

Banco del Estado de Chile's Senior Unsecured Notes For \$100 Million Rated 'AA-'

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MEXICO CITY (S&P Global Ratings) Nov. 9, 2016--S&P Global Ratings said today that it has assigned its 'AA-' debt rating to Banco del Estado de Chile's (Banco Estado; AA-/Stable/A-1+) senior unsecured medium-term notes due 2026 for \$100 million. The notes were issued under the bank's \$3 billion medium-term notes program with a maturity period of 10 years. The rating on the notes is the same as the long-term issuer credit rating on Banco Estado, and reflects our view that the notes will rank pari passu with the bank's other senior unsecured debt. The notes represent less than 1% of the bank's total funding base. We expect the notes to be the bank's unsecured, unsubordinated, and unconditional obligations. Banco Estado will use the proceeds for general banking purposes.

We view Banco Estado's funding as above average. The bank's nationwide distribution network and strong market position allow it to have one of the largest deposit bases in Chile, which represents a competitive advantage, given this funding's stability and relatively low cost compared with other funding sources. As of June 2016, the bank had around 20% of the system's total deposits, and customer deposits represented about 75% of the bank's funding base sources in June 2016. Banco Estado's stable funding ratio was 106% as of June 2016 and has been on average 117% for the past three years.

We view Banco Estado's liquidity as strong. Banco Estado enjoys high levels of liquidity, as seen in its large portfolio of liquid assets, which included mainly cash and securities from banks and the central bank. The bank's broad liquid assets to short-term wholesale funding was a high 2.2x as of June 2016

and has been 4.3x on average for the past three years, which is better than the Chilean banking system average.

The ratings on Banco Estado reflect its strong business position as the only state-owned bank and the country's third-largest bank in terms of total loans and the largest in terms of deposits, moderate capital and earnings stemming from a projected RAC ratio of about 5.9% for the next 18 months and weaker than peers' quality of capital due to the high share of deferred tax assets (due to additional tax rate paid by the bank), adequate risk position amid improving asset quality metrics, above average funding thanks to a high share of stable deposits, and strong liquidity (all as defined in our criteria). The ratings incorporate our view that there is extremely high likelihood that Chile (foreign currency: AA-/Stable/A-1+; local currency: AA/Stable/A-1+) would provide extraordinary and timely support to the bank in the event of a financial distress. Due to this support, the long-term issuer credit ratings on the bank are three notches higher than its SACP.

RELATED CRITERIA AND RESEARCH

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology and Assumptions, Dec. 6, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

RATINGS LIST

Banco del Estado de Chile	
Issuer Credit Rating	AA#/Stable/A#1+
Rating Assigned	
Banco del Estado de Chile	
Sr. Unsec. Notes due 2026	AA-

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings'

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