Quarterly Financial Report

First Quarter 2020 – 1Q20

BancoEstado Key Figures

Key figures of the quarterly income statement

	1Q19	4Q19	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	1Q20/1Q19	1Q20/4Q19
Net interest income	250.9	299.3	267.8	6.7%	-10.5%
Net fee and commission income	80.8	83.4	86.1	6.5%	3.3%
Net interest, inflation adjustment & fee income	**331.7**	**382.6**	**353.9**	**6.7%**	**-7.5%**
Net financial income	27.2	25.8	56.2	106.3%	117.5%
Provision expense	-46.8	-139.1	-118.9	154.3%	-14.5%
Operating income, net of provisions	**312.2**	**269.4**	**291.2**	**-6.7%**	**8.1%**
Operating expense	-203.7	-222.0	-209.8	3.0%	-5.5%
Other operating & non op. income	-6.5	-18.2	-5.8	-11.1%	-68.3%
Net income before taxes	**102.0**	**29.2**	**75.6**	**-25.9%**	**158.7%**
Income tax	-62.7	-3.8	-25.3	-59.6%	564.8%
Net income after taxes	**39.4**	**25.4**	**50.3**	**27.7%**	**97.8%**
Non-controlling interests	3.5	4.5	3.5	-1.1%	-22.7%
Net income attributable to equity holders	35.9	20.9	46.8	30.5%	123.6%

Key figures of the balance sheet

	1Q19	4Q19	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	1Q20/1Q19	1Q20/4Q19
Total assets	38,842	43,355	46,163	18.9%	6.5%
Loans	23,999	25,813	26,615	10.9%	3.1%
Liquid assets	11,700	13,625	14,499	23.9%	6.4%
Total liabilities	37,105	41,543	44,147	19.0%	6.3%
Customer funds	26,521	28,792	29,273	10.4%	1.7%
Issued debt instruments	7,310	8,364	9,688	32.5%	15.8%
Equity	1,737	1,812	2,016	16.1%	11.3%

Key ratios

	1Q19	4Q19	1Q20	Change	
				1Q20/1Q19	1Q20/4Q19
ROAE	23.5%	6.4%	15.0%	-850 bps	855 bps
Efficiency ratio	57.8%	56.9%	52.0%	-584 bps	-491 bps
Net interest margin	3.2%	3.6%	3.2%	-7 bps	-44 bps
Risk index	2.9%	3.2%	3.3%	38 bps	15 bps
Coverage PDL	261%	273%	272.1%		
PDL/Loans	1.16%	1.20%	1.26%	11 bps	6 bps
Tier 1 capital ratio	6.9%	7.0%	7.3%	41 bps	33 bps
BIS ratio	11.2%	11.3%	11.3%	15 bps	7 bps

Other figures

	1Q19	4Q19	1Q20	Change	
				1Q20/1Q19	1Q20/4Q19
Employees	14,837	14,881	14,839	2	-42
Branches	414	414	411	-3	-3
ATMs	2,434	2,303	2,298	-136	-5

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BancoEstado 1Q20 Milestones

The COVID-19 global crisis is strongly affecting the local economy and the Chilean GDP will contract in 2020.

After facing the social unrest of 4Q19, the Chilean economy is now confronting the pandemic's impact, resulting in financial volatility, supply and demand disruptions, and declining commodity prices. The deterioration in the labor market and low consumer confidence is also affecting consumer spending. Moreover, the housing market is still under pressure and business activity has diminished because of measures taken to contain the pandemic.

The economic downturn is affecting the banking industry and will have repercussions in areas such as household lending and business credits. Naturally, higher uncertainty and volatility in financial markets have affected credit conditions.

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.

Update

Extraordinary capitalization. BancoEstado's position strengthened in 4Q19-1Q20 after a capital injection of US$ 500 million. This was part of the Pro-Employment and Economic Recovery Plan implemented in 4Q19 with the objective of facilitating credit access for small-sized firms. Recently, a new US$ 500 million capitalization was announced, in order to inject liquidity into the real economy.

The 'Estamos Contigo' Plan. Over 32 thousand micro and small entrepreneurs received support from BancoEstado due to the contingencies of 2019. The plan allocated $101 billion with the objective of helping micro and small entrepreneurs reactivate their businesses.

New funding measures for clients in 1Q20. Because of the social unrest and the unprecedented emergency it created, BancoEstado took a number of exceptional steps for helping micro and small business customers, larger companies and retail clients.

BancoEstado inaugurates 2020 by underwriting US$ 750 million in the international bonds market. This operation saw strong demand and revealed the confidence of foreign investors in BancoEstado.

Summary of Results

Net income before taxes totaled Ch$ 75.6 billion, down 25.9% from the prior year, mainly due to a significant increase in provision expenses. Thus, ROAE was 15.0%, reflecting lower pre-tax income and a US$ 500 million extraordinary capitalization.

The current economic slowdown, rising unemployment and tightening credit conditions negatively impact credit quality. These conditions have resulted in increased levels of net allowances for credit losses (154.3% yoy), reflecting higher regulatory provisions. Consequently, the risk index and the PLL/Loans ratio increased to 3.3% and 2.0%, respectively, in 1Q20. The NPL/Loans ratio remained at 3.7% in 1Q20.

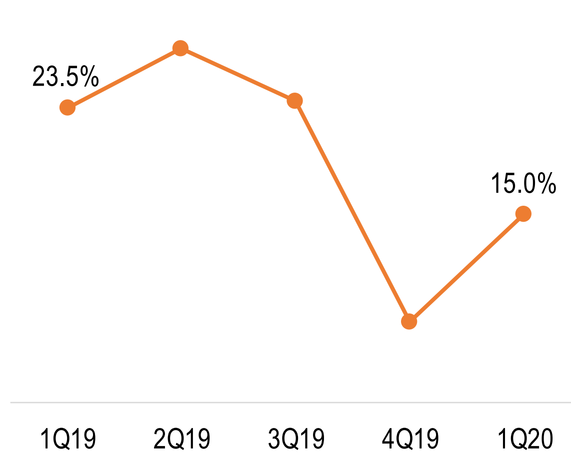
Total operating expenses increased 3.5% yoy due to a controlled growth in salaries and administrative expenses, allowing BancoEstado's operational efficiency ratio to improve to 52.0% in 1Q20.

BancoEstado's capital position strengthened after the US$ 500 million capital injection in 4Q19-1Q20 (an additional US$ 500 million capitalization was recently announced). Hence, capital adequacy (BIS ratio) reached 11.33%, up 15 bps from a year prior. The Tier 1 capital ratio increased to 7.3%.

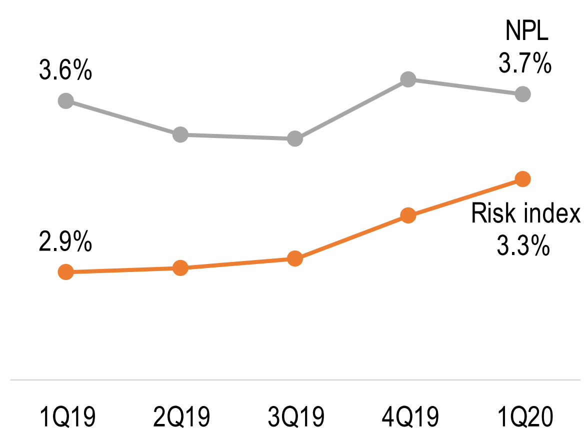
Total loans increased 10.9% yoy, maintaining BancoEstado's market share at about 14.1% in 1Q20. This development is primarily due to growth in commercial loans, which reflects the need for liquidity availability (in corporate and large firms) and currency changes (e.g. the depreciation of the Chilean peso).

BancoEstado Key Indexes

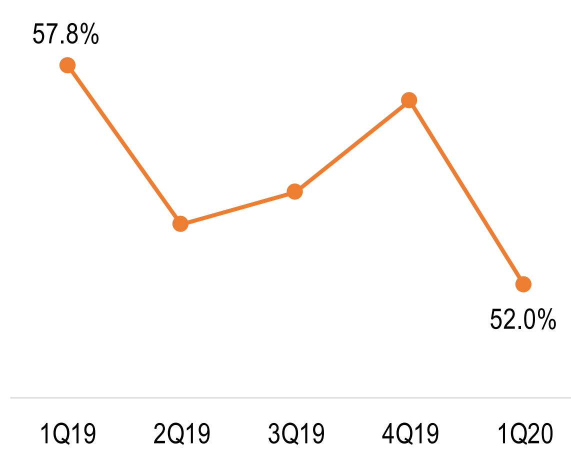
ROAE (%)



Credit Risk (%)



Efficiency (%)



Credit Ratings

In 1Q20, BancoEstado remained among the highest ratings of the Chilean financial institutions. In fact, the 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.

S&P highlights that there is an extremely high likelihood of an extraordinary support from the Chilean government; its strong business position as the third largest and only public bank in Chile; and above average and diversified funding, given its access to a large and stable deposit base. Meanwhile, Moody's emphasizes the bank's significant public policy role, along with its explicit mandate to promote home ownership and savings, finance small- and midsized enterprises, and foster financial inclusion. Concurrently, Fitch's local credit risk ratings for BancoEstado were sustained without change in 1Q20.

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

Likewise, in April 2020, S&P revised its outlook on Chile (and BancoEstado) from stable to negative, reflecting the effects of the social unrest in 4Q19 and the impact of the pandemic, resulting in significant financial volatility, supply and demand disruptions, and declining commodities prices. However, BancoEstado's international ratings in 1Q20 remained unchanged from the previous quarter.

S&P Global Ratings

Dec 2019. Strong market position and public policy role.

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

Moody's

Jan 2020. 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

I. Economic Environment

Coronavirus global crisis is having a strong impact on the Chilean economy. While annual GDP growth in Chile has been on average 2.3% in 2013-2019, the numbers for 2020 are not promising. In fact, according to the Central Bank of Chile, the GDP will contract by 2.0% in 2020; nevertheless, the economy should improve in 2021, reaching a 4.25% annual expansion.

Chile's GDP grew 0.4% yoy in 1Q20, after fell by 2.1% yoy in 4Q19 due to the social unrest that began in October. Although the dynamism of the Chilean economy was recovering in the first two months of 2020, the impact of the COVID-19 outbreak on all productive sectors depressed the economy, and in March the economic activity fell 3.5%. Additionally, the unemployment rate raised in different sectors; in line with the economic shrinkage and the fall in market expectations, the unemployment rate has exceeded 8.0% in 1Q20. Weaker economic activity with significant reductions in production levels will lead to a deterioration in job quality and higher unemployment rates in 2Q20 and 3Q20. Thus, the GDP will fall in 2Q20 and 3Q20.

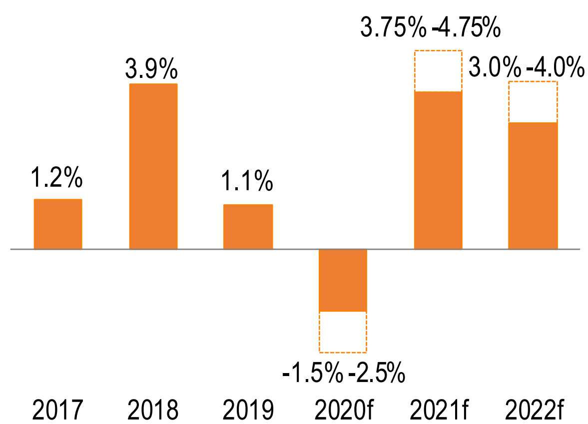
In this context, the fiscal and monetary responses have focused on employment protection and access to credit for affected businesses, respectively. The Central Bank acted to manage and mitigate the negative effects of the new scenario, including a 125 bps reduction in the MPR and a set of extraordinary measures intended to ensure adequate access to credit and the normal functioning of the financial market. Previously, the Ministry of Finance announced a US$ 11.75 billion (4.7% of GDP) 'emergency economic package' aimed mainly for saving jobs and protect small businesses.

Economic Growth (annual change, %)

	2019	2020f	2021f	2022f
GDP	**1.1**	**-2.5/-1.5**	**3.75-4.75**	**3.0-4.0**
National income	0.8	**-1.5**	4.0	3.9
Domestic demand	1.0	**-5.8**	5.3	4.2
Domestic demand (w/o inv.change)	1.5	**-3.3**	4.8	3.8
Gross fixed capital formation	4.2	**-8.2**	5.1	4.3
Total consumption	0.8	**-1.9**	4.7	3.7
Exports	-2.3	**-1.4**	4.3	2.7
Imports	-2.3	**-14.7**	8.4	5.4

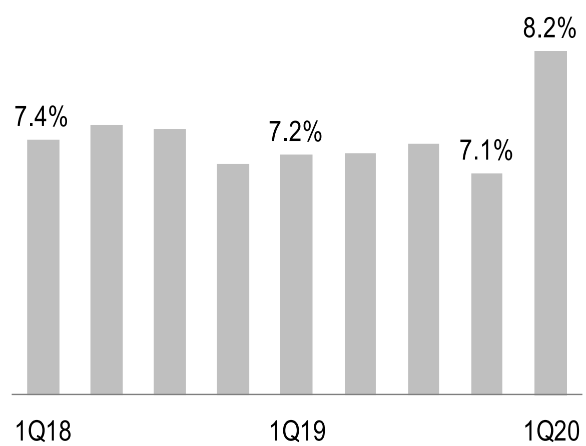
Source: Central Bank of Chile.

GDP (annual growth, %)



Source: Central Bank of Chile.

Unemployment rate (%)



Source: Instituto Nacional de Estadística (INE).

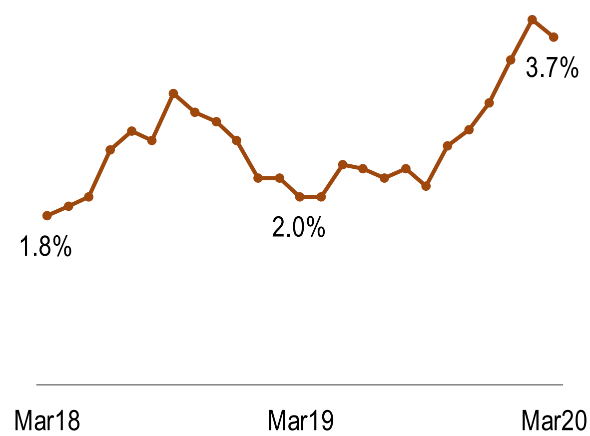
In April 2020, the Ministry of Finance reported that policy announcements of fiscal resources totaled US$ 17.1 billion. However, the total fiscal cost is estimated at up to US$ 12.1 billion for 2020. In order to ensure that the credit channel continues to operate effectively, this plan considers a capital injection to FOGAPE (the Small Business Guarantee Fund) and the capitalization of BancoEstado (see the 'Policy announcements and fiscal costs' table on page 9).

Likewise, the **Financial Market Commission announced several measures to support credit** for firms and households and deferred the implementation of Basel III standards.

Inflationary pressures have dropped. In 2017-2019, inflation fluctuated between 1.5% and 3.0% yoy. At this time, market prospects assume a downward sloping trajectory in the coming quarters, declining from March's 3.7% to around 3.0% yoy in 4Q20. Though uncertainty is still high, projected inflation remains around 3.0% in a two-year horizon. It is worth stressing that the short-term inflation performance will face two opposite effects: on one hand, oil price reduction and, on the other, the recent peso depreciation.

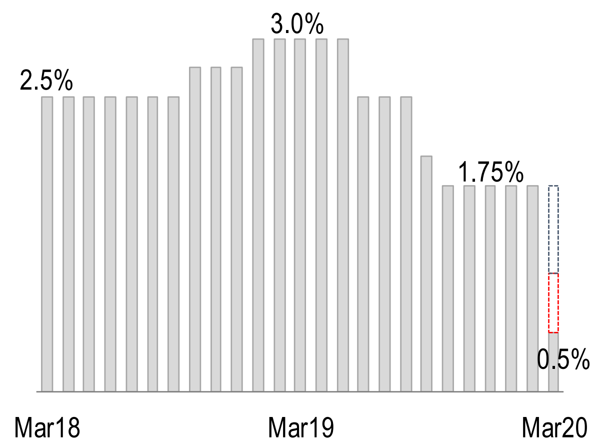
Increased global uncertainty and risk aversion has raised volatility. In 1Q20, the exchange rate depreciated 13.8% in nominal terms. This was after the Chilean peso had already depreciated about 2.8% in 4Q19 and, after the start of the social crisis, was further constrained by the announcement of a Central Bank intervention program involving spot dollar sales and the sale of currency hedging instruments, totaling as high as US$ 20 billion. In 1Q20, the relevant authorities decided to extend the window for the possible resumption of foreign exchange sales implemented during the social crisis until 2021.

Inflation (annual %)



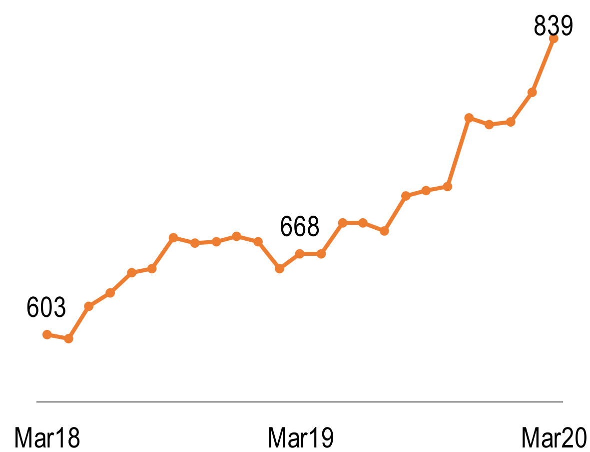
Source: INE.

MPR (%)



Source: Central Bank of Chile.

Nominal exchange rate (Ch$ per US$)



Source: Central Bank of Chile.

II. Banking Industry

The economic downturn is affecting industry and will have repercussions for lenders in areas such as household lending and business credits, sectors that have experienced sustained growth over the last few years. Clearly, higher uncertainty in financial markets has affected credit conditions. In this context, the local authorities have announced several measures to support economic activity.

Ministry of Finance
Policy announcements and fiscal costs

	US$ million	% of GDP
Phase 1 (March 19)	**12,105**	**4.8%**
Fiscal resources for public health	1,660	0.7%
Measures to protect employment and support incomes	2,267	0.94%
Injecting liquidity into the economy	8,178	
Suspension of corporate tax payments	2,400	1.0%
Deferred VAT payments	1,500	0.6%
Early corporate tax refunds for SMEs	770	0.3%
Deferred corporate tax payments for SMEs	600	0.2%
Deferred payment on property taxes	670	0.3%
Accelerated personal income tax refund for the self-employed	200	0.1%
Advance on personal income tax refund for the self-employed	118	0.05%
Transitory reduction of the Stamp & Seals Tax	420	0.2%
Accelerated payments on public procurement obligations	1,000	0.4%
New capitalization of BancoEstado	500	0.2%
Phase 2 (April 8)	**5,000**	**2.0%**
Capitalization of FOGAPE	3,000	1.2%
Plan to Protect Incomes	2,000	0.8%
Total Phase 1 & 2	**17,105**	**6.8%**

Source: Ministry of Finance.

Injecting liquidity into the economy

The Ministry of Finance's measures are already being implemented and policies that required legislation, such as the transitory suspension of jobs, cash transfers for the most vulnerable, and the transitory reduction of the Stamp & Seals Tax, were enacted and are already in force.

The plan also includes a capital injection of US$ 500 million into BancoEstado. The aim of this extraordinary capitalization is to support funding for micro- and small business customers, larger companies and retail clients.

Additional measures will complement the announced protections of economic activity and incomes. In fact, the plan to protect economic activity includes an injection of up to US$ 3 billion to FOGAPE[1]. This policy has the objective of injecting liquidity into firms, both small and large, to cover their working capital needs with access to private capital at a reasonable cost. These new loans will be guaranteed by the State.

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

The FOGAPE capitalization of up to US$ 3 billion is expected to provide the private sector with access to loans with credit guarantees of up to US$ 24 billion, roughly 10% of the GDP.

Normative issues

The Financial Market Commission (CMF) adopted several measures to counteract the negative effects of COVID-19 and its impact on economic activity. These include special treatment in 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.

These measures are intended to facilitate the flow of credit to individuals and businesses, and to mitigate the pandemic's effects on the financial system.

In March 2020, the CMF, in coordination with the Central Bank, 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. This decision is in line with the actions taken by other regulators to alleviate the capital situation of the banking systems. The measures aim to give banks flexibility in setting up provisions to accommodate changes in the payment conditions of their debtors, and ultimately to benefit bank customers.

On April 2020, the CMF extended the transitional treatment applicable to provisions required for rescheduling commercial loans from four to six months. Earlier, the CMF announced additional transitional measures for the treatment of provisions to facilitate the flow of credit to households and businesses, in order to mitigate the economic impact of the expansion of COVID-19.

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.

This announcement stated that financial institutions could temporarily apply a special provisioning regime (until July 31, 2020) for instalments rescheduled by customers with up to 30 days of arrears. The aim was to facilitate the rescheduling alternatives that entities could offer to individuals and companies. Regarding commercial portfolios, the extension of the period in which instalments' rescheduling is subject to such treatment of provisions aims to permit access to the new COVID-19 policies (with state guarantee) of FOGAPE.

Banking system results

The banking system reported a net income of Ch$ 867 billion for 1Q20, up $52 billion or 6.4% from a year prior. These results mainly reflect the positive impact of net interest income, as well as higher incomes from fees and financial operations. Likewise, before-tax ROAE was 15.4%, indicating the control of operating expenses and an improvement in the efficiency ratio to 44.2% in 1Q20.

The positive effects in operational results were offset by a significant increase in provisions for loan losses because of the economic slowdown. In fact, the ratio of net provisions for loan losses as a percentage of total loans rose to 1.6% in 1Q20.

In 1Q20, Chile's banking system amounted to Ch$ 189 trillion (US$ 222 billion) in total loans[2], reaching an annual growth of 13.1% (4.1% qoq). This expansion was mainly driven by growth in commercial loans, which increased by 15.9% yoy (6.3% qoq).

Banking System Performance

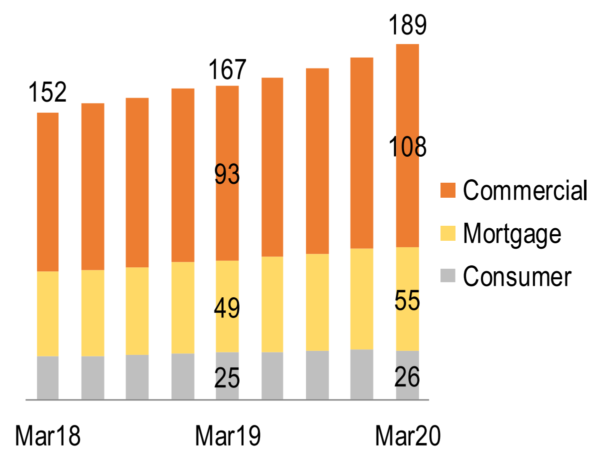
Key ratios as of March 2020

	Index	Annual change
ROAE	15.4%	-12 bps
Efficiency	44.2%	-542 bps
Risk	2.6%	11 bps
PDL/Loans	0.86%	-3 bps
Tier 1*	7.2%	-47 bps
BIS ratio*	12.8%	-56 bps

(*) Jan. 2020.

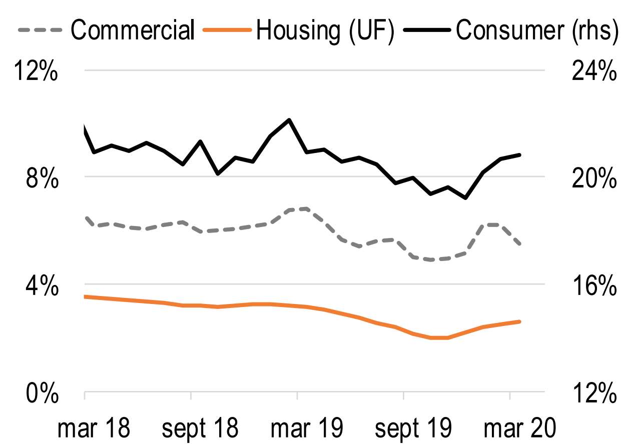
Total loans (Ch$ tn)

1Q18 – 1Q20



Interest rates (%)

1Q18 – 1Q20



[2] It excludes subsidiaries abroad.

These loans were primarily influenced by firms' liquidity availability needs, as well as the depreciation of the Chilean peso, which positively affected the share of loans denominated in US dollars (the exchange rate increased 25.6% yoy and 13.8% qoq).

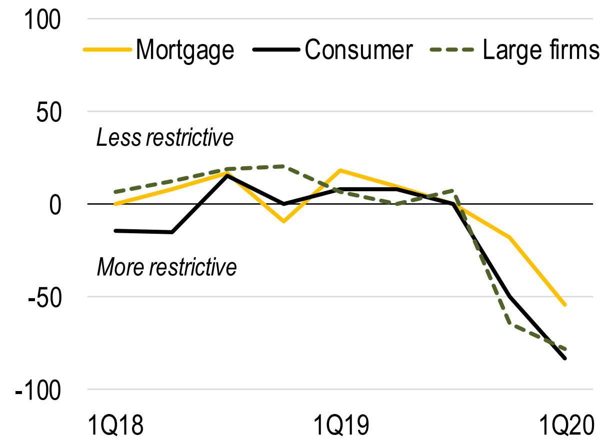
The dynamics of the domestic market for mortgage loans remains stable and, even with the economic slowdown; mortgage loans grew 12.3% yoy (2.8% qoq). It should be pointed out that mortgage loans were positively induced by the inflation rate, which influenced the volume of loans mainly denominated in UF[3] (UF increased 3.7% yoy and 1.0% qoq).

On the other hand, consumer loans increased at a slower pace, showing a growth of 4.1% yoy (-1.5% qoq). These credits were negatively affected by the current economic and social situation, which motivated more restrictive offers and narrow demand.

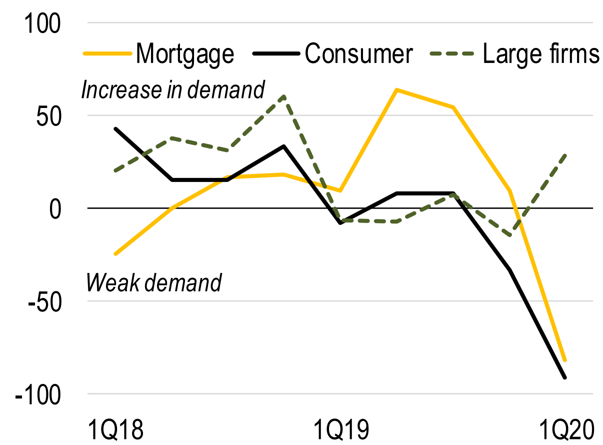
Even though interest rates are still relatively low by historic levels, credit standards show a tightening in financial conditions. In particular, the market perceives a sharp drop in credit demand and tighter conditions in the supply of personal and business loans.

The 1Q20 Banking Credit Survey reported that the credit supply is perceived to have tightened, particularly in consumer and large company portfolios, and that demand has diminished except in the case of large firms.

Credit Supply
1Q18 – 1Q20



Credit Demand
1Q18 – 1Q20



[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 Quarterly Income Statement

Net income before taxes totaled Ch$ 75.6 billion with ROAE of 15.0%

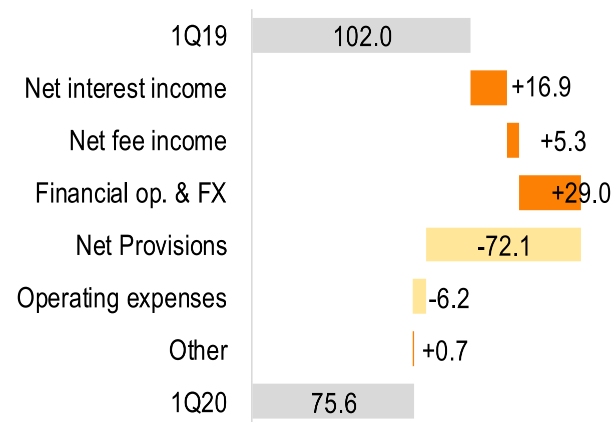
BancoEstado's net income of Ch$ 75.6 billion before taxes was down from the previous year. The pre-tax net income decreased 25.9% yoy, primarily due to a significant increase in provision expenses. In fact, operating income increased 14.6% yoy, boosted by financial income growth. Higher net interest income as well as net fees also contributed to this increase. These factors were offset by higher allowances for loan losses (154.3% yoy). Total operating expenses increased 3.5% yoy.

Net interest income development

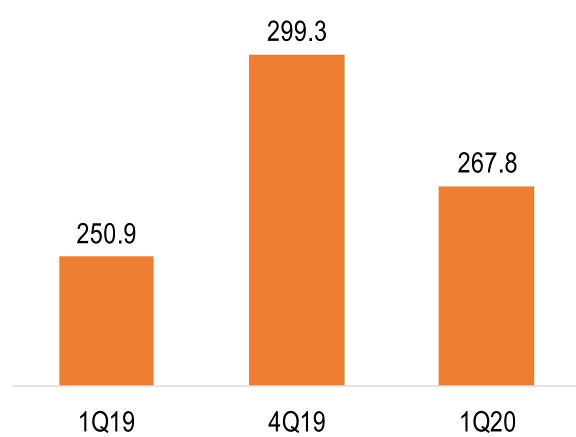
Net interest income increased 6.7% yoy mainly due to a higher quarterly inflation growth rate, given the regular currency gap held by the Bank (UF-Ch$). Lower interest income and higher interest expenses offset this influence.

Compared to 4Q19, net interest income decreased 10.5%, reflecting the effect of the decrease in interest rates on interest income (-9.3% qoq, Table 1). In March, the Central Bank of Chile reduced the monetary policy rate (MPR) 125 basis points to 0.50%. Net interest margin of 3.2% decreased 44 bps compared to last quarter.

Net income b.t. development (Ch$ bn)
1Q19 – 1Q20



Net interest income (Ch$ bn)
Jan-Mar 2020 vs. Jan-Mar 2019



Net fee & commission income

Net fee income increased 6.5% yoy primarily due to both an increase in commissions earned from account management and card fees. These factors were offset by the impact of lower guarantees, pledges and other contingent operations, in addition to higher costs in card operation services (Table 2).

Total net fee income increased 3.3% from the prior quarter, primarily due to an increase in collection fees and accounts administration and card fees. These fees were partially compensated by lower fees earned from insurance brokerage and payment services, due to the BancoEstado program 'Estamos Contigo', which aimed to support MSMEs and individuals during the social unrest and COVID-19 crisis.

Net financial income

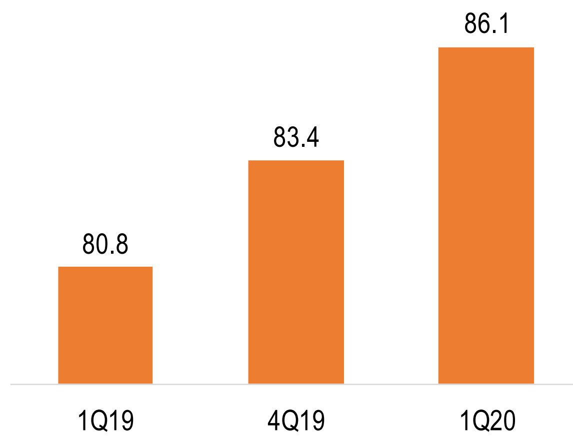
Net results from financial transactions increased 106.3% yoy (117.5% qoq). This increase in financial income was due to additional net results from financial operations, reflecting derivative contracts earnings that were mostly higher and gains on the available-for-sale portfolio (Table 3).

This advance is attributable to the trading portfolio reassessment derived from lower short-term interest rates during the quarter and the sale of some financial investments.

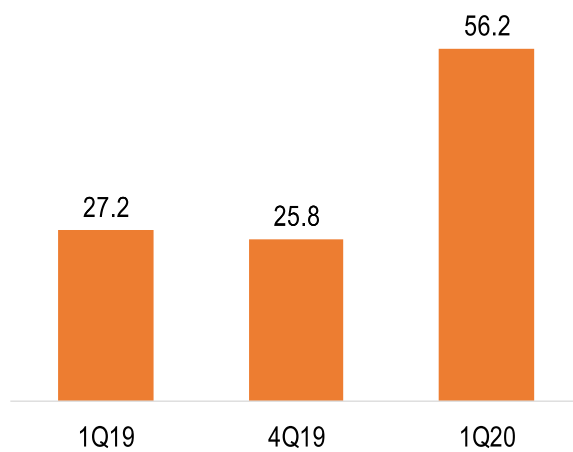
Loan loss provisions

The weak economic outlook has created a challenging operating environment in the near and medium term and the current crisis will deteriorate credit quality. In fact, in 1Q20 the internal credit risk classification of some customers in large and medium enterprise segments dropped as part of a more conservative standard.

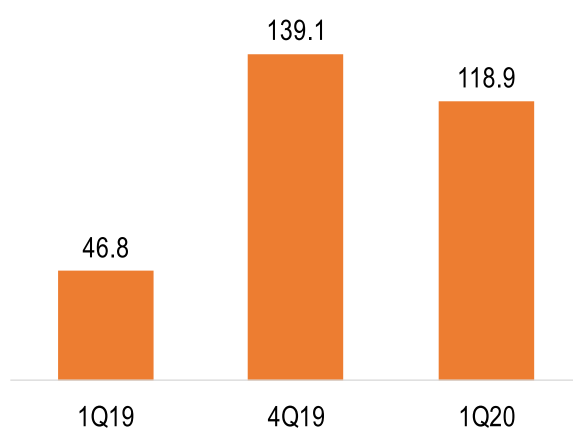
Net fee income (Ch$ bn)
Jan-Mar 2020 vs. Jan-Mar 2019



Net financial income (Ch$ bn)
Jan-Mar 2020 vs. Jan-Mar 2019



Net loan loss provisions (Ch$ bn)
Jan-Mar 2020 vs. Jan-Mar 2019



Net provision for credit losses of Ch$ 118.9 billion was up Ch$ 72.1 billion from a year prior (Table 4). This increase involved specific regulatory commercial provisions due to the growth in corporate and micro- and small enterprise segments. Consumer provisions also increased as the labor market grew weaker.

The bank´s ratio of NPL/total loans reached 3.67% and net provisions for loan losses increased to 2.0% in 1Q20.

Operating expense

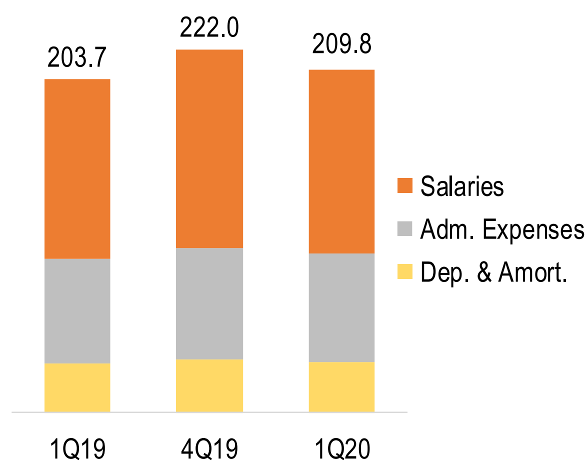
Operating expense increased 3.0% yoy due to a similar growth in salaries, administrative expenses and depreciation and amortization expenditures (Table 5). As a result, BancoEstado's operational efficiency ratio was 52.0% in 1Q20. This index improved from 57.8% in 1Q19, and 56.9% in 4Q19.

Other income & other expenses

The other net operating expenses of Ch$ 6.6 billion decreased 4.0% from the prior year (-64.3% qoq).

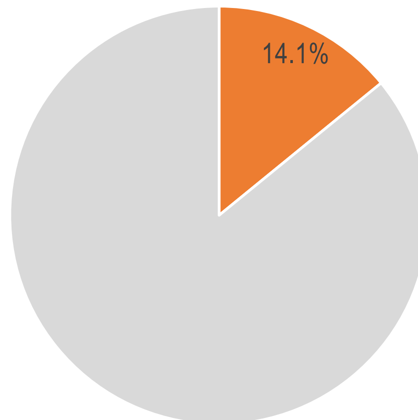
Income taxes of Ch$ 25.3 billion decreased 59.6% yoy, primarily due to the effect of the pre-tax income reduction and the lower payment on deferred taxes (Table 6).

Total expenses (Ch$ bn)
Jan-Mar 2020 vs. Jan-Mar 2019



Statement of Financial Position

BancoEstado market share
March 2020



Total loans increased 10.9% yoy (3.1% qoq), maintaining the bank's market share of 14.1%

BancoEstado's total loans increased 10.9% yoy, maintaining its market share of 14.1% in 1Q20 and ranking it third in the banking system. In mortgage lending, BancoEstado's market share is nearly 18.8% percent, while its market share in consumer loans is 8.4%.

In 1Q20, loans increased by Ch$ 2,039 billion yoy, predominantly due to loan growth in commercial segments (Table 7).

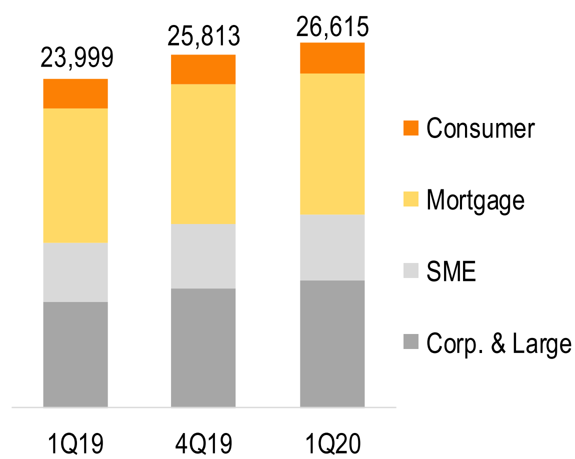
Growth in commercial lending (16.9% yoy) was primarily attributable to corporate clients. In fact, the need for liquidity in the current challenging economic environment, in addition to a weaker Chilean peso (and an increase in loans denominated in US dollars), encouraged corporations and large companies to take out loans (19.2% yoy, 6.1% qoq).

The economic slowdown due to the COVID-19 crisis affected the dynamics of the domestic bank loan market. Nevertheless, BancoEstado prolonged its program 'Estamos Contigo', which aims to guarantee adequate credit access for individuals, microenterprises and small-sized firms.

Loans to individuals, microenterprises and small-sized firms increased 6.9% yoy (1.6% qoq). Consumer loans increased 1.1% yoy (-1.8% qoq), mainly driven by the consequences of the social unrest experienced in Chile (since October 2019) and the COVID-19 impact in 1Q20. Similarly, residential mortgages grew 5.7% yoy (1.3% qoq).

Lending to SMEs (comprising micro enterprises and small- and medium-sized companies) grew 12.8% yoy (4.0% yoy).

Total loans (Ch$ bn)
1Q18 – 1Q20



Financial investments

The bank's financial investments portfolio decreased 8.4% yoy (-12.4% qoq) due mainly to both a reduction in the trading portfolio and the available-for-sale portfolio (Table 8).

Liquidity

Liquid assets increased 23.9% yoy (6.4% qoq), predominantly due to the growth of deposits held at the Central Bank of Chile (Table 9).

The share of the bank's total liquid assets reached 31.4% in 1Q20.

Funding

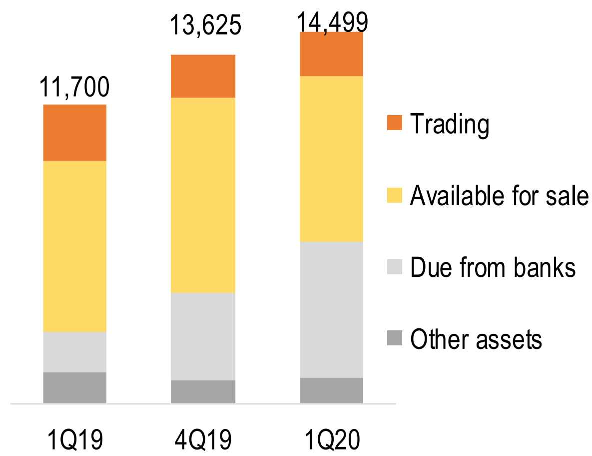
Total customer deposits increased 11.5% yoy, driven by the rise in demand deposits, time deposits and savings accounts. Customer deposits increased 2.8% from the previous quarter; lower demand deposits offset the expansion in the volume of time deposits and savings accounts (Table 10).

BancoEstado's funding through the issuance of debt instruments increased 32.5% yoy (15.8% qoq). On the other hand, funding from interbank borrowings decreased in 1Q20 (-7.4% yoy and -15.5% qoq).

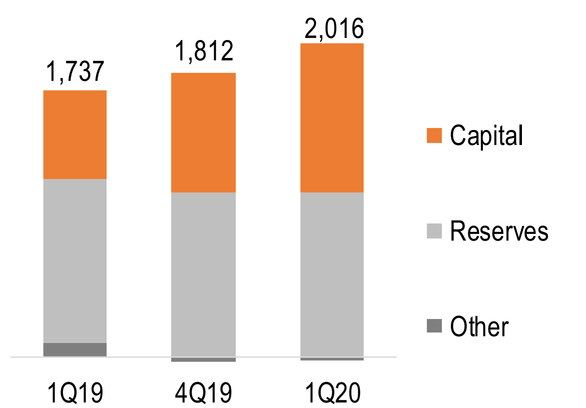
Capital position

BancoEstado's capital position strengthened in the last two quarters. In fact, the bank received a US$ 500 million capital injection from the Chilean government in 4Q19-1Q20, and an additional US$ 500 million capitalization was recently announced as part of the coronavirus crisis measures meant to support small business and household lending. Thus, total equity increased 16.1% yoy (11.3% qoq), reflecting this extraordinary capital injection (Table 11).

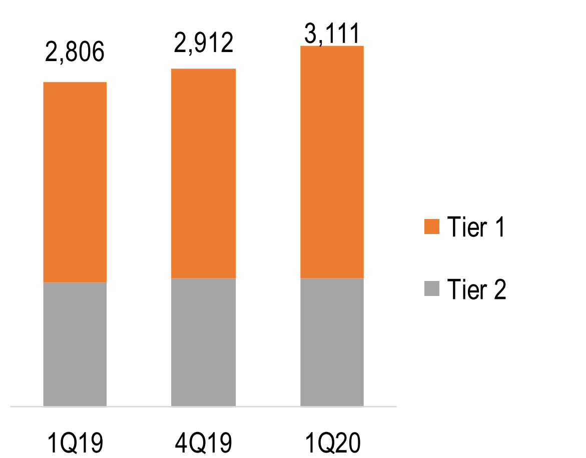
Liquid assets (Ch$ bn)
1Q18 – 1Q20



Total Equity (Ch$ bn)
1Q19 – 1Q20

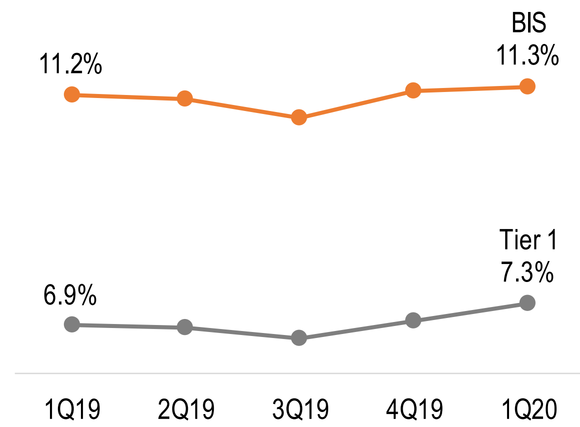


Regulatory capital (Ch$ bn)
1Q19 – 1Q20

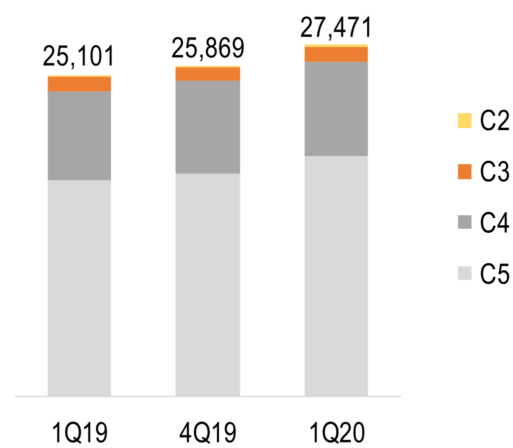


Capital adequacy, measured by the BIS ratio, reached 11.33% in 1Q20 (Table 12), an improvement of 15 bps over the prior year. Also of note is the effect of the risk-weighted assets increase, up Ch$ 2,370 billion (or 9.4%) from the prior year, because of business growth and the impact of a weaker Chilean peso on foreign currency denominated assets. The Tier 1 capital ratio increased by 41 bps from the prior year (+33 bps from prior quarter).

Tier I & BIS Ratios (%)
1Q19 – 1Q20



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



Tables

Table 1. Net interest income & margin

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
Interest income	417.7	416.8	378.3	444.0	-9.4%	-9.3%
Interest expense	-169.1	-180.8	-181.5	-213.0	7.3%	0.4%
Net income from inflation adjustments	2.3	63.2	71.0	83.4	2957.4%	12.3%
Net interest income	**250.9**	**299.3**	**267.8**	**314.3**	**6.7%**	**-10.5%**
Average interest-earning assets	31,032.6	33,237.5	33,904.4	39,792.5	9.3%	2.0%
Average loans	**23,909.3**	**25,478.7**	**26,034.5**	**30,555.8**	**8.9%**	**2.2%**
Interest-earning asset yield	5.4%	5.0%	4.5%		-92 bps	-55 bps
Net interest margin (NIM)	**3.2%**	**3.6%**	**3.2%**		**-7 bps**	**-44 bps**
Equity & demand dep. / Int-earn. assets	33.1%	37.4%	34.7%		159 bps	-266 bps
Quarterly inflation rate	0.0%	0.93%	1.02%		102 bps	8 bps
Central Bank reference rate (end of period)	3.0%	1.75%	0.50%		-250 bps	-125 bps
Avg.10-year Central Bank yield (real)	1.35%	0.54%	0.50%		-85 bps	-4 bps

Table 2. Net fee and commission income

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
Collection fees	26.5	25.0	26.7	31.4	0.7%	7.1%
Lines of credit	0.6	0.5	0.5	0.6	-5.4%	-1.9%
Accounts administration & card fees	37.3	35.7	41.7	48.9	11.6%	16.7%
Insurance brokerage	9.4	12.4	9.6	11.3	2.1%	-22.3%
Guarantees, pledges and other contingent operations	3.0	4.0	2.5	3.0	-15.7%	-36.4%
Fees from brokerage and custody of securities	1.4	1.1	1.0	1.2	-30.0%	-7.2%
Other fees	2.6	4.7	4.0	4.7	57.4%	-15.2%
Total fees	**80.8**	**83.4**	**86.1**	**101.0**	**6.5%**	**3.3%**

Table 3. Net financial income

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
Trading portfolio	16.0	5.4	15.8	18.5	-1.6%	190.2%
Derivative contracts	5.4	12.1	65.2	76.5	1103.2%	437.4%
Gain on portfolio available for sale	2.0	2.6	7.4	8.7	272.8%	182.7%
Other	7.4	7.5	6.4	7.5	-13.1%	-14.3%
Net income (expense) from financial op.	**30.8**	**27.7**	**94.8**	**111.3**	**207.7%**	**242.5%**
Exchange differences	67.5	-126.8	-419.4	-492.2	-721.5%	230.7%
Foreign currency indexing	-2.3	2.7	12.4	14.5	-639.5%	357.6%
Net hedging income	-68.8	122.2	368.4	432.3	-635.8%	201.3%
Net foreign exchange gain/loss	**-3.6**	**-1.8**	**-38.6**	**-45.3**	**980.3%**	**1990.4%**
Net results from financial transactions	**27.2**	**25.8**	**56.2**	**66.0**	**106.3%**	**117.5%**

Table 4. Provision for loan losses

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
Regulatory gross provisions & charge-offs	-63.0	-142.6	-148.4	-174.1	135.4%	4.0%
Loan loss recoveries	16.3	18.5	15.4	18.1	-5.0%	-16.7%
Net regulatory provisions & charge-offs	**-46.8**	**-124.1**	**-132.9**	**-156.0**	**184.2%**	**7.1%**
Additional provisions	0.0	-15.0	14.0	16.4	--	-193.3%
Net provisions for loan losses	**-46.8**	**-139.1**	**-118.9**	**-139.6**	**154.3%**	**-14.5%**
Total loans	23,999	25,813	26,615	31,237	10.9%	3.1%
Allowance for loan losses	-706	-819	-884	-1,038	25.3%	8.0%
Past due loans (PDL)	270	300	325	382	20.3%	8.4%
Non-performing loans/Loans	3.64%	3.73%	3.67%		3 bps	-6 bps
Net provisions for loan losses/Loans	-0.78%	-1.92%	-2.00%		-122 bps	-7 bps
Cost of credit	-0.78%	-2.16%	-1.79%		-101 bps	37 bps
PDL/Loans	1.16%	1.20%	1.26%		11 bps	6 bps
Coverage of PDL	-261%	-273%	-272%			
Risk Index	2.94%	3.17%	3.32%		38 bps	15 bps

Table 5. Operating expenses

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
Personnel salaries and expenses	-109.5	-121.0	-112.3	-131.7	2.5%	-7.3%
Administrative expenses	-64.0	-68.0	-66.2	-77.7	3.5%	-2.6%
Depreciation and amortization	-30.2	-32.9	-31.4	-36.8	3.9%	-4.7%
Impairment	0.0	0.0	0.0	-	--	--
Operating expenses	-203.7	-222.0	-209.8	-246.3	3.0%	-5.5%
Efficiency ratio	57.8%	56.9%	52.0%		-584 bps	-491 bps

Table 6. Other income and expenses

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
Other operating income	2.3	8.3	3.8	4.5	64.4%	-54.3%
Other operating expense	-9.2	-26.7	-10.4	-12.2	13.3%	-61.2%
Other operating income (expense), net	**-6.8**	**-18.4**	**-6.6**	**-7.7**	**-4.0%**	**-64.3%**
Income attributable to investments in other companies	0.4	0.2	0.8	0.9	127.1%	255.8%
Income taxes	-62.7	-3.8	-25.3	-29.7	-59.6%	564.8%
Income tax rate	**-61.4%**	**-13.0%**	**-33.5%**			

Table 7. Total loans

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
Commercial & industrial loans	**12,065**	**13,390**	**14,105**	**16,554**	**16.9%**	**5.3%**
SME	4,322	4,686	4,874	5,720	12.8%	4.0%
Corporate and large enterprises	7,743	8,704	9,231	10,834	19.2%	6.1%
Consumer loans	**2,180**	**2,244**	**2,203**	**2,586**	**1.1%**	**-1.8%**
Installments	1,738	1,795	1,776	2,084	2.2%	-1.1%
Credit cards & current account overdraft	441	448	428	502	-3.1%	-4.6%
Mortgage loans	**9,754**	**10,179**	**10,307**	**12,097**	**5.7%**	**1.3%**
Total loans	**23,999**	**25,813**	**26,615**	**31,237**	**10.9%**	**3.1%**

Table 8. Financial investments

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
Trading	2,204	1,677	1,717	2,015	-22.1%	2.4%
Available for sale	6,704	7,647	6,448	7,568	-3.8%	-15.7%
Held to maturity	21	18	18	21	-16.0%	1.0%
Total Financial Investments	**8,929**	**9,341**	**8,183**	**9,604**	**-8.4%**	**-12.4%**

Table 9. Liquidity

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
Financial Investments	8,929	9,341	8,183	9,604	-8.4%	-12.4%
Unsettled transactions	368	167	180	211	-51.1%	7.8%
Investments under repurchase agreements	217	145	210	246	-3.6%	44.7%
Due from Central Bank	533	1,995	3,949	4,635	641.4%	98.0%
Due from Chilean banks	1	21	4	5	312.5%	-81.2%
Due from foreign banks	1,021	1,386	1,372	1,610	34.5%	-1.0%
Cash	631	571	601	706	-4.7%	5.3%
Liquid assets	**11,700**	**13,625**	**14,499**	**17,017**	**23.9%**	**6.4%**
Liquid assets / Total assets	30.1%	31.4%	31.4%		129 bps	-2 bps

Table 10. Funding

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
Demand deposits	8,548	10,619	9,761	11,456	14.2%	-8.1%
Time deposits and savings accounts	16,381	16,428	18,038	21,170	10.1%	9.8%
Total customer deposits	**24,929**	**27,047**	**27,798**	**32,626**	**11.5%**	**2.8%**
Interbank borrowings	1,592	1,745	1,474	1,730	-7.4%	-15.5%
Total customer funds	**26,521**	**28,792**	**29,273**	**34,356**	**10.4%**	**1.7%**
Issued debt instruments	**7,310**	**8,364**	**9,688**	**11,370**	**32.5%**	**15.8%**

Table 11. Owners' equity

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
Capital	575	776	970	1,139	68.9%	25.0%
Reserves	1,075	1,071	1,072	1,259	-0.2%	0.1%
Valuation accounts	-23	-45	-39	-45	71.8%	-13.6%
Retained earnings	101	0	0	-	-100.0%	--
From previous periods	166	0	167	196	0.6%	--
Net income for the period	36	167	47	55	30.5%	-72.0%
Provision for distribution of profits to the State	-101	-167	-214	-251	111.9%	28.0%
Non-controlling interests	9	9	12	14	32.4%	34.2%
Total equity	**1,737**	**1,812**	**2,016**	**2,366**	**16.1%**	**11.3%**
Equity attributable to main owners	**1,728**	**1,803**	**2,004**	**2,352**	**16.0%**	**11.2%**
ROAE	**23.5%**	**6.4%**	**15.0%**		**-850 bps**	**855 bps**

Table 12. Capital adequacy

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
Tier 1	1,728	1,803	2,004	2,352	16.0%	11.2%
Tier 2	1,078	1,110	1,107	1,299	2.7%	-0.2%
Regulatory capital	2,806	2,912	3,111	3,651	10.9%	6.8%
Risk-weighted assets	25,101	25,869	27,471	32,241	9.4%	6.2%
Tier 1 ratio	6.9%	7.0%	7.3%		41 bps	33 bps
BIS ratio	11.18%	11.26%	11.33%		15 bps	7 bps

IV. Annex

Quarterly Income Statements

	1Q19 Ch$ billion	4Q19 Ch$ billion	1Q20 Ch$ billion	1Q20 US$ million	Change 1Q20/1Q19	 1Q20/4Q19
Interest income	419.8	553.3	530.3	622.4	26.3%	-4.1%
Interest expense	-168.9	-254.0	-262.5	-308.1	55.5%	3.3%
Net interest income	**250.9**	**299.3**	**267.8**	**314.3**	**6.7%**	**-10.5%**
Fees and commission income	126.5	137.3	139.8	164.0	10.5%	1.8%
Fees and commission expense	-45.7	-53.9	-53.7	-63.0	17.6%	-0.5%
Net fee and commission income	**80.8**	**83.4**	**86.1**	**101.0**	**6.5%**	**3.3%**
Net gain/loss from financial operations	30.8	27.7	94.8	111.3	207.7%	242.5%
Foreign exchange gain/loss net	-3.6	-1.8	-38.6	-45.3	980.3%	1990.4%
Other operating revenue	2.3	8.3	3.8	4.5	64.4%	-54.3%
Total operating income	**361.3**	**416.8**	**413.9**	**485.8**	**14.6%**	**-0.7%**
Provision for loan losses	-46.8	-139.1	-118.9	-139.6	154.3%	-14.5%
NET OPERATING PROFIT	**314.5**	**277.7**	**295.0**	**346.2**	**-6.2%**	**6.2%**
Personnel salaries and expenses	-109.5	-121.0	-112.3	-131.7	2.5%	-7.3%
Administrative expenses	-64.0	-68.0	-66.2	-77.7	3.5%	-2.6%
Depreciation and amortization	-30.2	-32.9	-31.4	-36.8	3.9%	-4.7%
Impairment	0.0	0.0	0.0	-	--	--
Other operating expenses	-9.2	-26.7	-10.4	-12.2	13.3%	-61.2%
TOTAL OPERATING EXPENSES	**-212.8**	**-248.7**	**-220.2**	**-258.5**	**3.5%**	**-11.5%**
Net operating income	101.7	29.0	74.8	**87.8**	**-26.4%**	**158.0%**
Income/loss from investments in other companies	0.4	0.2	0.8	0.9	127.1%	255.8%
Income before income taxes	102.0	29.2	75.6	**88.7**	**-25.9%**	**158.7%**
Income taxes	-62.7	-3.8	-25.3	-29.7	-59.6%	564.8%
NET INCOME FOR THE PERIOD	**39.4**	**25.4**	**50.3**	**59.0**	**27.7%**	**97.8%**
Net income attributable to equity holders	35.9	20.9	46.8	54.9	30.5%	123.6%
Net income attributable to non-controlling interest	3.5	4.5	3.5	4.1	-1.1%	-22.7%

Financial Information

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch$ billion	Ch$ billion	Ch$ billion	US$ million	1Q20/1Q19	1Q20/4Q19
ASSETS						
Cash and deposits in banks	2,185	3,972	5,927	6,956	171.2%	49.2%
Unsettled transactions	368	167	180	211	-51.1%	7.8%
Trading investments	2,204	1,677	1,717	2,015	-22.1%	2.4%
Investments under repurchase agreements	217	145	210	246	-3.6%	44.7%
Financial derivative contracts	675	1,478	2,713	3,185	302.0%	83.6%
Interbank loans	777	457	783	919	0.7%	71.3%
Loans and accounts receivable from customers	23,293	24,994	25,731	30,199	10.5%	2.9%
Available-for-sale investments	6,704	7,647	6,448	7,568	-3.8%	-15.7%
Held to maturity investments	21	18	18	21	-16.0%	1.0%
Investments in other companies	16	18	19	22	16.1%	4.6%
Intangibles	192	136	122	143	-36.7%	-10.5%
Property, plant and equipment	357	348	351	412	-1.6%	0.9%
Right-of-use assets	125	98	101	119	-18.6%	3.5%
Current taxes	3	1	2	2	-51.9%	17.3%
Deferred taxes	871	992	994	1,166	14.0%	0.1%
Other assets	831	1,208	848	996	2.0%	-29.7%
TOTAL ASSETS	**38,842**	**43,355**	**46,163**	**54,181**	**18.9%**	**6.5%**
LIABILITIES						
Deposits and other demand liabilities	8,548	10,619	9,761	11,456	14.2%	-8.1%
Unsettled transactions	328	126	200	235	-39.0%	58.5%
Investments under repurchase agreements	708	925	1,018	1,195	43.9%	10.1%
Time deposits and other time liabilities	16,381	16,428	18,038	21,170	10.1%	9.8%
Financial derivative contracts	664	1,325	2,180	2,559	228.5%	64.6%
Interbank borrowings	1,592	1,745	1,474	1,730	-7.4%	-15.5%
Issued debt instruments	7,310	8,364	9,688	11,370	32.5%	15.8%
Other financial liabilities	45	26	19	22	-57.7%	-25.1%
Lease obligations	94	84	88	103	-6.4%	4.5%
Current taxes	107	203	223	262	109.5%	10.2%
Deferred taxes	0	0	0	-	-100.0%	--
Provisions	792	880	895	1,050	12.9%	1.6%
Other liabilities	535	818	563	661	5.2%	-31.1%
TOTAL LIABILITIES	**37,105**	**41,543**	**44,147**	**51,814**	**19.0%**	**6.3%**
EQUITY						
Capital	575	776	970	1,139	68.9%	25.0%
Reserves	1,075	1,071	1,072	1,259	-0.2%	0.1%
Valuation accounts	-23	-45	-39	-45	71.8%	-13.6%
Retained earnings	101	0	0	-	-100.0%	--
From previous periods	166	0	167	196	0.6%	--
Net income for the period	36	167	47	55	30.5%	-72.0%
Provision for distribution of income to the State	-101	-167	-214	-251	111.9%	28.0%
Total owners' equity	1,728	1,803	2,004	2,352	16.0%	11.2%
Non-controlling interests	9	9	12	14	32.4%	34.2%
TOTAL EQUITY	1,737	1,812	2,016	2,366	16.1%	11.3%
TOTAL LIABILITIES AND EQUITY	**38,842**	**43,355**	**46,163**	**54,181**	**18.9%**	**6.5%**