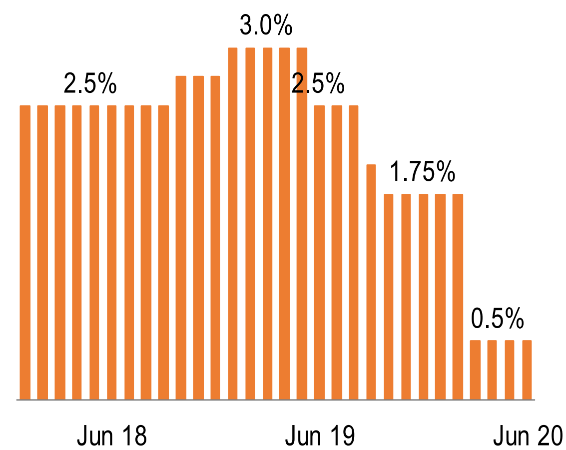
The exchange rate pressures eased in 2Q20, after reaching a peak in March-April. In 2Q20, the exchange rate appreciated 3.6% in nominal terms, after the Chilean peso depreciated 13.8% in 1Q20.

Inflation (CPI annual %)



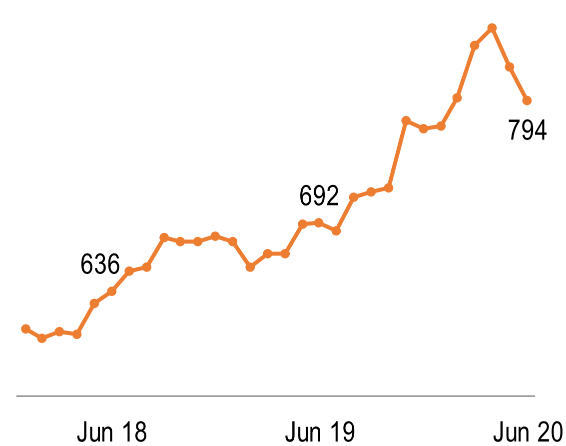
Source: INE.

Monetary policy rate (%)



Source: Central Bank of Chile.

Exchange rate (Ch$ per US$, monthly average)



Source: Central Bank of Chile.

II. Banking Industry

The spread of COVID-19 in 2Q20 and the steps taken to contain it had a significant impact on the banking system. Economic activity has fallen sharply, and unemployment has risen markedly. This unusual situation means that the industry outlook is still uncertain and will depend on the evolution of the pandemic and the policies enacted to mitigate its effects.

In this context, the Ministry of Finance, the Central Bank, and the Financial Market Commission have coordinated several measures to counteract the negative effects of COVID-19 and its impact on economic activity.

Credit Support Measures

Fiscal policy

The Ministry of Finance has unveiled a package of fiscal measures of up to US$ 12 billion (about 5.0% of the GDP) focused on supporting employment and firms' liquidity. These measures involve higher healthcare spending, enhanced subsidies and unemployment benefits, a series of tax deferrals, and liquidity provision to SMEs.

The plan to protect the economic activity includes an injection of up to US$ 3 billion into FOGAPE. This aims to inject liquidity into both small and large firms and to cover their working capital needs via access to private capital at a reasonable cost. These new loans will be guaranteed by the state.

Ministry of Finance
Emergency Plan to Protect Family Incomes, and Boost the Economy and Employment

Phase I: Mobilizes US$ 12.1 billion in fiscal resources (March 2020)

- Reinforce the Health System's Budget
- Protection of Households' incomes and Jobs
- Liquidity Measures for the Productive Sector

Phase II: Mobilizes US$ 5 billion in fiscal resources (April 2020)

- Economic Activity Protection Plan (FOGAPE's SME capitalization)
- Plan to protect the income of the most vulnerable people.

National Agreement: Emergency Plan to Protect Family Incomes, and Boost the Economy and Employment.

Agreement subscribed on June 2020 in order to protect family incomes and to establish a path for future recovery and fiscal consolidation that considers resources for up to US 12 billion over the next 24 months.

- Fiscal Framework for the next 24 months and consolidation path thereafter.
- Protection of Family incomes.
- Plan for economic recovery and employment.

Source: Ministry of Finance.

The plan also includes a forthcoming capital injection of US$ 500 million into BancoEstado, in order to support funding for micro- and small business customers, larger companies, and retail clients.

Monetary policy

The Central Bank has cut the policy rate to 0.5% (its effective zero lower bound) and implemented several measures that provide liquidity and foster lending.

These measures include the introduction of a new funding facility for banks that increase credit, the inclusion of corporate securities as collateral for the Central Bank's liquidity operations, and the inclusion of highly rated commercial loans as collateral for funding facility operations.

The Central Bank also created a program for the purchase of bank bonds (up to US$ 8 billion), expanded the list of foreign currencies eligible for meeting reserve requirements, and made liquidity regulations more flexible.

Normative issues

The Financial Market Commission (CMF) also adopted several measures to counteract the negative effects of COVID-19 and its impact on economic activity. These include special procedures for the establishment of provisions for deferred mortgage loans, the use of mortgage guarantees to safeguard SME loans, and adjustments in the treatment of both assets received as payment and margins in derivative transactions.

Additionally, in 1Q20 the CMF decided to postpone the implementation of the Basel III requirements for one year, as well as to maintain the current general regulatory framework for banking capital requirements until December 2021. These decisions were made in coordination with the Central Bank.

CMF measures:

- Regulations allowing the possibility of postponing up to three instalments in the payment of mortgage loans.
- Ways for banks to make credit terms for SME debtors more flexible for up to 6 months without counting them as renegotiations.
- The possibility of using surplus mortgage collaterals to guarantee loans to SMEs.
- The extension of deadlines for the disposal of assets received as payment.
- The treatment of the variation margin of derivatives.

Bank flexibility includes:

- The postponement of the implementation of the Risk-Weighted Assets requirements by one year to 2022.
- Agreeing to defer additional capital charges for systemically important banks, associated conservation buffer requirements, and discounts to effective equity by one year.
- Continuing the process of issuing Basel III standards so that they are fully available by December 2020. This includes extending the deadlines for public consultation processes.

Banking System Results

The banking system reported a net income of Ch$ 652 billion during the first half of 2020, a decrease of 65.8% from a year prior. This distressing result mainly reflects the negative accounting adjustment of a private bank. Due to this arrangement, before-tax ROAE deteriorated to 5.9%, which also indicates the worsening of the efficiency ratio.

Nevertheless, excluding that bank rectification to consider the actual specific context of the pandemic would show a net income of Ch$ 1.372 billion (-24.2% yoy), with a ROAE of 14.2%. This demonstrates that, because of the economic slowdown, a significant increase in provisions for loan losses reduced operational results.

Chile's banking system amounted Ch$ 192 trillion (US$ 234 billion) in total loans[2], an annual growth of 12.4% (1.6% qoq). This expansion was mainly driven by growth in commercial loans, which increased 17.7% yoy (3.7% qoq).

This growth in commercial loans contrasts with the strong contraction of economic activity. It occurred in a context in which authorities adopted several measures to facilitate financial access, especially to smaller firms. Likewise, loans to large companies were also influenced by the depreciation of the Chilean peso, which positively affected the share of loans denominated in US dollars. Though the peso-dollar exchange rate increased 20.9% yoy, the peso appreciated 3.6% qoq.

Banking System Performance

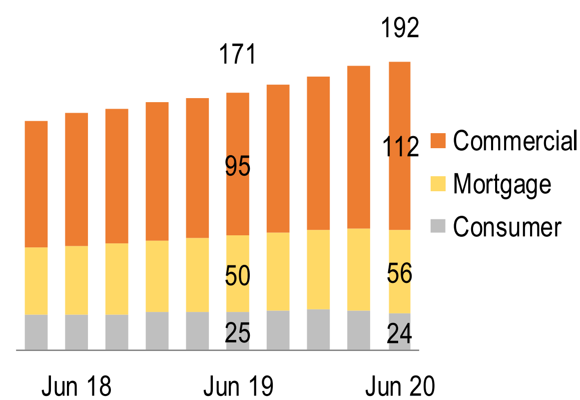
Key ratios as of June 2020

	Index	Annual change
ROAE	5.9%	-1201 bps
Efficiency	51.2%	378 bps
Risk	2.7%	20 bps
PDL/Loans	0.9%	-1 bps
Tier 1*	6.8%	-78 bps
BIS ratio*	12.9%	-29 bps

(*) April 2020.

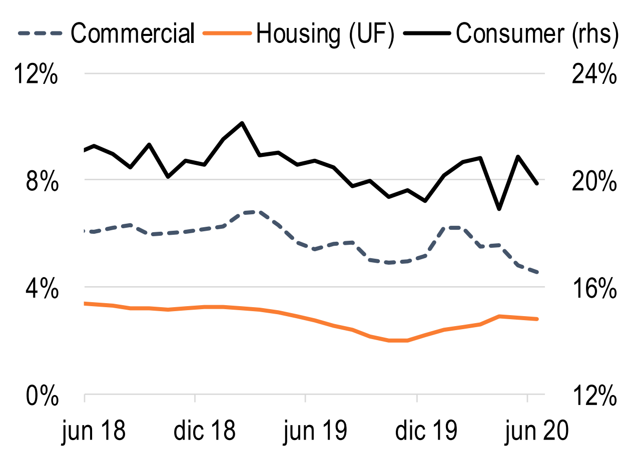
Total loans (Ch$ tn)

1Q18 – 2Q20



Interest rates (%)

June 2018 – June 2020



[2] Excluding subsidiaries abroad.

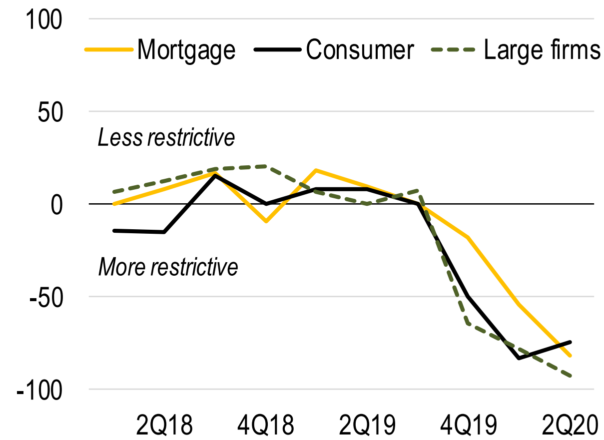
The current economic and social situation, which motivated more restrictive offers and lower demand, negatively affected lending to individuals. Consumer loans continue to follow a downward trend and, after some particularly weak months, consumer credit borrowing decreased 6.8% qoq.

Likewise, the dynamics of the domestic market for mortgage loans remained relatively weak, and mortgage loans grew 10.6% yoy (1.4% qoq). Significantly, mortgage loans were positively induced by the inflation rate, which influenced the volume of loans mainly denominated in UF[3] (and UF increased 2.8% yoy).

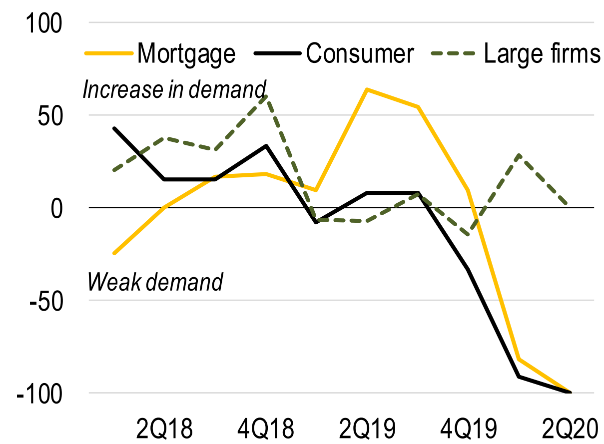
In 2Q20, interest rates have fallen in the commercial segment while rising slightly in the mortgage portfolios and remaining stable in consumer segments. Even though interest rates are still relatively low compared to historic levels, credit standards show a tightening in financial conditions.

The 2Q20 Banking Credit Survey reported a more restrictive credit supply in household and commercial portfolios. At the same time, the market experienced a sharp drop in credit demand.

Credit Supply
1Q18 – 2Q20



Credit Demand
1Q18 – 2Q20



Source: Central Bank of Chile.

[3] UF (*Unidad de Fomento*): this unit of account is indexed to the rate of variation of the consumer price index (CPI).

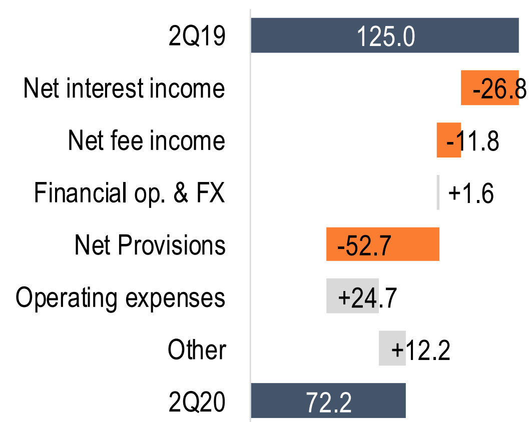
III. BancoEstado Results

Analysis of the Quarterly Income Statement

Net income before taxes totalled Ch$ 72.2 billion with ROAE of 14.4%

BancoEstado's net income before taxes of Ch$ 72.2 billion (US$ 88 million) decreased from the previous year. The pre-tax net income decreased 42.3% yoy, mainly due to an important increase in provision expenses and a lower operating income. The impact of the pandemic and an unstable economic scenario prompted higher allowances for loan losses (82.1% yoy). Likewise, operating income decreased 7.7% yoy, depressed by lower interest income and net fees. Constrained operating expenses partially offset these factors.

Net income b.t. development (Ch$ bn)
2Q19 – 2Q20

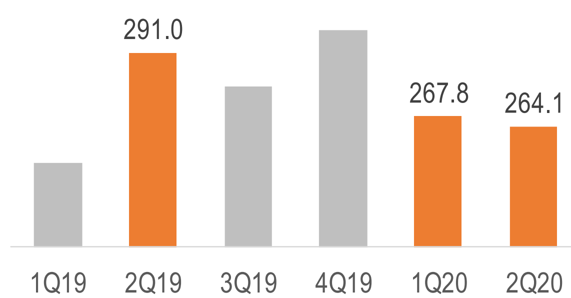


Net interest income development

Net interest income decreased 9.2% yoy, reflecting the effect of a lower quarterly inflation growth rate on income from inflation adjustments. In contrast, lesser interest expenses offset the influence of lower interest rates on income.

Compared to 1Q20, net interest income decreased 1.4%, signalling lower inflation and the impact of the decrease in interest rates on interest income (Table 1). In 2Q20, the Central Bank of Chile kept the monetary policy rate (MPR) at 0.50%, its technical minimum. The net interest margin of 3.0% decreased 18 bps compared to the previous quarter.

Net interest income (Ch$ bn)
1Q19 – 2Q20



Net fee & commission income

Net fee income decreased 14.1% yoy (-16.5 qoq), primarily due to both a decrease in commissions earned from account management and card fees, as well as higher costs in card operation services (Table 2).

This reduction was also amplified by the impact of the lower fees earned from insurance brokerage and the brokerage and custody of securities. Higher collection fees partially compensated for this drop in fees.

Net financial income

Net results from financial transactions increased 3.3% yoy. This slight increase in financial income was driven by foreign exchange gains, which were partially counterweighted by lower net results from financial operations (Table 3).

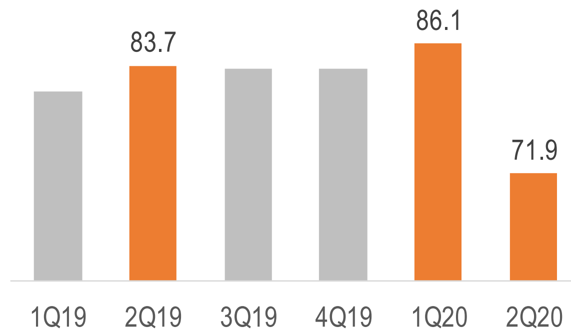
Net financial income decreased compared to the previous quarter (-10.0% qoq). This is attributable to the extraordinary income from a trading portfolio reassessment and the sale of some financial investments in 1Q20.

Loan loss provisions

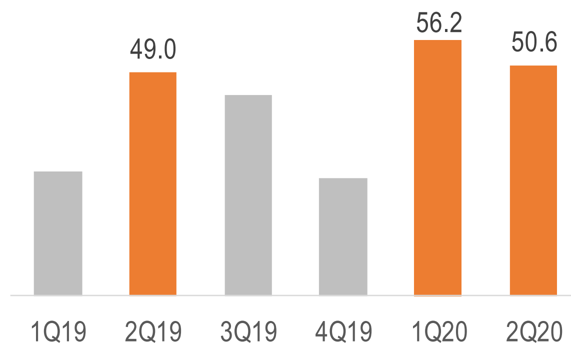
The weak economic outlook has created a challenging operating environment. Over the past semester, the internal credit risk classification of some customers in large and medium enterprise segments dropped because of a new, more conservative standard.

Despite the state of emergency, the COVID-19 pandemic and the accompanying economic crisis had a limited impact on portfolios. This may be to some extent due to different government support measures targeted at small and medium-sized firms and households.

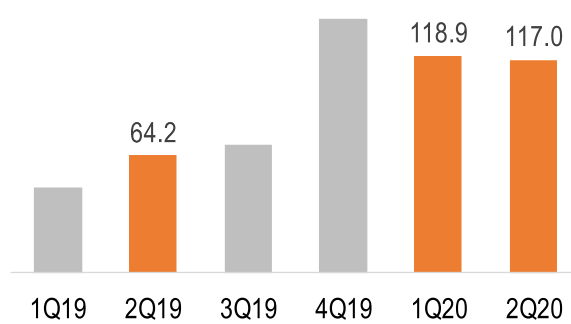
Net fee income (Ch$ bn)
1Q19 – 2Q20



Net financial income (Ch$ bn)
1Q19 – 2Q20



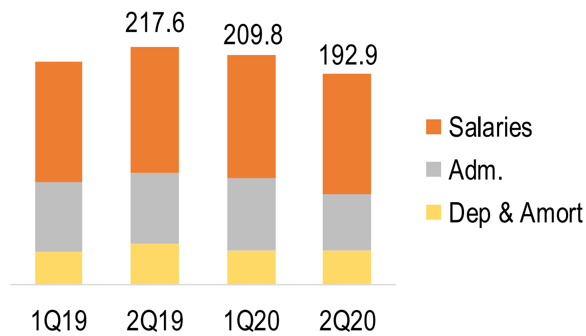
Net loan loss provisions (Ch$ bn)
1Q19 – 2Q20



The net provision for loan losses amounted Ch$ 117.0 billion, an increase of Ch$ 52.7 billion from 2Q19 (Table 4). This increase mainly involved commercial provisions due to the growth in corporate and micro- and small enterprise segments. Provisions for lending to individuals also increased as the labour market grew weaker.

The bank´s ratio of NPL/total loans increased to 3.77% and net provisions for loan losses reached 1.8% in 2Q20.

Total expenses (Ch$ bn)
1Q19 – 2Q20



Operating expense

Operating expense decreased 11.4% yoy due to a reduction in administrative expenses, as well as limits on other expenditures (Table 5). As a result, BancoEstado's operational efficiency ratio was 50.5% in 2Q20, an improvement from 53.6% in 2Q19 and 52.0% in 1Q20.

Other income & other expenses

The other net operating expenses of Ch$ 4.5 billion decreased 32.0% from the prior quarter (-74.7% yoy; Table 6).

The tax income of Ch$ 37.7 billion was a 34.6% contraction yoy, reflecting the effect of deferred taxes and the reduction in pre-tax income.

Statement of Financial Position

Total loans increased 10.8% yoy (3.0% qoq), maintaining the bank's market share of 14.3%

BancoEstado's total loans increased 10.8% yoy, maintaining its market share of 14.3% in 2Q20 (excluding private banks subsidiaries abroad). As a result, BancoEstado and two private banks are competing to be the bank with the third-highest market share in Chile.

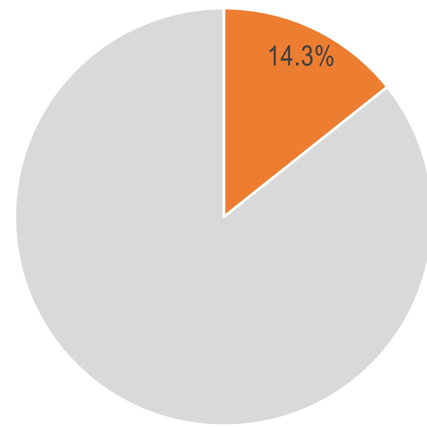
In mortgage lending, BancoEstado's market share is nearly 18.6% percent, while its share in consumer loans comprises 8.5% of the market.

In 2Q20, loans increased by Ch$ 2,664 billion yoy, primarily due to loan growth in commercial segments (Table 7). Its corporate clients and small firms also boosted BancoEstado's growth in commercial lending (19.1% yoy).

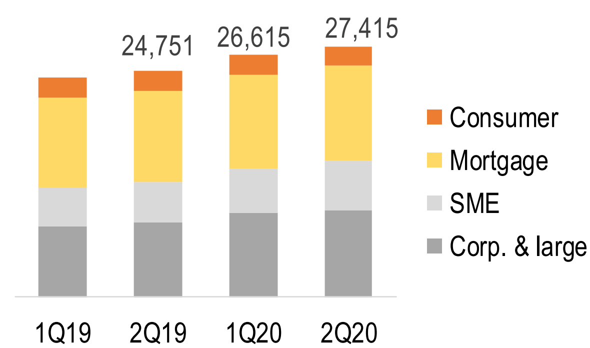
The economic slowdown encouraged commercial lending. The stock of corporations and large companies' loans has increased in recent months, the opposite of the usual trend during a recession, due to the several financing needs of firms (16.7% yoy, 3.5% qoq). In addition, the COVID-19 credit line guaranteed through the FOGAPE[4] organization, created to mitigate the crisis, supported credit access for microenterprises and small-sized firms. Thus, lending to SMEs (comprising microenterprises and small- and medium-sized companies) grew 23.8% yoy (11.8% yoy).

The weak economic environment created by the pandemic diminished individual loans. In fact, consumer loans decreased 6.3% yoy (-6.2% qoq), and residential mortgages only grew 4.0% yoy (0.4% qoq).

BancoEstado market share (%)
June 2020



Total loans (Ch$ bn)
1Q19 – 2Q20



[4] See footnote 1.

Financial investments

The bank's financial investments portfolio increased 2.2% yoy (6.2% qoq) primarily due to an improvement in its available-for-sale portfolio, which was partially compensated by a reduction in its trading portfolio (Table 8).

Liquidity

Liquid assets increased 20.8% yoy (1.5% qoq), due to the growth of deposits held at the Central Bank of Chile (Table 9).

The share of the bank's total liquid assets kept stable at around 31.4% in 2Q20.

Funding

Total customer deposits increased 5.7% yoy driven by the rise in demand deposits, while time deposits and savings accounts decreased from a year prior. However, customer deposits decreased by 2.4% qoq, and a lower volume of time deposits and savings accounts offset the expansion of demand deposits (Table 10).

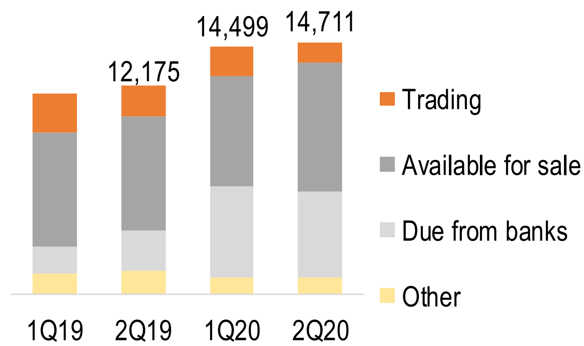
BancoEstado's funding through the issuance of debt instruments increased 21.9% yoy (0.2% qoq), and funding from interbank borrowings also increased in 2Q20.

Capital position

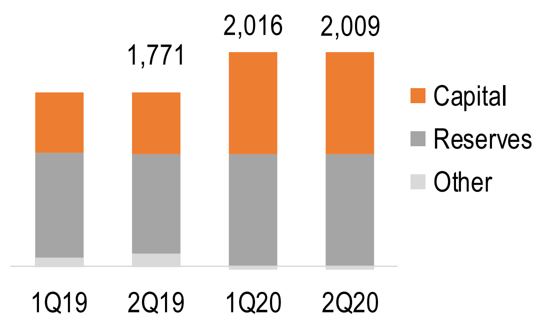
The capital position of BancoEstado strengthened in 4Q19-1Q20 after it received an extraordinary capital injection of US$ 500 million. Thus, in 2Q20, total equity increased 13.4% yoy, but remained almost unchanged from the previous quarter (-0.4% qoq; Table 11).

Currently, BancoEstado is expecting an additional US$ 500 million capitalization, which is part of the COVID-19 crisis measures meant to support small business and household lending (approved on March 2020).

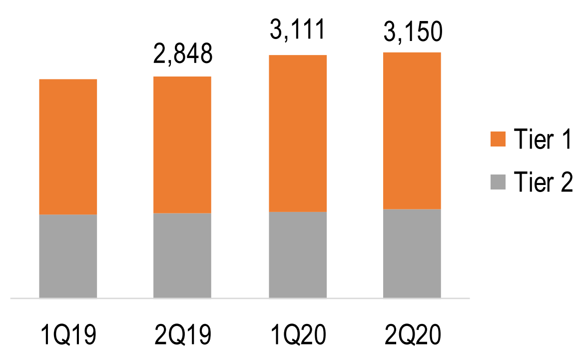
Liquid assets (Ch$ bn)
1Q19 – 2Q20



Total Equity (Ch$ bn)
1Q19 – 2Q20



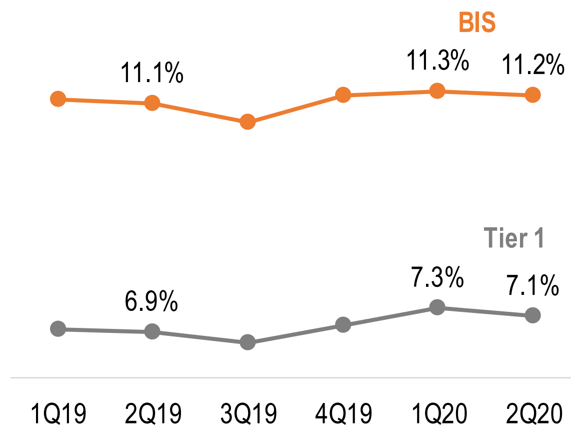
Regulatory capital (Ch$ bn)
1Q19 – 2Q20



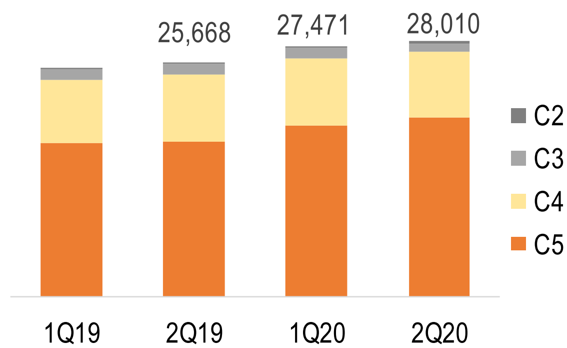
Capital adequacy, measured by the BIS ratio, reached 11.24% in 2Q20 (Table 12), an improvement of 15 bps over the prior year. Also of note is the effect of the increase in risk-weighted assets, up Ch$ 2,342 billion from the prior year (9.1% yoy). This is due to business growth related to the COVID-19 crisis, BancoEstado's efforts to support credit flow to small and medium-sized companies, and the impact of a weaker Chilean peso on foreign currency denominated assets.

The Tier 1 capital ratio increased by 29 bps from the prior year (-15 bps from prior quarter).

Tier I & BIS Ratios (%)
1Q19 – 2Q20



Risk-weighted assets (Ch$ bn)
1Q19 – 2Q20



Tables

Table 1. Net interest income & margin

	2Q19	1Q20	2Q20	2Q20	Change	
		Ch$ billion		US$ million	2Q20/2Q19	2Q20/1Q20
Interest income	419.8	378.3	353.9	431	-15.7%	-6.4%
Interest expense	-206.0	-181.5	-114.3	-139	-44.5%	-37.0%
Net income from inflation adjustments	77.2	71.0	24.5	30	-68.2%	-65.4%
Net interest income	**291.0**	**267.8**	**264.1**	**322**	**-9.2%**	**-1.4%**
Average interest-earning assets	31,748.7	33,904.4	35,475.0	43,197	11.7%	4.6%
Average loans	24,368.0	26,034.5	26,951.1	32,818	10.6%	3.5%
Interest-earning asset yield	5.3%	4.5%	4.0%		-130 bps	-47 bps
Net interest margin (NIM)	3.7%	3.2%	3.0%		-69 bps	-18 bps
Avg. Equity & demand dep. / Avg. int-earn. assets	32.22%	34.8%	34.8%		257 bps	-1 bps
Quarterly inflation rate	1.22%	1.02%	0.35%		-88 bps	-67 bps
Central Bank reference rate (end of period)	2.50%	0.50%	0.50%		-200 bps	
Avg.10-year Central Bank yield (real)	0.65%	0.50%	-0.13%		-78 bps	-63 bps

Table 2. Net fee and commission income

	2Q19	1Q20	2Q19	2Q20	Change	
		Ch$ billion		US$ million	2Q20/2Q19	2Q20/1Q20
Collection fees	27.9	26.7	28.2	34	1.0%	5.5%
Lines of credit	0.5	0.5	0.5	1	-1.9%	1.1%
Accounts administration & card fees	37.0	41.7	29.1	35	-21.2%	-30.1%
Insurance brokerage	9.8	9.6	7.3	9	-25.4%	-24.1%
Guarantees, pledges and other contingent operations	2.8	2.5	2.7	3	-1.2%	9.1%
Fees from brokerage and custody of securities	1.5	1.0	0.1	0	-90.5%	-85.0%
Other fees	4.1	4.0	3.8	5	-8.2%	-5.8%
Total fees	**83.7**	**86.1**	**71.9**	**88**	**-14.1%**	**-16.5%**

Table 3. Net financial income

	2Q19	1Q20	2Q19	2Q20	Change	
		Ch$ billion		US$ million	2Q20/2Q19	2Q20/1Q20
Trading portfolio	24.0	15.8	19.2	23	-20.3%	21.6%
Derivative contracts	0.6	65.2	-21.6	-26	-3611.2%	-133.2%
Gain on portfolio available for sale	8.3	7.4	23.9	29	187.3%	221.4%
Other	6.8	6.4	8.7	11	27.7%	34.9%
Net income (expense) from financial op.	**39.8**	**94.8**	**30.1**	**37**	**-24.3%**	**-68.2%**
Exchange differences	-18.6	-419.4	104.9	128	-663.0%	-125.0%
Foreign currency indexing	0.0	12.4	-3.6	-4	-19888.9%	-128.8%
Net hedging income	27.8	368.4	-80.9	-99	-391.0%	-122.0%
Net foreign exchange gain/loss	**9.2**	**-38.6**	**20.4**	**25**	**122.5%**	**-152.9%**
Net results from financial transactions	**49.0**	**56.2**	**50.6**	**62**	**3.3%**	**-10.0%**

Table 4. Provision for loan losses

	2Q19	1Q20 Ch$ billion	2Q20	2Q20 US$ million	Change 2Q20/2Q19	 2Q20/1Q20
Regulatory gross provisions & charge-offs	-84.7	-148.4	-140.1	-171	65.4%	-5.6%
Loan loss recoveries	20.5	15.4	16.1	20	-21.2%	4.6%
Net regulatory provisions & charge-offs	**-64.2**	**-132.9**	**-124.0**	**-151**	**93.0%**	**-6.7%**
Additional provisions	0.0	14.0	7.0	9	--	-50.0%
Net provisions for loan losses	**-64.2**	**-118.9**	**-117.0**	**-142**	**82.1%**	**-1.6%**
Total loans	24,751	26,615	27,415	33,383	10.8%	3.0%
Allowance for loan losses	-732	-884	-960	-1,169	31.2%	8.5%
Past due loans (PDL)	292	325	368	448	25.9%	13.1%
Non-performing loans/Loans	3.50%	3.67%	3.77%		27 bps	10 bps
Net provisions for loan losses/Loans	-1.04%	-2.00%	-1.81%		-77 bps	19 bps
Cost of credit	-1.04%	-1.79%	-1.71%		-67 bps	8 bps
PDL/Loans	1.22%	1.26%	1.38%		17 bps	12 bps
Coverage of PDL	-250%	-272%	-261%			
Risk Index	2.96%	3.32%	3.50%		54 bps	18 bps

Table 5. Operating expenses

	2Q19	1Q20 Ch$ billion	2Q20	2Q20 US$ million	Change 2Q20/2Q19	 2Q20/1Q20
Personnel salaries and expenses	-115.7	-112.3	-109.5	-133	-5.3%	-2.5%
Administrative expenses	-63.9	-66.2	-51.7	-63	-19.1%	-21.9%
Depreciation and amortization	-38.0	-31.4	-31.7	-39	-16.6%	1.1%
Impairment	0.0	0.0	0.0	-	--	--
Operating expenses	**-217.6**	**-209.8**	**-192.9**	**-235**	**-11.4%**	**-8.1%**
Efficiency ratio	**53.6%**	**52.0%**	**50.5%**		**-313 bps**	**-151 bps**

Table 6. Other income and expenses

	2Q19	1Q20 Ch$ billion	2Q19	2Q20 US$ million	Change 2Q20/2Q19	 2Q20/1Q20
Other operating income	3.4	3.8	7.7	9	125.9%	102.8%
Other operating expense	-21.1	-10.4	-12.2	-15	-42.2%	17.4%
Other operating income (expense), net	**-17.7**	**-6.6**	**-4.5**	**-5**	**-74.7%**	**-32.0%**
Income attributable to investments in other companies	0.9	0.8	-0.1	-0	-105.9%	-106.9%
Income taxes	-57.7	-25.3	-37.7	-46	-34.6%	48.8%
Income tax rate	**-46.1%**	**-33.5%**	**-52.2%**			

Table 7. Total loans

	2Q19	1Q20 Ch$ billion	2Q20	2Q20 US$ million	Change 2Q20/2Q19	 2Q20/1Q20
Commercial & industrial loans	**12,587**	**14,105**	**14,997**	**18,261**	**19.1%**	**6.3%**
SME	4,401	4,874	5,447	6,633	23.8%	11.8%
Corporate and large enterprises	8,186	9,231	9,550	11,629	16.7%	3.5%
Consumer loans	**2,207**	**2,203**	**2,067**	**2,517**	**-6.3%**	**-6.2%**
Installments	1,787	1,776	1,707	2,078	-4.5%	-3.9%
Credit cards & current account overdraft	419	428	360	439	-14.1%	-15.8%
Mortgage loans	**9,957**	**10,307**	**10,351**	**12,604**	**4.0%**	**0.4%**
Total loans	**24,751**	**26,615**	**27,415**	**33,383**	**10.8%**	**3.0%**

Table 8. Financial investments

	2Q19	1Q20 Ch$ billion	2Q20	2Q20 US$ million	Change 2Q20/2Q19	 2Q20/1Q20
Trading	1,781	1,717	1,133	1,380	-36.4%	-34.0%
Available for sale	6,695	6,448	7,538	9,179	12.6%	16.9%
Held to maturity	22	18	18	22	-17.2%	0.4%
Total Financial Investments	**8,498**	**8,183**	**8,689**	**10,580**	**2.2%**	**6.2%**

Table 9. Liquidity

	2Q19	1Q20	2Q20	2Q20	Change	
		Ch$ billion		US$ million	2Q20/2Q19	2Q20/1Q20
Financial Investments	8,498	8,183	8,689	10,580	2.2%	6.2%
Unsettled transactions	651	180	499	607	-23.4%	177.0%
Investments under repurchase agreements	83	210	67	82	-19.2%	-67.8%
Due from Central Bank	994	3,949	3,828	4,661	285.0%	-3.1%
Due from Chilean banks	0	4	1	1	25.4%	-85.8%
Due from foreign banks	1,352	1,372	1,198	1,459	-11.4%	-12.7%
Cash	596	601	429	523	-28.0%	-28.6%
Liquid assets	**12,175**	**14,499**	**14,711**	17,913	20.8%	1.5%
Liquid assets / Total assets	**30.3%**	**31.4%**	**31.4%**		**114 bps**	**-1 bps**

Table 10. Funding

	2Q19	1Q20	2Q20	2Q20	Change	
		Ch$ billion		US$ million	2Q20/2Q19	2Q20/1Q20
Demand deposits	8,781	9,761	11,249	13,698	28.1%	15.3%
Time deposits and savings accounts	16,904	18,038	15,888	19,347	-6.0%	-11.9%
Total customer deposits	25,684	27,798	27,138	33,045	5.7%	-2.4%
Interbank borrowings	1,295	1,474	3,547	4,320	173.9%	140.6%
Total customer funds	**26,979**	**29,273**	**30,685**	37,365	13.7%	4.8%
Issued debt instruments	**7,959**	**9,688**	**9,706**	11,818	21.9%	0.2%

Table 11. Owners' equity

	2Q19	1Q20	2Q20	2Q20	Change	
		Ch$ billion		US$ million	2Q20/2Q19	2Q20/1Q20
Capital	575	970	970	1,182	68.9%	0.0%
Reserves	1,073	1,072	1,070	1,303	-0.3%	-0.2%
Valuation accounts	-22	-39	-40	-49	83.4%	4.2%
Retained earnings	133	0	0	-	-100.0%	--
From previous periods	166	167	0	-	-100.0%	-100.0%
Net income for the period	100	47	79	96	-20.9%	68.3%
Provision for distribution of profits to the State	-133	-214	-79	-96	-40.7%	-63.2%
Non-controlling interests	12	12	8	10	-31.8%	-30.4%
Total equity	**1,771**	**2,016**	**2,009**	**2,446**	**13.4%**	**-0.4%**
Equity attributable to main owners	**1,759**	**2,004**	**2,000**	**2,436**	**13.8%**	**-0.2%**
ROAE	**28.2%**	**15.0%**	**14.4%**		**-1387 bps**	**-62 bps**

Table 12. Capital adequacy

	2Q19	1Q20	2Q20	2Q20	Change	
		Ch$ billion		US$ million	2Q20/2Q19	2Q20/1Q20
Tier 1	1,759	2,004	2,000	2,436	13.8%	-0.2%
Tier 2	1,089	1,107	1,149	1,400	5.5%	3.8%
Regulatory capital	2,848	3,111	3,150	3,835	10.6%	1.2%
Risk-weighted assets	25,668	27,471	28,010	34,107	9.1%	2.0%
Tier 1 ratio	6.9%	7.3%	7.1%		29 bps	-15 bps
BIS ratio	**11.09%**	**11.33%**	**11.24%**		**15 bps**	**-8 bps**

IV. Annex

Quarterly Income Statements

	2Q19	1Q20	2Q20	2Q20	Change	
		Ch$ billion		US$ million	2Q20/2Q19	2Q20/1Q20
Interest income	591.6	530.3	407.7	496	-31.1%	-23.1%
Interest expense	-300.6	-262.5	-143.6	-175	-52.2%	-45.3%
Net interest income	**291.0**	**267.8**	**264.1**	**322**	**-9.2%**	**-1.4%**
Fees and commission income	130.6	139.8	120.5	147	-7.7%	-13.8%
Fees and commission expense	-46.9	-53.7	-48.6	-59	3.7%	-9.4%
Net fee and commission income	**83.7**	**86.1**	**71.9**	**88**	**-14.1%**	**-16.5%**
Net gain/loss from financial operations	39.8	94.8	30.1	37	-24.3%	-68.2%
Foreign exchange gain/loss net	9.2	-38.6	20.4	25	122.5%	-152.9%
Other operating revenue	3.4	3.8	7.7	9	125.9%	102.8%
Total operating income	**427.1**	**413.9**	**394.3**	**480**	**-7.7%**	**-4.7%**
Provision for loan losses	-64.2	-118.9	-117.0	-142	82.1%	-1.6%
NET OPERATING PROFIT	**362.8**	**295.0**	**277.3**	**338**	**-23.6%**	**-6.0%**
Personnel salaries and expenses	-115.7	-112.3	-109.5	-133	-5.3%	-2.5%
Administrative expenses	-63.9	-66.2	-51.7	-63	-19.1%	-21.9%
Depreciation and amortization	-38.0	-31.4	-31.7	-39	-16.6%	1.1%
Impairment	0.0	0.0	0.0	-	--	--
Other operating expenses	-21.1	-10.4	-12.2	-15	-42.2%	17.4%
TOTAL OPERATING EXPENSES	**-238.7**	**-220.2**	**-205.1**	**-250**	**-14.1%**	**-6.9%**
Net operating income	**124.1**	**74.8**	**72.2**	**88**	**-41.8%**	**-3.4%**
Income/loss from investments in other companies	0.9	0.8	-0.1	-0	-105.9%	-106.9%
INCOME BEFORE INCOME TAXES	**125.0**	**75.6**	**72.2**	**88**	**-42.3%**	**-4.5%**
Income taxes	-57.7	-25.3	-37.7	-46	-34.6%	48.8%
NET INCOME FOR THE PERIOD	**67.4**	**50.3**	**34.5**	**42**	**-48.8%**	**-31.4%**
Net income attributable to equity holders	63.7	46.8	32.0	39	-49.9%	-31.7%
Net income attributable to non-controlling interest	3.6	3.5	2.5	3	-30.2%	-26.9%

Financial Information

	2Q19	1Q20 Ch$ billion	2Q20	2Q20 US$ million	Change 2Q20/2Q19	2Q20/1Q20
ASSETS						
Cash and deposits in banks	2,943	5,927	5,456	6,644	85.4%	-7.9%
Unsettled transactions	651	180	499	607	-23.4%	177.0%
Trading investments	1,781	1,717	1,133	1,380	-36.4%	-34.0%
Investments under repurchase agreements	83	210	67	82	-19.2%	-67.8%
Financial derivative contracts	867	2,713	2,194	2,671	153.1%	-19.2%
Interbank loans	661	783	862	1,049	30.3%	10.0%
Loans and accounts receivable from customers	24,019	25,731	26,455	32,214	10.1%	2.8%
Available-for-sale investments	6,695	6,448	7,538	9,179	12.6%	16.9%
Held to maturity investments	22	18	18	22	-17.2%	0.4%
Investments in other companies	17	19	19	23	8.8%	-1.9%
Intangibles	183	122	109	133	-40.3%	-10.4%
Property, plant and equipment	360	351	349	424	-3.1%	-0.7%
Right-of-use assets	107	101	98	120	-8.7%	-3.3%
Current taxes	2	2	1	1	-63.1%	-49.8%
Deferred taxes	915	994	1,090	1,327	19.1%	9.6%
Other assets	928	848	964	1,174	3.9%	13.6%
TOTAL ASSETS	**40,234**	**46,163**	**46,850**	**57,049**	**16.4%**	**1.5%**
LIABILITIES						
Deposits and other demand liabilities	8,781	9,761	11,249	13,698	28.1%	15.3%
Unsettled transactions	452	200	450	548	-0.4%	125.1%
Investments under repurchase agreements	540	1,018	586	713	8.6%	-42.5%
Time deposits and other time liabilities	16,904	18,038	15,888	19,347	-6.0%	-11.9%
Financial derivative contracts	865	2,180	1,828	2,226	111.4%	-16.2%
Interbank borrowings	1,295	1,474	3,547	4,320	173.9%	140.6%
Issued debt instruments	7,959	9,688	9,706	11,818	21.9%	0.2%
Other financial liabilities	26	19	51	62	100.5%	167.9%
Lease obligations	91	88	85	103	-7.2%	-3.6%
Current taxes	141	223	118	143	-16.5%	-47.3%
Deferred taxes	0	0	0	0	-68.3%	--
Provisions	834	895	762	928	-8.6%	-14.8%
Other liabilities	577	563	571	696	-1.0%	1.4%
TOTAL LIABILITIES	**38,464**	**44,147**	**44,842**	**54,603**	**16.6%**	**1.6%**
EQUITY						
Capital	575	970	970	1,182	68.9%	0.0%
Reserves	1,073	1,072	1,070	1,303	-0.3%	-0.2%
Valuation accounts	-22	-39	-40	-49	83.4%	4.2%
Retained earnings	133	0	0	-	-100.0%	--
From previous periods	166	167	0	-	-100.0%	-100.0%
Net income for the period	100	47	79	96	-20.9%	68.3%
Provision for distribution of income to the State	-133	-214	-79	-96	-40.7%	-63.2%
Total owners' equity	**1,759**	**2,004**	**2,000**	**2,436**	**13.8%**	**-0.2%**
Non-controlling interests	12	12	8	10	-31.8%	-30.4%
TOTAL EQUITY	**1,771**	**2,016**	**2,009**	**2,446**	**13.4%**	**-0.4%**
TOTAL LIABILITIES AND EQUITY	**40,234**	**46,163**	**46,850**	**57,049**	**16.4%**	**1.5%**