Base Prospectus
June 30, 2017

Banco de Crédito e Inversiones

US$2,000,000,000
Medium Term Notes Program

Under this US$2,000,000,000 Medium-Term Notes Program (the "**Program**"), Banco de Crédito e Inversiones (the "**Issuer**," the "**Bank**" or "**Bci**") may from time to time issue medium term notes ("**Notes**") which may be issued on a subordinated or unsubordinated basis. The Notes will be offered (i) inside the United States in reliance on the exemption from registration provided by Rule 144A ("**Rule 144A**") under the Securities Act of 1933, as amended (the "**Securities Act**") only to qualified institutional buyers ("**QIBs**"), within the meaning of Rule 144A, and (ii) outside the United States to non-U.S. persons (as such term is defined in Rule 904 under the Securities Act (a "**non-U.S. person**")) pursuant to Regulation S ("**Regulation S**") under the Securities Act. The Notes will be denominated in any currency agreed upon between the Issuer and the relevant Dealer (as defined below). The final terms of each Note will be specified in the Final Terms (as defined herein). For more information, see "Description of the Notes."

Each initial and subsequent purchaser of the Notes offered hereby in making its purchase will be deemed to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such Notes and may in certain circumstances be required to provide confirmation of compliance with such resale or other transfer restrictions below and as set forth in "Important Notices" and "Transfer and Selling Restrictions."

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms contemplated herein which are applicable to a particular issuance of Notes will be set out in the relevant Final Terms relating to such Notes.

See "Risk Factors" beginning on page 6 of this Prospectus for a discussion of certain significant risks you should consider in connection with an investment in the Notes.

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Program (other than Indexed Notes (as defined herein)) to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). Notes issued under the Program may also be admitted to trading or listed on the exchange regulated market operated by the Luxembourg Stock Exchange, "Euro MTF," any other or further stock exchange(s) or may not be admitted to trading or listed. Indexed Notes will not be admitted to trading on the Luxembourg Stock Exchange's regulated market and are not in the scope of the approval by the *Commission de Surveillance du Secteur Financier* under this Prospectus.

This document comprises a Base Prospectus for the purpose of article 5.4 of the Prospectus Directive. This Base Prospectus (the "**Prospectus**") may be used only for the purposes for which it has been prepared. In approving this Prospectus the Commission de Surveillance du Secteur Financier assumes no responsibility as to the economic and financial soundness of the transaction and the quality or solvency of the Bank in line with the provisions of article 7(7) of the Luxembourg Law on prospectuses for securities.

Arrangers

BofA Merrill Lynch **Standard Chartered Bank**

Dealers

BofA Merrill Lynch **BNP PARIBAS** **Citigroup** **Daiwa Capital Markets** **Goldman Sachs & Co. LLC** **HSBC** **J.P. Morgan** **Mizuho Securities** **MUFG** **Standard Chartered Bank**

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RESPONSIBILITY STATEMENT

The Issuer with its registered office in Santiago, Chile is solely responsible for the information given in this Prospectus and in any Final Terms for each Series or Tranche of Notes issued under the Program. The Issuer hereby declares that to the best of its knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus and in any Final Terms for each Series or Tranche of Notes issued under the Program is in accordance with the facts and contains no omission likely to affect its import.

IMPORTANT NOTICES

Copies of Final Terms (as defined below) will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below) (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area ("EEA") nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the relevant Paying Agent as to its holding of Notes and identity).

This Prospectus should be read and understood in conjunction with any supplement hereto. Full information on the Issuer and any Notes issued under the Program is only available on the basis of the combination of this Prospectus (including any supplement) and the relevant Final Terms.

No person is or has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the Program or the issue and sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorized by Bci. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

Neither this Prospectus nor any other information supplied in connection with the Program or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Prospectus or any recipient of any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of either Issuer or any of the Dealers to subscribe for or to purchase any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

This Prospectus is valid for twelve months upon its date of approval and it and any supplement thereto as well as any Final Terms reflect the status as of their respective dates of issue. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in the related documents is accurate and complete subsequent to the date hereof or that there has been no adverse change in the financial condition of the Issuer since such date or that any other information supplied in connection with the Program is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

For so long as any Notes remain outstanding, the Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus that is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States of America (the "**United States**") or its possessions or to United States persons, except in certain transactions permitted by United States Treasury Regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers or the Dealers which would permit a public offering of any Notes in any jurisdiction other than each Member State of the EEA which has implemented the Prospectus Directive as at the date of this Prospectus or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the EEA (and, in particular, without limitation, in the United Kingdom, Luxembourg, France, Italy and the Netherlands), Australia, Brazil, Chile, Dubai, Hong Kong, Japan, Peru, Singapore and Switzerland (see "Transfer and Selling Restrictions"). In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the "**SEC**") or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

In particular, Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "*Description of the Notes – Forms of Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer (see "Transfer and Selling Restrictions"). Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act (see "U.S. Information" below).

Neither this Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

Neither this Prospectus nor any Final Terms should be considered as a recommendation or a statement of an opinion (or a report of either of those things) by Bci, the Dealers or any of them that any recipient of this Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Prospectus or any Final Terms shall be taken to have made its own appraisal of the condition (financial or otherwise) of the Issuer.

None of the Dealers or the Issuer makes any representation to any purchaser of the Notes regarding the legality of its investment under any applicable laws. Any purchaser of the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Dealers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer. The Dealers do not accept any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the Program. U.S. Information

This Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs (as defined under "Description of the Notes – Forms of Notes") for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Each purchaser or Noteholder represented by a Rule 144A Global Note (as defined under "Registered Notes" below) or any Notes issued in registered form in exchange or substitution therefor (together "**Legended Notes**") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "Transfer and Selling Restrictions." Unless otherwise stated, terms used in this paragraph have the meanings given to them in "Description of the Notes – Forms of Notes."

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive and that also (i) are "investment professionals" as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO PROSPECTIVE INVESTORS IN CHILE

THE NOTES BEING OFFERED WILL NOT BE REGISTERED IN THE SECURITIES REGISTRY (*REGISTRO DE VALORES*) OF THE SUPERINTENDENCY OF BANKS AND FINANCIAL INSTITUTIONS (THE "SUPERINTENDENCY OF BANKS" OR "SBIF") AND, THEREFORE, THE NOTES ARE NOT SUBJECT TO THE SUPERVISION OF THE SBIF. AS UNREGISTERED SECURITIES, WE ARE NOT REQUIRED TO DISCLOSE PUBLIC INFORMATION ABOUT THE NOTES IN CHILE. ACCORDINGLY, THE NOTES CANNOT AND WILL NOT BE PUBLICLY OFFERED TO PERSONS IN CHILE. THE NOTES MAY ONLY BE OFFERED IN CHILE IN CIRCUMSTANCES THAT DO NOT CONSTITUTE A "PUBLIC OFFERING" (AS DEFINED UNDER LAW NO. 18,045 ON SECURITIES MARKET ("CHILEAN SECURITIES MARKET LAW")). THE NOTES MAY BE PRIVATELY OFFERED IN CHILE TO CERTAIN CHILEAN "QUALIFIED INVESTORS" (SUCH AS BANKS, PENSION FUNDS AND INSURANCE COMPANIES) WHICH ARE REQUIRED TO COMPLY WITH SPECIFIC RESTRICTIONS RELATING TO THE PURCHASE OF THE NOTES.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "**restricted securities**" within the meaning of the Securities Act, the Issuer has undertaken in the Dealer Agreement dated July 25, 2016 (the "**Dealer Agreement**") to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

CERTAIN TERMS AND CONVENTIONS

General

Unless otherwise indicated or the context otherwise requires, all references in this Prospectus to the "Bank," "we," "our," "ours," "us" or similar terms refer to Banco de Crédito e Inversiones together with its Miami branch and its consolidated subsidiaries. We conduct our Chilean commercial banking activities through Bci and various non-banking activities through subsidiaries. See "Business."

Currency Presentation

In this Prospectus, references to "US$," "U.S. dollars" and "dollars" are to United States dollars, and references to "Chilean pesos," "pesos" or "Ch$" are to Chilean pesos.

References to "UF" are to *Unidades de Fomento*. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that is adjusted daily to reflect changes in the official consumer price index of the *Instituto Nacional de Estadísticas* (the "Chilean National Institute of Statistics"). The UF is revalued in monthly cycles. Each day in the period beginning on the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean consumer price index during the prior calendar month. As of December 31, 2014, 2015 and 2016, the value of the UF was Ch$24,627.10, Ch$25,629.09 and Ch$26,347.98, respectively.

This Prospectus contains translations of certain Chilean peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Chilean peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all.

Unless otherwise indicated, the exchange rate used in converting Chilean pesos into U.S. dollars for amounts presented as of and for the years ended December 31, 2014, 2015 and 2016, as the case may be, were based on the observed exchange rate (*dólar observado*) reported by the Central Bank of Chile for December 31, 2014, which was Ch$606.75 per US$1.00, December 31, 2015, which was Ch$707.16 per US$1.00, and December 31, 2016, which was Ch$669.47 per US$1.00.

The rates reported by the Central Bank of Chile for December 31, 2014, December 31, 2015 and December 31, 2016 are based upon the observed exchange rate which it publishes on the first business day following the respective date. The Federal Reserve Bank of New York does not report a noon buying rate for pesos. See "Exchange Rates" for additional information regarding rates of exchange.

ENFORCEMENT OF CIVIL LIABILITIES

We are an open stock corporation (*sociedad anónima abierta*) organized under the laws of Chile and are licensed as a commercial bank by the Superintendency of Banks. Substantially all of our directors and officers and certain experts named herein reside outside the United States (principally in Chile). A substantial portion of our assets and the assets of these persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons or to enforce against us or them in U.S. courts judgments predicated upon the civil liability provisions of the laws of jurisdictions other than Chile, including any judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

We have been advised by our external Chilean counsel that no treaty exists between the United States and Chile for the reciprocal enforcement of foreign judgments. Chilean courts would enforce judgments rendered by U.S. courts by virtue of the legal principles of reciprocity and comity, subject to review in Chile of any such U.S. judgment in order to ascertain whether certain basic principles of due process and public policy have been respected, without retrial or review of the merits of the subject matter. If a U.S. court grants a final judgment, enforceability of this judgment in Chile will be subject to obtaining the relevant *exequatur* (i.e., recognition and enforcement of the foreign judgment) according to Chilean civil procedure law in force at that time and satisfying certain legal requirements. Currently, the most important of these requirements are:

- the existence of reciprocity, absent which the foreign judgment may not be enforced in Chile;
- the absence of any conflict between the foreign judgment and Chilean law (excluding for this purpose the laws of civil procedure) and public policy;
- the absence of a conflicting judgment by a Chilean court relating to the same parties and arising from the same facts and circumstances;
- the observance of all applicable laws to serve process on the defendant and protect the defendant's right to defense; and
- the absence of any further means for appeal or review of the judgment in the jurisdiction where judgment was rendered.

We have been advised by our external Chilean counsel that there is doubt as to the enforceability, in original actions in Chilean courts, of liabilities predicated solely on the U.S. federal securities laws and as to the enforceability in Chilean courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws.

CAUTIONARY DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements in this Prospectus that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear throughout this Prospectus. Examples of such forward-looking statements include:

- statements of our plans, objectives or goals, including those related to anticipated trends, competition or regulation;
- statements about our future economic performance and that of Chile or other countries in which we operate;
- statements about our exposure to market risks, including interest rate risks, foreign exchange risk and equity price risk; and
- statements of assumptions underlying such statements.

The sections of this Prospectus that contain forward-looking statements include, without limitation, "Risk Factors," "Overview of the Bank" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Words such as "believes," "expects," "anticipates," "projects," "intends," "should," "could," "may," "seeks," "aim," "combined," "estimates," "probability," "risk," "target," "goal," "objective," "future" or similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. These statements may relate to (i) our asset growth and financing plans, (ii) trends affecting our financial condition or results of operations and (iii) the impact of competition and regulations, but are not limited to such topics. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially and adversely from those described in such forward-looking statements included in this Prospectus as a result of various factors (including, without limitation, the actions of competitors, future global economic conditions, market conditions, foreign exchange rates and operating and financial risks), many of which are beyond our control. The occurrence of any such factors not currently expected by us would significantly alter the results set forth in these statements.

You should understand that the following important factors, in addition to those discussed elsewhere in this Prospectus, could affect our future results and could cause those results or other outcomes to differ materially and adversely from those expressed in our forward-looking statements:

- changes in capital market conditions in general that may affect policies or attitudes towards lending to Chile or Chilean companies;
- changes in general economic, business, political or other conditions in Chile or elsewhere in Latin America;
- the monetary and interest rate policies of the Central Bank of Chile;
- unanticipated movements or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- changes in, or our failure to comply with, Chilean and foreign laws and regulations, including banking regulations;
- changes in taxes;
- changes in competition and pricing environments;
- our inability to hedge certain risks economically;
- the adequacy of allowances for loan losses;

- earthquakes, tsunamis, wildfires and other natural disasters;
- changes in technology;
- changes in consumer spending and saving habits;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and
- the factors described under “Risk Factors” beginning on page 6.

The forward-looking statements contained in this document speak only as of the date of this Prospectus, and we do not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

OVERVIEW OF THE PROGRAM

This overview must be read as an introduction to this Prospectus and is provided as an aid to investors when considering whether to invest in the Notes, but is not a substitute for the Prospectus. Any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including any Final Terms.

Conditions for determining price to be included in the Base Prospectus

The price and amount of Notes to be issued under the Program will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Risk Factors

There are certain factors that may affect the ability of the Issuer to fulfill its obligations under Notes issued under the Program. Such factors include liquidity, credit and event risks. In addition, there are certain factors that are material for the purpose of assessing the market risks associated with the Notes issued under the Program, including the structure of a particular issue of Notes and risks related to the market generally. See "**Risk Factors**" beginning on page6.

The Notes and the Program

Issuer:	Banco de Crédito e Inversiones
Dealers:	Merrill Lynch International Merrill Lynch, Pierce, Fenner & Smith Incorporated Standard Chartered Bank BNP Paribas Securities Corp. Citigroup Global Markets Inc. Citigroup Global Markets Limited Daiwa Capital Markets America Inc. Goldman Sachs & Co. LLC HSBC Securities (USA) Inc. J.P. Morgan Securities LLC Mizuho Securities USA LLC MUFG Securities Americas Inc. Notes may also be issued to other dealers and to third parties other than dealers.
Fiscal Agent, Non-U.S. Paying Agent, Transfer Agent and Exchange Agent:	Bank of America, National Association, (operating through its London branch)
Luxembourg Listing Agent and Registrar:	Merrill Lynch Equity S.à.r.l.
U.S. Paying Agent, U.S. Registrar and U.S. Transfer Agent:	Bank of America, National Association
Distribution:	Notes may be distributed (i) to qualified institutional buyers (as defined in Rule 144A under the Securities Act) and (ii) outside the United States to persons other than U.S. persons (as such terms are defined in Regulation S under the Securities Act), in each case on a syndicated or non-syndicated basis, subject to the selling restrictions described under "*Transfer and Selling Restrictions.*"
Specified Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer and the relevant Dealer(s) (as indicated

	in the applicable Final Terms).
Maximum Amount:	The aggregate principal amount of Notes outstanding at any time shall not exceed US$2,000,000,000 or the approximate equivalent thereof in another currency calculated as at the issue date of the relevant Notes.
Maturities:	Notes may be issued in such maturities as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Final Terms as the stated maturity), subject to such minimum or maximum term as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency (as defined herein).
Issue Price:	Notes may be issued at an issue price which is equal to, less than or more than their principal amount, as provided in the applicable Final Terms.
Form of Notes:	Notes will be issued in either registered or bearer form as specified in the applicable Final Terms. Each Bearer Note will be represented initially by a temporary global Note, without interest coupons, or a permanent global Note, to be deposited with either a Common Safekeeper (if the global Note is intended to be issued in new global note ("**NGN**") form) or a Common Depositary (if the global Note is not intended to be issued in NGN form) for Euroclear and Clearstream, Luxembourg, for credit to the account designated by or on behalf of the purchaser thereof. The interests of the beneficial owner or owners in a temporary global Note will be exchangeable after the Exchange Date (as defined under "*Description of the Notes – Forms of Notes*") for an interest in a permanent global Note to be held by either a Common Safekeeper (if the permanent global Note is intended to be issued in NGN form) or a Common Depositary (if the permanent global Note is not intended to be issued in NGN form) for Euroclear and Clearstream, Luxembourg, for credit to the account designated by or on behalf of the beneficial owner thereof, or for definitive Bearer Notes or for definitive Registered Notes (as defined below), as provided in the applicable Final Terms. The interests of the beneficial owner or owners in a permanent global Note will be exchangeable for definitive Bearer Notes or for definitive Registered Notes, as provided in the applicable Final Terms. If specified in the applicable Final Terms, Notes of each Tranche will be in fully registered form ("**Registered Notes**"). The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non U.S. persons outside the United States, will initially be represented by a global note in registered form (a "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in the Supplement for Registered Notes and such Regulation S Global Note will bear a legend regarding such restrictions on transfer. The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**"). The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a "**Rule 144A Global**

	Note” and, together with a Regulation S Global Note, the “**Registered Global Notes**”). Global Notes exchangeable for definitive Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).
Fixed Rate Notes:	The Issuer will pay interest on Fixed Rate Notes on the dates specified in the applicable Final Terms. Fixed interest on Notes will be calculated on the basis of such Fixed Day Count Fraction (as defined under “Description of the Notes—Interest and Interest Rates”) as may be set forth in the applicable Final Terms.
Floating Rate Notes:	The Issuer will pay interest on Floating Rate Notes on the dates specified in the applicable Final Terms. Each Series of Floating Rate Notes will have one or more interest rate bases as indicated in the applicable Final Terms. Interest on Floating Rate Notes will be calculated on the basis of such Floating Day Count Fraction (as defined under “Description of the Notes—Interest and Interest Rates”) as may be set forth in the applicable Final Terms.
Interest Period(s) or Interest Payment Date(s) for Floating Rate Notes:	Such period(s) or date(s) as may be indicated in the applicable Final Terms.
Indexed Notes:	Notes may be issued with the principal amount payable at maturity, or interest to be paid thereon, or both, to be determined with reference to the price or prices of specified commodities or stocks, indices, formulae or other assets or bases of reference as may be specified in such Note and the applicable Final Terms. A separate prospectus comprising the relevant Note and an overview document (as the case may be) will be used for the documentation of an issuance of Indexed Notes.
Redemption:	The Final Terms relating to each Tranche of Notes will indicate (i) that the Notes of that Series can be redeemed prior to their stated maturity for taxation reasons, and (ii) whether the Notes of that Series can be redeemed prior to their stated maturity at the option of the Issuer and/or the Noteholders, in each case upon giving not more than 60 nor less than 10 days irrevocable notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as are indicated in the applicable Final Terms; provided, however, that Notes denominated in currencies other than U.S. Dollars may be subject to different restrictions on redemption as described in “Description of the Notes—Special Provisions Relating to Foreign Currency Notes—Minimum Denominations, Restrictions on Maturities, Repayment and Redemption.”
Denomination of Notes:	Notes may be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms. If the Notes are admitted to trading on a European Economic Area exchange or offered to the public in a Relevant Member State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination of the Notes will be Euro 100,000 (or, if the Notes are denominated in a currency other than the Euro, the equivalent amount in such currency) or such higher amount as may be allowed or required from time to time by the relevant Central Bank (or equivalent body) or any laws or regulations applicable to

	the relevant Specified Currency.
Taxation:	All payments with respect to the Notes will be made without withholding or deduction for or on account of taxes imposed by any Relevant Taxing Jurisdiction (as described in "Description of the Notes —Payment of Additional Amounts"), unless such withholding is required by law, in which case, subject to certain exceptions, the Issuer will generally pay Additional Amounts as described in "Description of the Notes—Payment of Additional Amounts." See also "Taxation."
Status of the Notes:	Each Note will be unsecured and will be either a senior or a subordinated debt obligation of the Issuer. Notes which are senior debt obligations will rank equally in right of payment with all other unsecured and unsubordinated debt obligations of the Issuer (except as otherwise provided by applicable law). Notes which are subordinated debt obligations will rank junior in right of payment to all senior indebtedness of the Issuer (except as otherwise provided by applicable law) as specified in the applicable Final Terms, which will set forth the precise terms of such subordination. See "Description of the Notes—General."
Rating:	The Notes of each Tranche issued under the Program may be rated or unrated. Where the Notes of a Tranche are rated, such rating (i) will be set out in the Final Terms and (ii) will not necessarily be the same as the rating(s) assigned to the Program. Moreover, the Final Terms will set out whether the rating agency has been registered within the European Union. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Modification and amendment of the Notes:	Except for certain matters that require unanimous consent of the holders of each Note of any Series directly and adversely affected thereby, the Fiscal Agency Agreement and the terms and conditions of the notes of a Series may be modified or amended (and future compliance therewith or past Events of Default may be waived) by holders of a majority in aggregate principal amount of the Notes of such Series or, in each case, such lesser amount as shall have acted at a meeting of holders of such Notes. See "Description of the Notes—Modification of Fiscal Agency Agreement and Notes." Notes owned by the Issuer or any of its subsidiaries shall not be deemed to be outstanding for purposes of making any modification or amendment of the Notes of such Series.
Listing and admission to trading:	Each Series of Notes may be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market and/or listed or admitted to trading on or by such other or additional stock exchange(s), competent authority(ies) and/or market(s) or may be unlisted, in each case as specified in the applicable Final Terms. See "Transfer and Selling Restrictions."
Clearing System:	As specified in the applicable Final Terms.
Governing Law:	New York law.

Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States to, or for the account or benefit of, U.S. persons except in accordance with Rule 144A or outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act. In addition, Notes issued in bearer form are subject to U.S. tax law requirements. For a description of certain restrictions on offers, sales and deliveries of Notes in the United States, the European Economic Area, Australia, Canada and certain other jurisdictions. See "Transfer and Selling Restrictions."
Risk Factors:	Prospective purchasers of the Notes should consider carefully all of the information set forth in this Prospectus or any supplement hereto and, in particular, the information set forth under the caption ''Risk Factors" beginning on page 6.

RISK FACTORS

An investment in the Notes is subject to risks and uncertainties. You should carefully consider the risks described below, in addition to the other information contained in this Prospectus, before deciding whether to purchase the Notes. Realization of any of these risks could have a material adverse effect on our business, financial condition, cash flows and results of operations or could materially and adversely affect the value or liquidity of the Notes and result in the loss of all or part of your investment in the Notes. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect us, which could also result in the loss of all or part of your investment in the Notes.

Risks Relating to our Business

Fluctuations in inflation may affect our results of operations.

Inflation in Chile gained momentum in 2007 and 2008, when it reached 7.8% and 7.1%, respectively. Chile experienced deflation of 1.4% during 2009 and inflation of 4.6%, 4.4% and 2.7% during 2014, 2015 and 2016, respectively. High and extended levels of inflation in Chile could adversely affect the Chilean economy and have an adverse effect on our business, financial condition and results of operations. The possibility of a deflationary environment could also have an adverse effect on our business, financial condition and results of operations.

Our assets and liabilities are denominated in Chilean pesos, UF and foreign currencies. The UF is revalued in monthly cycles. On each day in the period beginning on the tenth day of any given month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the variation in the Chilean consumer price index during the prior calendar month. Although we benefit from inflation in Chile due to the current structure of our assets and liabilities (a significant portion of our loans are indexed to the inflation rate, but there are no corresponding features in deposits or other funding sources that would increase the size of our funding base), there can be no assurance that our business, financial condition and result of operations in the future will not be adversely affected by changing levels of inflation, including from extended periods of inflation that adversely affect economic growth or periods of deflation.

Our results of operations are affected by interest rate volatility.

Our results of operations depend to a great extent on our net interest income. Net interest income represented 68.8% of our operating income, in 2011, 65.8% in 2012, 65.5% in 2013, 69.0% in 2014, 69.1% in 2015 and 70.4% in 2016. Changes in market interest rates could affect the interest rates earned on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities, leading to a reduction in our net interest income or a decrease in customer demand for our loan or deposit products. In addition, increases in interest rates could increase the debt service obligations of our customers and result in higher levels of impaired loans.

Interest rates are highly sensitive to many factors beyond our control, including the reserve policies of the Central Bank of Chile, deregulation of the financial sector in Chile, domestic and international economic and political conditions and other factors. In the current economic climate, there is a greater degree of uncertainty and unpredictability in the policy decisions and the setting of interest rates by the Central Bank of Chile. Any changes in interest rates could adversely affect our business, our future financial performance and the price of our securities. The following table shows the yields on the Chilean government's 90-day notes as reported by the Central Bank of Chile at the dates indicated.

Date	90-day note (%)
December 31, 2008	8.2
December 31, 2009	0.5
December 31, 2010	3.4
December 31, 2011	5.1
December 31, 2012	4.9
December 31, 2013	4.9
December 31, 2014	3.7
December 31, 2015	2.8
December 31, 2016	3.4

Source: Central Bank of Chile.

Increased competition and industry consolidation may adversely affect our results of operations.

The Chilean market for financial services is highly competitive. We compete with other private sector Chilean and non-Chilean banks, with Banco del Estado de Chile (the only public sector bank) and with department stores and larger supermarket chains that make consumer loans and sell other financial products to a large portion of the Chilean population. The lower middle- to middle-income segments of the Chilean population and the small- and medium-sized corporate segments have become the target markets of numerous other banks, and competition in these segments is likely to increase. As a result, net interest margins in these segments are likely to decline generally, and we cannot assure you that our net interest margins will be maintained at their current levels.

We also face competition from non-bank and non-finance competitors (principally department stores and large supermarket chains) with respect to some of our credit products, such as credit cards, consumer loans and insurance brokerage. In addition, we face competition from non-bank finance competitors, such as leasing, factoring and automobile finance companies as well as saving associations, with respect to credit products, and from mutual funds, pension funds and insurance companies with respect to savings products.

The increase in competition within the Chilean banking industry in the last decade has led to consolidation in the industry. In 2002, Banco Santiago and Banco Santander-Chile, then the second and third largest private banks in Chile, respectively, merged to become Chile's largest bank. In 2002, Banco de Chile and Banco de A. Edwards, then the third and fifth largest private banks in Chile respectively, merged to become the second largest Chilean bank. In 2004, we purchased 99.9% of the shares of Banco Conosur, becoming the third largest private bank in Chile at the time. In 2007, Scotiabank Sudamericano acquired 100% of Banco Desarrollo, and in 2008, Banco de Chile and Citibank Chile were authorized to merge operations. In 2010, Scotiabank acquired Royal Bank of Scotland's Chilean banking operations. During 2016, CorpBanca Chile and Banco Itaú ("Itaú Corpbanca" or "CorpBanca") consummated their merger.

We expect the trends of increased competition and consolidation may continue and result in the formation of new large financial groups. Consolidation in the industry, which can result in the creation of larger and stronger competitors, may adversely affect our financial condition and results of operations by decreasing the net interest margins we are able to generate. In addition, since November 7, 2001, insurance companies have been allowed to participate and compete with banks in the residential mortgage and credit card businesses, further increasing competition in our industry. Law No. 19,539 enacted in November 1997 and other regulations issued by the Social Security Commission of Chile (*Superintendencia de Seguridad Social*) allowed the Family Allowance Compensation Funds (*cajas de compensación de asignación familiar*) to grant certain loans to its affiliates, such as educational, consumer and residential mortgage loans, among others. Moreover, Law No. 20,448, enacted in August 2010, allows non-Chilean banks with representative offices in Chile to offer their credit products to customers directly. This change further increased competition by increasing the number of banks that can compete directly in Chile.

Our ability to maintain our competitive position depends, in part, on the success of new products and services we offer our clients and our ability to continue offering products and services from third parties, and we may not be able to manage the various risks we face as we expand our range of products and services, which could have a material adverse effect on us.

The success of our operations and our profitability depends, in part, on the success of new products and services we offer our clients. However, we cannot guarantee that our new products and services will be responsive to client demands, or that they will be successful. In addition, our clients' needs or desires may change over time, and such changes may render our products and services obsolete, outdated or unattractive and we may not be able to develop new products that meet our clients' changing needs. Our success is also dependent on our ability to anticipate and leverage new and existing technologies that may have an impact on products and services in the banking industry. Technological changes may further intensify and complicate the competitive landscape and influence client behavior. If we cannot respond in a timely fashion to the changing needs of our clients, we may lose clients, which could in turn materially and adversely affect us.

We are vulnerable to disruptions and volatility in the global financial markets.

Since the beginning of the financial crisis in 2008, the global financial system has experienced changing financial conditions. Initially, the negative effects of the crisis meant tighter financial conditions that led to greater volatility, general widening of interest rates spreads, tighter liquidity conditions and, in some cases, a lack of price transparency in interbank lending. As a result of this, the world economy deteriorated significantly from the second half of 2008 and many countries, including the United States fell into recession. Since then, many major financial institutions, including some of the world's largest commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies have experienced significant difficulties. In many parts of the world, there were runs on deposits, and a number of institutions had to be capitalized, while many savers and institutional investors reduced or ceased providing funding (including other financial institutions). Subsequently, the decisive action of developed countries' central banks significantly increased capital flows to emerging economies, a phenomenon that seems to be coming to an end at the same time that the economic outlook for that group of countries improved.

A contraction of the global financial system or a rapid reversal of the current favorable financial conditions could adversely affect our ability to access capital and liquidity on financial terms acceptable to us. If capital market financing ceases to become available, or becomes excessively expensive, we may be forced to raise the rates we pay on deposits to attract customers. Any such increase in capital market funding costs or in deposit rates could have a material adverse effect on our interest margins.

In Chile, the global economic recession of 2008 caused an increase in unemployment, a decline in consumption, house prices and economic activity in general. However, helped by a significant increase in investment in mining, the economy was able to grow about 5.5% between 2010 and 2013. Recently, as the mining investing boom started to come to an end and international financial conditions have started to normalize, the rate of growth decreased towards levels that are closer to Chile's potential growth: GDP grew 1.9% in 2014, 2.3% in 2015 and 1.6% in 2016.

The state of the global economy remains fragile and the consequences for the Chilean economy from a slowdown in the growth rate of the world, and especially that of China, are a source of risk. Any consequent disruptions in the Chilean economy may lead to a decrease in demand for individual and corporate borrowing, a decrease in demand for financial services, a decrease in credit card spending and an increase in past due or delinquent loans which may in turn materially and adversely affect our financial condition and results of operation.

Our allowances for loan losses may not be adequate to cover the future actual losses on our loan portfolio.

As of December 31, 2016, our total amount recorded to cover loan losses was Ch$433,734 million which consists of our allowance for loan losses (contra-asset account) plus an additional voluntary provision recorded in liabilities. The ratio of this total amount to our total loan portfolio as of such date was 1.94%. The amount of allowances is based on our current assessment of, and expectations relating to, various factors affecting the quality and the expected losses of our loan portfolio. These factors include, among other things, our borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, Chile's economic situation, government macroeconomic policies, interest rates and the legal and regulatory environment. As the global financial crisis has demonstrated, many of these factors are beyond our control.

In addition, as these factors evolve, we may from time to time change our level of allowance for loan losses which can lead to increased provision expense. If our assessment of, and expectations relating to, the above mentioned factors differ from actual developments, or if the quality of our loan portfolio deteriorates or the future actual losses exceed our estimates, our allowances for loan losses may not be adequate to cover actual losses and we may need to make additional provisions which may materially and adversely affect our results of operations and financial condition.

Our exposure to individuals and small businesses could lead to higher levels of past due loans, allowances for loan losses and charge-offs.

A substantial number of our corporate customers consists of small- and mid-sized companies (those with annual revenues of between approximately UF 2,400 and UF 80,000) and individual customers in the lower-middle to middle income range (those with monthly income between approximately Ch$150,000 and Ch$2,500,000) of the Chilean population. A substantial portion of our loan portfolio consists of residential mortgage and consumer loans to lower-middle to middle income customers and commercial loans to small- and medium-sized companies. As of December 31, 2016, loans to retail and to small- and medium-sized companies represented together 48.7%, of our loan portfolio at such date. In addition, important features of our strategy are to increase lending and the provision of other services to, and gain new customers in, these customer segments. The quality of our portfolio of loans to retail and small and medium-sized companies is dependent to a significant extent on economic conditions prevailing from time to time in Chile. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Impact of Economic Conditions in Chile." Small and medium-sized companies and lower-middle to middle income individuals are more likely to be more severely affected by adverse developments in the Chilean economy than large corporations and high-income individuals. As a result, lending to these segments represents a relatively higher degree of risk than lending to such other market segments. Consequently, we may experience higher levels of past due amounts, which could result in higher provision for loan losses. In addition, large scale consumer and mortgage lending is a relatively new business segment in the Chilean banking system, having existed for only 20 years. Therefore, there can be no assurance that the levels of past due amounts and subsequent charge-offs will not be materially higher in the future.

The growth of our loan portfolio may expose us to increased loan losses.

During the period from December 31, 2010 to December 31, 2016, our aggregate net loan portfolio to customers grew 136.3% to Ch$21,954,346 million, while our net commercial loan portfolio grew 130.3% to Ch$14,459,695 million. The further expansion of our loan portfolio (particularly in the consumer, small- and medium-sized companies and real estate segments) can be expected to expose us to a higher level of loan losses and require us to establish higher levels of provision for loan losses, particularly if our loans to borrowers in certain riskier industries do not perform as we expect.

Our loan portfolio may not continue to grow at the same or similar rate.

Past performance of our loan portfolio may not be indicative of future performance. Our loan portfolio may not continue to grow at the same or similar rates as the growth rate that we historically experienced, particularly in light of the growth in recent years attributable to the acquisition of City National Bank of Florida ("City National Bank of Florida" or "CNB") in October 2015. Additionally, changes in the Chilean economy, a slowdown in the growth of customer demand, an increase in market competition or changes in governmental regulations could also adversely affect the rate of growth of our loan portfolio and our risk index.

The value of the collateral securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral securing our loan portfolio.

The value of the collateral securing our loan portfolio may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting Chile's economy. The real estate market is particularly vulnerable in the context of negative economic conditions. Decreased real estate prices may adversely affect us because real estate represents a significant portion of the collateral securing our residential mortgages loan portfolio. We may also not have sufficient information on the value of collateral, which may result in an inaccurate assessment for impairment losses of our loans secured by this collateral. If this were to occur, we may need to make additional provisions to cover actual losses of our loans, which may materially and adversely affect our results of operations and financial condition. In addition, there are certain provisions under Chilean law No. 19,335 that may limit our ability to foreclose upon and dispose of mortgaged residential property if the real estate in question has been declared "family property" by a court.

Since our principal source of funding is deposits, a sudden shortage of deposits could cause an increase in costs of funding and an adverse effect on our revenues.

Deposits (current accounts and demand deposits plus term deposits and saving accounts as shown in our consolidated financial statements) are our primary source of funding, representing 64.1% of our total liabilities as of December 31, 2016. As of the same date, 98.1% of our deposits had remaining maturities of one year or less or were payable on demand. A significant portion of our assets have longer maturities, resulting in a mismatch between the maturities of liabilities and the maturities of assets. If a substantial number of our depositors withdraw their demand deposits or do not roll over their deposits upon maturity, our liquidity position, results of operations and financial condition may be materially and adversely affected. For example, large-denominations in deposits from institutional investors may be a less stable source of funding than savings and bonds under some circumstances, such as during periods of significant changes in market interest rates for these types of deposits and any resulting increased competition for these funds. In the event of a sudden or unexpected shortage of funds in the banking system, the money markets in which we operate may not be able to maintain the levels of funding and we may not have access to funding without incurring higher costs or the liquidation of certain assets. If this were to happen, our results of operations and financial condition may be materially and adversely affected.

Liquidity risk may impair our ability to fund our operations and adversely affect our financial condition.

Ready access to funds is essential to any banking business, including ours. We rely on continuous access to financial markets for short- and long-term financing. An inability on our part to access funds or to access the markets from which we raise funds may put our positions in liquid assets at risk and lead us to be unable to finance our operations adequately. A rising interest rate environment compounds the risk that we will not be able to access funds at favorable rates. These and other factors also could lead creditors to form a negative view of our liquidity, which could result in less favorable credit ratings, higher borrowing costs and less accessible funds. We may be unable to secure additional funding in the capital markets if conditions in these markets, or our credit ratings, were to deteriorate. As an integral part of our liquidity management strategy involves accessing capital markets in order to ensure that a significant portion of our funding matures at a predictable rate, an inability to secure funding at favorable rates in the capital markets could affect the soundness of our liquidity position and have a material adverse effect on our business, financial condition and results of operations.

In addition, our ability to raise or access funds may be impaired by factors that are not specific to our operations, such as general market conditions, severe disruption of the financial markets or negative views about the prospects of the industries to which we provide a large proportion of our loans. Strains on our liquidity caused by any of these factors or otherwise could adversely affect our business, financial condition and results of operations.

We have exposure to certain clients and groups of related companies.

We have loan exposure to certain groups of companies that are related to each other and/or under common control. As of December 31, 2014, 2015 and 2016 our loans to borrowers in each of the five groups of related companies with respect to which we had our highest levels of loan exposure accounted for approximately 1.3%, 1.1% and 0.9%, respectively, of our total loan portfolio. The deterioration of the financial condition of one or more of these related companies and/or their principal shareholders could materially and adversely affect the group of related companies which in turn could adversely affect our asset quality, results of operations and financial condition.

If we are unable to maintain the quality of our loan portfolio, our financial condition and results of operations may be materially and adversely affected.

As of December 31, 2011, 2012, 2013, 2014, 2015 and 2016, our non-performing loans were Ch$721,727 million, Ch$721,891 million, Ch$737,402 million, Ch$850,541 million, Ch$898,917 million and Ch$1,006,524 million respectively, and the ratio of our non-performing loans to total loans was 6.3%, 5.4%, 5.1%, 5.4%, 4.5% and 4.5% respectively. Although we seek to continue to improve our credit risk management policies and procedures, our credit risk management policies, procedures and systems may have deficiencies. Failure of credit risk management policies is likely to result in an increase in the level of non-performing loans and adversely affect the quality of our loan portfolio. In addition, the quality of our loan portfolio may also deteriorate due to various other reasons, including factors beyond our control, such as the macroeconomic factors affecting Chile's economy. Any such deterioration could materially and adversely affect our financial condition and results of operations.

The effectiveness of our credit risk management is affected by the quality and scope of information available in Chile.

In assessing customers' creditworthiness, we rely largely on the credit information available from our own internal databases, the Superintendency of Banks, Dicom (a Chilean nationwide credit bureau) and other sources. Due to limitations in the availability of information and the developing information infrastructure in Chile, our assessment of the credit risks associated with a particular customer may not be based on complete, accurate or reliable information. In addition, our credit scoring systems may not be able to collect complete or accurate information reflecting the actual behavior of customers and customers' credit risk may be assessed incorrectly. Without complete, accurate and reliable information, we have to rely on other publicly available resources and our internal resources, which may not be accurate and effective. As a result, our ability to effectively manage our credit risk may be materially and adversely affected.

We may generate less income from fee- and other commission-based transactions.

Market downturns as well as below-market performance of the assets we manage usually result in a decrease in the number of transactions carried out by us on behalf of our clients and, consequently, a decrease in our fee income. Furthermore, as the portfolio management fees charged by us to our clients are often based on the value or performance of these portfolios, below-market performance which reduces the value of our client portfolios or which increases the number of fund withdrawals may reduce our income derived from portfolio management, private banking and securities deposits. Below-market performance of our investment funds may also cause client investments to be withdrawn or reduced, thereby reducing our asset management income.

The legal restrictions on the exposure of Chilean pension funds may affect our access to funding.

Chilean regulations impose restrictions on the share of assets that a Chilean pension fund management company (*Administradora de Fondos de Pension*, or "AFPs," and each, an "AFP") may allocate to a single issuer, which is currently 7.0% per fund managed by an AFP (including any securities issued by the issuer and any bank deposits with the issuer of the securities). If the exposure of an AFP to a single issuer exceeds the 7.0% limit, the AFP is required to reduce its exposure below the limit within three years. If the exposure of any AFP to us exceeds the regulatory limit, we would need to seek alternative sources of funding, which could be more expensive and, as a consequence, may have a material adverse effect on our financial condition and results of operations. As of December 31, 2016, no AFP that had time deposits with us had exceeded the regulatory limit.

Pension funds must also comply with other investment limits. In 2007, approved legislation in Chile (*Reformas al Mercado de Capitales II*, also known as *MK2*) loosened the limits on making investments abroad in order to allow pension funds to further diversify their investment portfolios. As of December 31, 2016, the limit on investments abroad was within a range of 30% to 80%, depending on the nature of the fund. If the AFPs significantly change the composition of their portfolios and withdraw a considerable part of their time deposits with us, we may not be able to substitute these institutional funds with retail deposits, which would have a material adverse impact on our business, financial condition and results of operations.

We may be unable to meet requirements relating to capital adequacy.

Chilean banks are required by the Chilean General Banking Law (as amended, the "General Banking Law") to maintain regulatory capital of at least 8% of risk-weighted assets, net of required loan loss allowance and deductions, and paid-in capital and reserves ("basic capital") of at least 3.0% of their total assets, net of required loan loss allowances. As of December 31, 2016, the ratio of our total basic capital to risk-weighted assets, net of loan loss allowance and deductions, was 13.41%. As of the same date, we had a basic capital to risk-weighted assets ratio of 10.10%. Certain developments could affect our ability to continue to satisfy the current capital adequacy requirements applicable to us, including:

- the increase of risk-weighted assets as a result of the expansion of our business;

- the failure to increase our capital correspondingly;
- losses resulting from a deterioration in our asset quality;
- declines in the value of our investment instrument portfolio;
- changes in accounting rules;
- changes in the guidelines regarding the calculation of the capital adequacy ratios of banks in Chile; and
- changes in the guidelines regarding required additional allowances for loan losses.

The Superintendency of Banks has gradually introduced certain changes to the applicable regulations in line with the guidelines established in the Basel II Capital Accord ("Basel II"), which has resulted in higher capital requirements. We may also be required to raise additional capital in the future in order to maintain our capital adequacy ratios above the minimum required levels. Our ability to raise additional capital may be limited by numerous factors, including: our future financial condition, results of operations and cash flows; any necessary government regulatory approvals; our credit ratings; general market conditions for capital raising activities by commercial banks and other financial institutions; and domestic and international economic, political and other conditions.

If we require additional capital in the future, we may not be able to obtain such capital on favorable terms, in a timely manner or at all. Furthermore, the Superintendency of Banks may increase the minimum capital adequacy requirements applicable to us. Accordingly, although we currently meet the applicable capital adequacy requirements, we may face difficulties in meeting these requirements in the future. If we fail to meet the capital adequacy requirements, we may be required to take corrective actions. These measures could materially and adversely affect our business reputation, financial condition and results of operations. In addition, if we are unable to raise sufficient capital in a timely manner, the growth of our loan portfolio and other risk-weighted assets may be restricted, and we may face significant challenges in implementing our business strategy. As a result, our financial condition and results of operations could be materially and adversely affected.

The Superintendency of Banks and the Central Bank of Chile are gradually studying certain changes to the applicable regulations in line with the guidelines established in the Basel III Capital Accord ("Basel III"), in order to advance in international standards toward 2019, which will result in higher capital requirements. In June 2017, the Chilean Government submitted a bill to the Chilean Congress to introduce several reforms to the General Banking Law in accordance with Basel III. See "—Risks Relating to Chile—Chile's banking regulatory and capital markets environment is continually evolving" and "Regulation and Supervision—Banking Legislation." We may also be required to raise additional capital in the future in order to maintain our capital adequacy ratios above the minimum required levels.

Our trading activities expose us to volatility in market prices, declines in market liquidity or fluctuations in foreign currency exchange rates, which may result in losses that could have a material adverse effect on our business, financial condition and results of operations.

As part of our treasury operations, we trade various financial instruments and other assets, including debt, fixed income, currency and related derivatives both as agent and as principal, and we derive a portion of our non-interest income from trading revenues. Our Assets and Liabilities Committee sets position limits for Chilean pesos-, UF- and foreign currency-denominated securities in accordance with our overall risk management policy as well as the requirements of the Superintendency of Banks. In addition, a significant portion of our trading activity is related to customer transactions and we may still be exposed to a number of risks related to the variation of market prices in the underlying instruments, including the risk of unfavorable market price movements relative to our long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that the instruments that we use to hedge certain positions do not provide an effective hedge to the risk of those positions. If we incur any losses from these exposures, it would reduce our trading activity revenues or cause us to suffer losses from trading activities, either of which could have a material adverse effect on our business, financial condition and results of operations.

Our business is highly dependent on proper functioning and improvement of information technology systems.

Our business is highly dependent on the ability of our information technology systems to accurately process a large number of transactions across numerous and diverse markets and products in a timely manner. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems is critical to our business and our ability to compete effectively. We have an architecture that operates based on two data centers that cover all our critical systems and multichannel services that are used on an ongoing basis 24-hours a day, seven days per week, which allows us to run the business and also covers the event of a catastrophe or a failure of our primary systems. However, we do not operate all of our back-up systems on a real-time basis and our business activities may be materially disrupted if there were a partial or complete failure of any of these primary information technology systems or communication networks. System failures may occur as a result of a variety of causes including software bugs, computer virus attacks or conversion errors due to system upgrading. In addition, any security breach caused by unauthorized access to information or systems, or intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, could have a material adverse effect on our business, results of operations and financial condition.

Our ability to remain competitive and achieve further growth will depend in part on our ability to upgrade our information technology systems and increase our capacity on a timely and cost effective basis. Any substantial failure to improve or upgrade our information technology systems effectively or on a timely basis could materially and adversely affect our ability to compete, our financial condition and results of operations.

Failure to protect personal information could materially and adversely affect our business, financial condition and results of operations.

We manage and hold confidential personal information of customers in the conduct of our banking operations, and offer various internet-based services to our clients, including online banking services. We could be liable for breaches of security in our online banking services, including cybersecurity breaches. The secure transmission of confidential information over the Internet is essential to maintain our clients' confidence in our online services. We are responsible for protecting customers' proprietary information as well as their accounts with us. We have security measures and processes in place to defend against these cybersecurity risks but these cyber-attacks are rapidly evolving (including computer viruses, malicious code, phishing or other information security breaches), and we may not be able to anticipate or prevent all such attacks, which could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our customers' confidential, proprietary and other information. Individuals may also seek to intentionally disrupt our online banking services or compromise the confidentiality of customer information with criminal intent. Failure to protect against or mitigate breaches of security or other unauthorized disclosures could constitute a breach of privacy or other laws, subject us to legal actions and administrative sanctions as well as damages, adversely affect our ability to offer and grow our online services, result in the loss of customer relationships, negatively impact our reputation, and have an adverse effect on our business, results of operations and financial condition.

Operational problems or errors can have a material adverse impact on our business, financial condition and results of operations.

Like all large financial institutions, we are exposed to many types of operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures and errors by employees. Fraud or other misconduct by our employees or third parties may be difficult to detect and prevent and could subject us to financial losses and sanctions imposed by governmental authorities. Furthermore, potential or actual fraud or other misconduct by our employees may seriously harm our reputation. Although we maintain a system of operational controls, operational problems or errors may occur and their occurrence may have a materially adverse impact on our business, financial condition and results of operations.

Changes in accounting standards could impact reported earnings.

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. For example, IFRS 9 should be adopted as of January 1, 2018 and will establish a new model of expected loss and make changes to the classification and measurement requirements for financial assets. In addition, IFRS 16 should be adopted as of January 1, 2019 and will specify new standards for recognition, measurement, presentation and disclosure of leases. However, the Bank, in accordance with the rules of the SBIF, will not implement the adoption of the IFRS 9 and IFRS 16 standards until authorized by the SBIF to do so. Changes made to accounting standards can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. For further information about developments in financial accounting and reporting standards, see Note 1 to our Audited Consolidated Financial Statements.

Our insurance coverage may not adequately cover losses resulting from the risks for which we are insured.

We maintain insurance policies for our operations, including insurance for property, our money transport and directors' and officers' liability, as well as insurance against computer crimes and for employee dishonesty and mistakes, theft and fraudulent use of credit cards, central processing and automatic teller errors and our vehicles. Due to the nature of our operations and the nature of the risks that we face, there can be no assurance that the coverage that we maintain is adequate to cover the losses for which we believe we are insured.

Banking regulations may restrict our operations and thereby adversely affect our financial condition and results of operations.

We are subject to regulation by the Superintendency of Banks. In addition, we are subject to regulation by the Central Bank of Chile with regard to certain matters, including reserve requirements, interest rates, foreign exchange mismatches and market risks. During the Chilean financial crisis of 1982 and 1983, the Central Bank of Chile and the Superintendency of Banks strictly controlled the funding, lending and general business matters of the banking industry in Chile.

Under the General Banking Law, all Chilean banks may, subject to the approval of the Superintendency of Banks, engage in certain businesses other than commercial banking depending on the risk associated with such business and the banks' financial strength. These additional businesses include securities brokerage, mutual fund management, securitization, insurance brokerage, leasing, factoring, financial advisory, custody and transportation of securities, loan collection and financial services. The General Banking Law also applies to the Chilean banking system a modified version of the capital adequacy guidelines issued by the Basel Committee on Banking Supervision and limits the discretion of the Superintendency of Banks to deny new banking licenses.

Since June 1, 2002, the Central Bank of Chile has allowed banks to pay interest on checking accounts. Currently, there are no applicable restrictions on the interest that may be paid on checking accounts. We have begun to pay interest on some checking accounts under certain conditions. If new regulations, or other factors such as competition, make us pay higher interest rates on checking accounts, expand the conditions under which we pay interest or increase the number of checking accounts on which we pay interest, any such change could have a material adverse effect on our financial condition or results of operations.

As a result of the global financial crisis, there has been an increase in government regulation of the financial services industry in many countries. Such regulation may also be increased in Chile, including the imposition of higher capital requirements, heightened disclosure standards and restrictions on certain types of transaction structures. In addition, numerous regulatory proposals have been discussed or proposed. If enacted, new regulations could require us to inject further capital into our business as well as in businesses we acquire, restrict the type or volume of transactions we enter into, or set limits on or require the modification of rates or fees that we charge on certain loans or other products, any of which could lower the return on our investments, assets and equity. We may also face increased compliance costs and limitations on our ability to pursue certain business opportunities.

In December 2013, the Chilean Congress passed Law 20,715 modifying the maximum interest rate a bank may charge. According to the new law, it is not possible to set an interest rate that exceeds the product of the respective principal and the greater of (i) 1.5 times the current interest rate governing at the time of the transaction, as determined by the Superintendent for each type of credit transaction; and (ii) the current interest rate governing at the time of the transaction, increased by 2 annual percentage points.

For credit transactions denominated in local currency (not subject to indexation), amounting to 200 UF or less for periods greater than or equal to ninety days, and except transactions (a) entered into with foreign or international banks or financial entities; (b) agreed in foreign currency to finance foreign trade, (c) entered into between the Central Bank of Chile and financial entities; and (d) where the borrower is a bank, it is not possible to stipulate an interest rate exceeding the market interest rate existing at the time of the transaction, denominated in domestic non-indexed currency for amounts between 200 and 5,000 UF, and greater than or equal to ninety days increased by an additive term whose value will be: (i) 14 percentage points, on an annual basis, for transactions exceeding 50 UF; and (ii) 21 percentage points, on an annual basis, for transactions equal to or under 50 UF. Other limits apply to special cases and credit card transactions. Other ceilings apply to small loans and consumer loans. Due to these changes, we may face a decrease in our income as a result of a decrease in the interest rate we may be able to charge our clients.

In line with the future adoption of Basel II and Basel III regulations in Chile, the Superintendency of Banks is analyzing an amendment to the General Banking Law in order to increase the minimum regulatory capital ratio required of banks. Although as of December 31, 2016 we had a regulatory capital ratio of 13.41%, future regulations could require us to increase our reserves in the future or change the way we calculate such ratio.

In addition, the Consumer Protection Act was amended in March 2012 by Law No. 20,555, which introduced additional provisions relating to consumer's rights and the obligations of providers of financial products and services and granted supervision and oversight powers to the Bureau of Consumer Protection (*Servicio Nacional del Consumidor*) in connection with financial services and products. Law No 20,555 introduced, among others, the provisions providing for: (1) new financial consumer's rights such as the right to request information of the provider regarding the total cost of a product or service (including prices, taxes, charges, commissions and fees, among others), the right to know the terms and conditions required by the provider to render the service or deliver the product, such as minimum income thresholds, the right to request updated information about the financial products and services and the right to receive with each financial contract a one-page summary including its key provisions; (2) prohibitions for the providers of financial products and services such as the prohibition to modify prices, fees, commissions, costs and charges of certain products or services under certain circumstances, the prohibition to mail unsolicited offers of financial products or agreements to consumers or to include offers to sell products or services attached to a different product or service; (3) the creation of a voluntary certification of financial products and services by the Bureau of Consumer Protection, which certifies that the relevant financial contract fulfills the applicable legal and regulatory requirements; and (4) special dispute resolution mechanisms such as mediation and arbitration for certain cases. Pursuant to this amendment of the Consumer Protection Act, providers of financial products and services had until June 5, 2012 to conform their contracts for the provision of financial services and products to meet the new requirements set forth by the amended Consumer Protection Act and comply with the new voluntary certification of the Bureau of Consumer Protection. These new provisions increased our compliance costs.

A new bill addressing anti-money laundering and anti-terrorist financing procedures is under discussion that aims to strengthen the compliance actions of the Bureau of Consumer Protection. Under this bill, the Bureau of Consumer Protection will be empowered to apply fines as well as to request the collaboration of the police to access and seize books and records of companies infringing the law.

Furthermore, Circular No. 3,573 of the Superintendency of Banks, dated December 30, 2014, amended the Compendium of Accounting Rules (*Compendio de Normas Contables*) in order to establish a standard method for residential loans applicable from 2016 on and incorporate new instructions on provisions and credits for impaired portfolio. Circular No. 3,585 of the Superintendency of Banks, dated July 31, 2015, amended several rules related to the management and measurement of liquidity positions of banks.

With regard to our business in the United States, comprehensive financial regulatory reform legislation was enacted on July 21, 2010. Known as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the law has significantly changed the regulation of financial institutions and the U.S. financial services industry in general. The Dodd-Frank Act includes provisions affecting large and small financial institutions alike, including provisions that will affect the lending, deposit, investment, trading and operating activities of banks and their holding companies. Under the so-called "Volcker Rule" provisions of the Dodd-Frank Act, insured depositary institutions; insured depositary institution holding companies; non-U.S. banks with branches in the United States; and affiliates and subsidiaries of such entities (collectively, "banking entities") are prohibited from engaging in proprietary trading or from investing in or sponsoring private equity or hedge funds, subject to certain limited exceptions. Although the Volcker Rule became effective on July 21, 2012, banking entities had a so-called "conformance period," which expired on July 21, 2015, to wind down, sell, transfer or otherwise conform their investments and activities to the Volcker Rule, absent an extension by the U.S. Board of Governors of the Federal Reserve System (the "Federal Reserve") or an exemption for certain "permitted activities." The Federal Reserve has the authority to grant extensions to the conformance period. On December 10, 2013, the Federal Reserve and other U.S. federal regulatory agencies issued final rules implementing the principal components of the Volcker Rule. The final rules contain a number of important exemptions, including an exemption for certain non-U.S. banks that are subject to the Volcker Rule. For such non-U.S. banks, the final rules generally permit (subject to qualifications) a non-U.S. banking organization to acquire or retain any ownership in, or act as sponsor to, a private equity fund or hedge fund so long as the activity is conducted solely outside the United States.

The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the financial services industry, generally, and/or on Bci's U.S. operations, specifically. The current regulatory environment in the United States may be impacted by future legislative developments, such as amendments to key provisions of the Dodd-Frank Act. On January 20, 2017, Mr. Donald J. Trump became President of the United States. The full scope of President Trump's short-term legislative agenda is not yet fully known, but it may include certain deregulatory measures for the U.S. financial services industry, including changes to the Volcker Rule; capital, liquidity and risk retention requirements; changes to the structure and powers of the Consumer Financial Protection Bureau; and other aspects of the Dodd-Frank Act.

There can be no assurance that regulators will not in the future impose more restrictive limitations on the activities of banks, including us. Any such change could have a material adverse effect on our financial condition or results of operations.

We are subject to regulatory inspections and examinations.

We are subject to various inspections, examinations, inquiries, audits and other regulatory requirements by Chilean regulatory authorities. With respect to our U.S. operations, we are subject to supervision, regulation and examination by the Federal Reserve as a result of our ownership and control of CNB, a national association subsidiary that is subject to regulatory oversight by the Office of the Comptroller of the Currency (the "OCC"). In addition, our Miami branch is subject to examinations by the Federal Reserve and the Florida Office of Financial Regulation. We may not be able to meet all of the applicable regulatory requirements and guidelines, and we may be subject to sanctions, fines and restrictions on our business or other penalties in the future as a result of our noncompliance. If sanctions, fines, restrictions on our business or other penalties are imposed on us for failure to comply with applicable requirements, guidelines or regulations, our financial condition and results of operations, and our reputation and ability to engage in business, may be materially and adversely affected.

Our loan and investment portfolios are subject to risk of prepayment, which may result in reinvestment of assets on less profitable terms.

Our loan and investment portfolios are subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average lives of our earning assets and adversely affects our operating results. Prepayment risk also has an adverse impact on our residential mortgage portfolio, since prepayments could shorten the weighted average life of this portfolio, which may result in a mismatch in funding or in reinvestment at lower yields. Prepayment risk is inherent to our commercial activity and an increase in prepayments could have a material adverse effect on our business, financial condition and results of operations.

Exposure to government debt could have an adverse effect on our business, financial condition and results of operations.

We invest in debt securities issued by the Chilean government, and other government debt securities that, for the most part, are short-term and highly liquid instruments. If these governments default on the timely payment of such securities, our business, financial condition and results of operations may be adversely affected.

Our anti-money laundering and anti-terrorist financing measures may not prevent third parties from using us as a conduit for those activities, which could damage our reputation and expose us to fines, sanctions or legal enforcement, which, in turn, could have a material adverse effect on our business, financial condition and results of operation.

We believe that we are in compliance with applicable anti-money laundering and anti-terrorist financing laws and regulations and we have adopted various policies and procedures, including internal controls and "know-your customer" procedures, aimed at preventing money laundering and terrorist financing. We believe that our anti-money laundering policies and procedures are based upon, and are in material compliance with, the applicable provisions of Chilean law. In addition, because we also rely on our correspondent banks having their own appropriate anti-money laundering and anti-terrorist financing procedures, we use what we believe are commercially reasonable procedures for monitoring our correspondent banks. These measures, procedures and compliance are risk-based and help to mitigate the risk of third parties from using us (and our correspondent banks) as a conduit for money laundering (including illegal cash operations) or terrorist financing without our (and our correspondent banks') knowledge. If we were to be associated with money laundering (including illegal cash operations) or terrorist financing, our reputation could be harmed and we could become subject to fines, sanctions or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with us), which could have a material adverse effect on our business, financial condition and results of operation.

Any loss of key personnel may materially and adversely affect our business.

Our success depends, in large measure, on the skills, experience and efforts of our senior management team and other key personnel. While we believe that we have depth throughout our management team and in all key skill levels of our employees, the loss of the services of key members of our senior management or of employees with critical skills could have a negative effect on our business, financial condition and results of operations. If we are not able to attract or retain highly skilled, talented and committed senior managers or other key personnel, our ability to fully implement our business objectives may be materially and adversely affected.

A worsening of labor relations in Chile could impact our business.

As of December 31, 2016, on a consolidated basis we had 11,007 employees, of whom 7.1% were unionized. We have traditionally enjoyed good relations with our employees and their unions and our current collective bargaining agreement is scheduled to expire on April 19, 2019. In May 2016, our employees affiliated with the Telecanal Union, who represent approximately 2.73% of our total number of employees, initiated a strike that ended in July 27, 2016. We cannot assure you that other strikes will not occur in the future. Any strike or work stoppage by our unionized or other employees could materially and adversely affect our business, financial condition or results of operations.

We engage in transactions with related parties that could result in conflicts of interest.

Certain parties related to us have been involved, directly or indirectly, in credit transactions with us. In accordance with the General Banking Law, related parties include directors, certain principal executive officers and holders that own, directly or indirectly, more than 5% of our shares, and companies controlled (for purposes of the General Banking Law) by any of them. The Superintendency of Banks regulates related-party transactions and establishes a limit on aggregate related-party transactions equivalent to 5.0% of a bank's regulatory capital (and up to 25.0% of our regulatory capital if any loan granted in excess of the 5.0% is secured by collateral) (on an unconsolidated basis, which includes subsidiaries as related parties). Our loans to related parties, on a consolidated basis, represented 10.28%, 6.9% and 6.0% of our regulatory capital as of December 31, 2014, 2015 and 2016, respectively.

As of December 31, 2016, our outstanding loans to related parties were Ch$199,944 million in the aggregate, representing 0.9% of our total loan portfolio.

We believe we are in compliance with all related-party transaction requirements imposed by the General Banking Law and the Superintendency of Banks. Although we intend to enter into transactions with related parties only on terms similar to those that would be offered by or to an unaffiliated third party, such transactions create the potential for, or could result in, conflicts of interest. See "Related Party Transactions."

Our principal shareholders have substantial influence over our management, and the interests of our principal shareholders may differ from those of the holders of the Notes.

As of the date of this Prospectus, approximately 63.26% of our outstanding common shares were beneficially owned, directly or indirectly, by members of the Yarur family. Common shares are our only class of capital stock and the holders are entitled to elect our board of directors. As our controlling shareholder group, the Yarur family controls our business through its power to elect a majority of our board of directors and to determine the outcome of almost all actions that require shareholder approval. See "Principal Shareholders" and "Related Party Transactions." In circumstances involving a conflict of interest between the controlling shareholders and other shareholders or the holders of the Notes, the controlling shareholders may exercise their ability to control us in a manner that would benefit the controlling shareholders to the detriment of other shareholders or the holders of the Notes. If members of our controlling shareholder group purchase Notes of any Series, there is no restriction on their ability to vote the notes in the event of a modification, amendment or acceleration of the Notes of such Series.

Risks Relating to our Acquisition of City National Bank of Florida

The value of our investment in City National Bank of Florida may be adversely affected by unforeseen liabilities for which we will not be indemnified.

In connection with our acquisition of City National Bank of Florida, we had only limited access to information related to City National Bank of Florida, including its books and records. In connection with our negotiation of the purchase price, we assumed a number of important risks for which we will not be indemnified. As a general matter and subject to certain exceptions, our right to be indemnified by the sellers for breaches of their obligations and/or representations in the stock purchase agreement is subject to an overall limit. We cannot assure you that this limit will be sufficient to compensate us for all breaches of the sellers' obligations and/or representations, or that we will not be subject to legal, administrative, and/or arbitration claims relating to liabilities of City National Bank of Florida and be required to pay damages for which we may be not entitled to indemnification from the sellers. We may be the successor to potential contingencies related to City National Bank of Florida that are unknown and not identified in our due diligence investigation, or whose impact is underestimated at the time of the acquisition with respect to which we may not have a successful defense. If our business judgments concerning its value, strengths and weaknesses prove incorrect, the acquisition of City National Bank of Florida may adversely affect our consolidated financial condition.

We may not be able to realize the anticipated benefits of our acquisition of City National Bank of Florida.

The success of our acquisition of City National Bank of Florida will depend in part on our ability to execute our strategic plan successfully and achieve certain operating synergies. We expect that City National Bank of Florida, which had been operating autonomously, will serve as a platform for future growth in the Florida market. However, we may not be able to implement our strategy in the time or manner that we seek. Challenges we are likely to face in the integration process include, among others, the following:

- integrating different commercial and operational practices as well as company cultures in order to provide a unified and superior client experience in both markets;
- maintaining client loyalty;
- reconciling different management structures and retaining qualified personnel;
- integrating different accounting, information technology and management systems; and
- encountering unforeseen expenses, delays or liabilities that could exceed the savings that we seek to achieve from the elimination of duplicative expenses and cost savings.

Our strategic plan for City National Bank of Florida presents significant management challenges and will be time consuming and may be disruptive, as it requires coordination of operations in different geographic locations. As a result, implementation of this plan may divert our management's attention from the day-to-day operation of our core business.

Any such diversion could adversely affect our ability to maintain good relations with our customers, employees, regulators and other constituencies or otherwise adversely affect our business, financial condition, results of operations and our business prospects. If we fail to implement our strategic plan with respect to City National Bank of Florida effectively and within the contemplated timeline, our business, financial condition, results of operation and business prospects could be materially and adversely affected.

Furthermore, even if we are able to implement our strategic plan for City National Bank of Florida's operations, the acquisition of City National Bank of Florida may not contribute to our business strategy or we may not be able to realize the potential synergies and revenue enhancements that were anticipated from the strategic plan, either in the amount or within the timeframe that we expect, and the costs of achieving these benefits may be higher than, and the timing may differ from, what we expect. If we fail to realize anticipated synergies or revenue enhancements, our financial results and results of operations may be adversely affected.

Political uncertainty and monetary policy normalization in the United States may adversely affect the results of operations of City National Bank of Florida.

City National Bank of Florida's business and financial performance are impacted by market interest rates and movements in those rates. Since a high percentage of City National Bank of Florida's assets and liabilities are interest bearing or otherwise sensitive in value to changes in interest rates, such changes in rates, in the shape of the yield curve or in spreads between different types of rates can have a material impact on its results of operations and the values of its assets and liabilities. Interest rates are highly sensitive to many factors over which City National Bank of Florida has no control and which we may not be able to anticipate adequately, including general economic conditions and the monetary and tax policies of various governmental bodies, particularly the U.S. Federal Reserve Board.

City National Bank of Florida's earnings and cash flows depend upon the level of its net interest income. The current persistent low level of market interest rates limits our ability to add higher yielding assets to the balance sheet. If this prolonged period of low rates continues beyond current forecasts, it may exacerbate downward pressure on City National Bank of Florida's interest margin and have a negative impact on its net interest income in the future. A flattening or inversion of the yield curve or a negative interest rate environment in the United States could create downward pressure on City National Bank of Florida's interest margin.

See also "—Risks relating to Our Business—Banking regulations may restrict our operations and thereby adversely affect our financial condition and results of operations."

The geographic concentration of City National Bank of Florida's markets in Florida makes its business highly susceptible to local economic conditions.

Unlike some larger financial institutions that are more geographically diversified, City National Bank of Florida's operations are concentrated in Florida. Additionally, a significant portion of City National Bank of Florida's loans secured by real estate are secured by commercial and residential properties in this geographic region. Accordingly, the ability of borrowers to repay their loans, and the value of the collateral securing such loans, may be significantly affected by economic conditions in this region or by changes in the local real estate markets. The Florida economy and City National Bank of Florida's sub-markets in particular were affected by the most recent downturn in commercial and residential property values, and the decline in real estate values in Florida during the downturn was higher than the national average. Additionally, the Florida economy relies heavily on tourism and seasonal residents. Disruption or deterioration in economic conditions in the Florida markets we serve could result in one or more of the following:

- an increase in loan delinquencies;
- an increase in problem assets and foreclosures;
- a decrease in the demand for our products and services; or
- a decrease in the value of collateral for loans, especially real estate, in turn reducing customers' borrowing power, the value of assets associated with problem loans and collateral coverage.

Risks Relating to Chile

Our growth and profitability depend on the level of economic activity in Chile and elsewhere.

A substantial amount of our loans are to borrowers doing business in Chile. Accordingly, the recoverability of these loans in particular, our ability to increase the amount of loans outstanding and our results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in Chile. The Chilean economy has been influenced, to varying degrees, by economic conditions in other emerging market countries and countries such as the United States and China. Changes in Chilean economic growth in the future or future developments affecting the Chilean economy, including further consequences of the global economic crisis as the deceleration of economic growth of Asian or other developed nations to which Chile exports a majority of its goods, could materially and adversely affect our business, financial condition or results of operations.

According to data published by the Central Bank, the Chilean economy grew at a rate of 5.8%, 6.1%, 5.3%, 4.0% 1.9%, 2.3% and 1.6% in 2010, 2011, 2012, 2013, 2014, 2015 and 2016, respectively. Historically, lower economic growth has adversely affected the overall asset quality of the Chilean banking system and our loan portfolio. The table below shows the risk index of the banks comprising the Chilean financial system according to information published by the Superintendency of Banks:

Year Ended	Risk Index(1)
December 31, 2010	2.5%
December 31, 2011	2.3%
December 31, 2012	2.3%
December 31, 2013	2.4%
December 31, 2014	2.4%
December 31, 2015	2.4%
December 31, 2016	2.5%

(1) Provisions divided by total loans.

Although economic conditions are different in each country, investors' reactions to economic and political developments in one country may affect the prices of the securities of issuers in other countries, including Chile. For example, the devaluation of the Mexican peso in December 1994 set off an economic crisis in Mexico that negatively affected the market value of securities in many countries throughout Latin America. The crisis in the Asian markets, beginning in July 1997, resulted in sharp devaluations of other Asian currencies and negatively affected markets throughout Asia, as well as many markets in Latin America, including Chile. Similar adverse consequences resulted from the 1998 crisis in Russia and the devaluation of the Brazilian real in 1999. In part due to the Asian and Russian crises, the Chilean stock market declined significantly in 1998 to levels equivalent to 1994. In September 2008, the housing crisis in the United States sparked a series of financial institution failures throughout the globe. This resulted in a liquidity crisis and a reduction in growth of the global economy as financial institutions tightened risk policies and reduced lending to banks, corporations and individuals. Consequently, Chile was adversely affected by a strong decrease in growth during the fourth quarter of 2008 and 2009 as its trading partners entered into recession, which affected local sales, employment levels, plans for investment and the price of exports. In 2010 and 2011, there were signs of recovery in the global economy, and the Chilean economy recovered with high levels of growth, low unemployment, low inflation in 2010 but higher in 2011, and low interest rates in both periods, that contributed to the positive trends of the banking industry during 2010 and 2011. However, the global economy continued to show signs of fragility in the second half of 2011. Growing concerns over the sovereign debt obligations of several European countries (including Greece, Portugal, Spain, Ireland, and to a lesser extent, Italy) in the second half of 2011 and 2012 and the consequent impact on the solvency of European banks increased the possibility of another worldwide recession. In 2014, there was heterogeneous growth among developing countries, gradual recovery in the United States and a lack of economic dynamism in the Eurozone. The Chilean economy was affected by the slowdown in world economic growth and a fall in copper prices which, together with significant tax and social reforms, diminished both investment and consumption. At the end of 2013, the Chilean Central Bank implemented a loose monetary policy in an effort to overcome this economic slowdown. Higher exchange rate pressure began to generate an inflationary pass-through at the beginning of 2014. During 2015, the decrease in mining output because of the lower copper price, along with a weaker manufacturing industry, in a context in which business and consumer confidence was still low leading to depressed domestic demand, led to GDP growth of 2.3% in 2015, with an even weaker growth of 1.6% in 2016, due to economic uncertainty internationally and a local reform agenda that caused, and continues to cause, lingering uncertainty in the economy. The Chilean economy could face several risk scenarios in the coming years. On the external front, the factor of greatest concern remains the evolution of the Chinese economy and the impact that a slowdown would have on the price of copper. Copper exports account for approximately 60% of total Chilean exports and about 10% of tax revenues are related to the value of this commodity. Persistent declines in the price of copper would be a problem for the country because they would require an adjustment of public spending and would adversely affect investment in the Chilean mining sector, which has been a major source of growth in recent years. A second external risk is related to a faster-than-expected increase in international interest rates and the subsequent adjustment of investment portfolios and capital flows, which would adversely affect the Chilean economy. This situation would negatively affect the Chilean economy because of the reduced availability of external funds as well as the effects that a large depreciation of the peso would have on inflation; a phenomena that would hamper the work of the Central Bank.

On the internal side, the biggest risks are associated with the evolution of investment. The current discussion about tax reform and other economic measures that the government of Michelle Bachelet is pursuing have been received with concern by the business sector. This has resulted in a significant worsening of expectations, which has adversely affected investment. Another important element is the rising cost of energy in Chile, a factor that has contributed to a slowdown in investment. The government has launched an ambitious energy agenda whose aim is to reduce the cost of energy in the upcoming years. Progress in this area is essential to maintain the pace of investment needed to sustain growth rates above 4%.

In addition, we also have material loan exposure to borrowers doing business in certain foreign countries. As a result, adverse political or economic developments in one or more of such countries where we have material credit exposure could have a material adverse effect on the quality of our loan portfolio.

Furthermore, crisis and political uncertainty in other Latin American countries may have an adverse effect on Chile's economic activity, the price of our securities or our business.

Currency fluctuations could adversely affect our financial condition and results of operations and the value of our securities.

Any future changes in the value of the Chilean peso against the U.S. dollar will affect the U.S. dollar value of our securities. The Chilean peso has been subject to large devaluations and appreciations in the past and could be subject to significant fluctuations in the future. Our results of operations may be affected by fluctuations in the exchange rates between the peso and the dollar despite our policy and Chilean regulations relating to the general avoidance of material exchange rate exposure. In order to avoid material exchange rate exposure, we enter into forward currency exchange transactions. The following table shows the value of the Chilean peso relative to the U.S. dollar, as reported by the Central Bank of Chile as of the last day of the fiscal periods indicated and the appreciation/depreciation of the Chilean peso relative to the U.S. dollar during such periods.

Year Ended	**Exchange rate (Ch$) Period-end**	**Appreciation (Depreciation) (%)**
December 31, 2010	483.65	(7.7)
December 31, 2011	519.20	10.9
December 31, 2012	479.96	(7.6)
December 31, 2013	524.61	9.3
December 31, 2014	606.75	15.7
December 31, 2015	710.16	17
December 31, 2016	669.47	(5.7)

Source: Central Bank of Chile.

We may decide to change our policy regarding exchange rate exposure. Regulations that limit such exposures may also be amended or eliminated. Greater exchange rate risk will increase our exposure to the devaluation of the peso, and any such devaluation may impair our capacity to service foreign currency obligations and may, therefore, materially and adversely affect our financial condition and results of operations. Notwithstanding the existence of general policies and regulations that limit material exchange rate exposures, the economic policies of the Chilean government and any future fluctuations of the peso against the dollar could affect our financial condition and results of operations.

Chile's banking regulatory and capital markets environment is continually evolving.

Changes in banking regulations may materially and adversely affect our business, financial condition and results of operations. Chilean laws, regulations, policies and interpretations of laws relating to the banking sector and financial institutions are continually evolving and changing. In 2007, new regulations governing the Chilean capital markets were approved (*Reformas al Mercado de Capitales II*, also known as *MK2*). These regulations, among other things, modified certain provisions set forth in the General Banking Law. Under the new legislation, the limit on the amount that a bank is allowed to grant as an unsecured loan to a single individual or entity was increased to 10% of our regulatory capital (and up to 30% of our regulatory capital if any loans granted in excess of the 10% is secured by collateral). Previously, these limits were set at 5% and 25%, respectively. Although any such increase may increase our lending activity, it may also increase the risks associated with the growth of our loan portfolio and increase competition as the number of banks that can compete in the corporate segment increases.

Chile's Congress passed a bill on June 1, 2010 that aims to increase securities trading in Chile, Latin America's third-biggest securities market, by allowing trading of new instruments such as exchange-traded funds and covered bonds. The bill also seeks to improve access to credit for consumers and small companies. For example, the bill makes it easier for foreign banks to offer loans in Chile, reduces securitization costs, allows banks to sell bonds backed by mortgages, offers tax breaks to foreign investors in Chilean mutual funds and strikes down a law that prevented foreign banks from advertising loans. The bill also aims to reduce the cost of setting up mutual funds, in part by removing limits on employing non-Chileans, and creates an exchange-traded funds industry by modifying mutual fund rules to allow secondary trading and enable pension funds to invest in such mutual funds. The new class of bonds that would be authorized by the law, known as "mortgage bonds," will be backed by the debt of the company that sells them as well as by a pool of mortgages, as is the case with European covered bonds. Unlike covered bonds, they may be issued by banks and non-banks. In addition, Law No. 20,448, enacted in August 2010, allows non-Chilean banks with representative offices in Chile to offer their credit products to customers directly. This change further increased competition by increasing the number of banks that can compete directly in Chile.

During the last administration, the government promoted another package of reforms, the Financial Market Reforms Bicentennial, also known as "MKB," some of which have been implemented. The MKB reforms include a number of administrative changes and new regulations in the coming years, including, for example, the creation of a financial consumer protection agency (already in existence). The following laws were recently passed under the auspices of the MKB: (i) Law No. 20,555, which has the objective of enhancing the protection of financial services consumer rights by establishing that any entity that extends credit to consumers must provide them with complete information about the total cost of financing, such as fees and commissions, default rates, prepayment costs and applicable taxes; (ii) Law No. 20,950 that governs the issuance and operation by non-banking entities of pre-funded payment methods or any similar system, when these systems involve the issuer or the operator regularly engaging in monetary obligations with the public in general or specific sectors or groups thereof; (iii) Law No. 20,956, known as the "Law to Boost Productivity", which introduced several amendments to existing laws and regulations in order to enhance Chile's productivity through the expansion of the financial system and the promotion of the exportation of services; (iv) Law No. 21,000 that creates a new Commission for the Financial Market (*Comisión para el Mercado Financiero* or "CMF"), a technical commission that will replace the current Chilean Securities and Insurances Commission or Superintendencia de Valores y Seguros ("SVS") and will be operative within 18 months after February 23, 2017 (the Chilean Government having indicated that the CMF will introduce several reforms to the General Banking Law); and (v) Law 20,945 that establishes enhancements of competition regulations.

In addition, on June 12, 2017, the Chilean Government submitted a bill to the Chilean Congress to introduce several reforms to the General Banking Law. According to the SBIF, the aforementioned bill is based on three pillars: (i) the strengthening of the risk-based capital requirements based on Basel III, in particular the obligation of banks to enhance their provisions of capital in order to protect them from future shocks, where counterparty, market and operational risks are considered for the risk-based capital requirements; (ii) the strengthening of banking supervision by the replacement of the SBIF with the CMF, which will assume all the powers currently held by the SBIF; and (iii) taking steps to ensure more efficient resolution of financial problems or crises in the banking system by means of a "regularization plan" in order to prevent any bank from falling into insolvency (for example, through *in situ* supervision, limitations on banking activities, additional capital requirements, appointment of a temporary manager, among others).

The agenda of the Chilean President, Michelle Bachelet, contemplates a Constitutional reform. Based on the timeline announced by the Chilean Government, a new constitution draft will be submitted to Congress after 2018.

Changes in Chilean tax laws may increase our tax burden and adversely affect our profitability.

The statutory corporate tax ("First Category Income Tax") rate in Chile was 20% on income from 2011 to 2013. Under Law No. 20,780, published in the Official Gazette of Chile on September 29, 2014, as amended by Law No. 20.899, with the purpose of generating additional financial resources to improve the quality of the Chilean education, the First Category Income Tax rate will be gradually increased to 25% or 27%, depending on the system chosen by the taxpayer. Article 14 of the Chilean Income Tax Law (Law Decree No. 824), as amended by Law No. 20,780 and Law No. 20,899, establishes two alternative systems of taxation for taxpayers obliged to declare their actual income determined under full accounting records: (i) full imputation tax credit for the First Category Income Tax, called Attributed System (*Sistema Atribuido*), and (ii) regimen of partial credit for the First Category Income Tax, called Partially Integrated System (*Sistema Integrado Parcial* (SIP)).

For 2014, 2015 and 2016, the First Category Income Tax rate was 21%, 22.5% and 24%, respectively. In 2017, when the two systems (Attributed System or Partially Integrated System) shall commence their application, the First Category Income Tax rate for the Attributed System will be 25% while the First Category Income Tax rate for the Partially Integrated System will be 25.5%. Finally, for 2018 and thereafter, for those who have chosen the Attributed System, the First Category Income Tax rate will remain at 25%, while for those who have chosen the Partially Integrated System the First Category Income Tax rate will be 27%. In the Partially Integrated System, only 65% of the First Category Income Tax paid will be creditable against final taxes, unless there is an enforceable Tax Treaty to avoid Double Taxation between the final taxpayer's country of residence and Chile, in which case the final taxpayer will be allowed to use 100% of the First Category Income Tax paid as credit against final taxes.

Other aspects of this new law are the increase of the maximum stamp tax rate from 0.4% to 0.8% from January 1, 2016. The abovementioned changes will increase our tax burden and may affect our revenues.

It is important to note that Law 20,899 published in the Official Gazette on February 8, 2016, enacted with the purpose of simplifying the application of the new tax reform, determined that the Attributed System shall not be available for stock corporations (*sociedades anónimas*). Therefore, Bci, as an open stock corporation, is mandatorily subject to the Partially Integrated System.

Future natural phenomena such as earthquakes, tsunamis, wildfires, the climactic phenomenon El Niño or floods may adversely affect lending volume and the quality of our loan portfolio.

Chile lies on the Nazca tectonic plate, making it one of the world's most seismically active regions. Chile has been adversely affected by powerful earthquakes in the past, including an 8.0 magnitude earthquake that struck Santiago in 1985 and a 9.5 magnitude earthquake in 1960 which was the strongest earthquake ever recorded.

On February 27, 2010, an 8.8 magnitude earthquake struck central Chile. The earthquake and its aftershocks, as well as tsunamis from adjacent coastal waters, caused severe damage to Chile's infrastructure, including roads, bridges, ports and Santiago's international airport. As a result of the earthquake and the tsunami that followed, 525 people died. Major earthquakes also struck in April 2014 near Iquique (8.0 magnitude), 1092 miles north of Santiago and in September 2015 near Coquimbo (8.4 magnitude), 285 miles northwest of Santiago. The damage to Chile's roads, port and other infrastructure had an adverse impact on the Chilean economy, and in particular on export businesses that operate in the affected areas. During 2010, we allocated additional allowances to prevent deterioration of asset quality and an increase in provision expenses. As of the end of that year the direct impact on charge-offs due to the earthquake was not material; however, we cannot assure you that such would be the case in the event of future earthquakes.

El Niño is an oceanic and atmospheric phenomenon that causes a warming of temperatures in the Pacific Ocean, resulting in heavy rains off the coast of Chile, Peru and Ecuador and various other effects in other parts of the world. The effects of El Niño, which typically occurs every two to seven years, include (among other things) flooding and the negative effects on fish populations and agriculture, and accordingly, can have a negative effect on Chile's economy. In the past, El Niño has negatively affected our agricultural and fishing loan portfolio.

If these and other natural phenomena occur in the future, we may suffer damage to, or destruction of, properties and equipment, as well as temporary disruptions to our services, which may negatively affect our business. Furthermore, these events may affect customers and industries to which we have exposure through our loan portfolio, which in turn may have a material adverse effect on our business.

Any downgrading of Chile's debt credit rating for domestic and international debt by international credit rating agencies may also affect our ratings, our business, our future financial performance, stockholders' equity and the value of our securities.

Our foreign currency deposit ratings are A1 and A, according to Moody's and Standard & Poor's, respectively, and are one and two notches below the Chilean sovereign ratings given by such rating agencies, which are Aa3 and AA-. Any adverse revisions to Chile's credit ratings for domestic and international debt by international rating agencies may adversely affect our ratings, our business, future financial performance, stockholders' equity and the value of our securities.

Chile has different corporate disclosure and accounting standards than those you may be familiar with in the United States.

Accounting, financial reporting and securities disclosure requirements in Chile differ in certain significant respects from those required in the United States. Accordingly, the information about us available to you will not be the same as the information available to holders of notes issued by a U.S. financial institution. There are also material differences between Chilean GAAP and IFRS. See a description of certain significant differences between Chilean GAAP and IFRS as applied to us in "Annex A—Significant Differences Between Chilean GAAP and IFRS."

As a regulated financial institution, we are required to submit unaudited unconsolidated balance sheets and income statements prepared in accordance with Chilean GAAP to the Superintendency of Banks on a monthly basis and audited consolidated and unconsolidated balance sheets and income statements prepared in accordance with Chilean GAAP on an annual basis. We are required to publish our income statements for the periods ended March 31, June 30 and September 30 of each calendar year in a newspaper of national circulation. Such publication must be made no later than the last day of the month following the date of the income statement. Such unaudited financial information is prepared in summary form, is not sent directly to our security-holders and differs in other significant respects from information generally available in the United States with respect to U.S. financial institutions. The Superintendency of Banks also has discretionary power to require a bank to publish its income statements for periods in addition to those specified above.

The Chilean Securities Market Law which governs open or publicly listed companies, such as us, impose disclosure requirements that are more limited than those in the United States in certain important respects. In addition, although Chilean law imposes restrictions on insider trading and price manipulation, applicable Chilean laws are different from those in the United States, and the Chilean securities markets are not as highly regulated and supervised as the U.S. securities markets.

We cannot assure you of the accuracy or comparability of facts, forecasts and statistics contained in this Prospectus with respect to Chile, its economy and banking industry.

Facts, forecasts and statistics in this document relating to Chile, Chile's economy and the Chilean banking industry, including market share information, are derived from various official and other publicly available sources that we generally believe to be reliable. However, we cannot vouch for the quality and reliability of such official and other sources of materials. In addition, these facts, forecasts and statistics have not been independently verified by us and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of Chile and may not be complete or up to date. We have taken reasonable care in reproducing or extracting the information from such sources. However, because of possibly flawed or ineffective methodologies underlying the published information or discrepancies between the published information and market practice and other problems, these facts, forecasts or statistics may be inaccurate and may not be comparable from period to period or to facts, forecasts or statistics produced for other economies, and you should not unduly rely upon them.

A change in the law governing the judicial recovery of overdue loans or in the organization of our courts could adversely affect our overall rate of recovery of overdue loans.

The Chilean judicial system is constantly evolving to suit the needs of the population and is gradually incorporating the use of new technological tools as these facilitate the intervention of the court. Recently, the Chilean Congress passed a bill amending the procedural and substantive regulation of the judicial reorganization or settlement for individuals and businesses declared insolvent or bankrupt in accordance with Law No. 20,720 (October 10, 2014). The main purposes of the aforementioned law are: (a) to facilitate the negotiation and approval of the debtor's reorganization agreements; (b) to improve the repayments of creditors in insolvency proceedings, creating a more effective and efficient process; and (c) to regulate the effects of cross-border insolvency proceedings. Although changes in this area could increase the rate of legal recovery of overdue loans and improve our operating results, it could also adversely affect them.

Changes in labor laws may adversely affect our profitability.

On September 8, 2016, Law No. 20,940 was published in the Official Gazette (Diario Oficial) and became effective on April 1, 2017. The purpose of such law is to promote and empower the collective negotiation procedure between employers and employees, providing that the labor unions shall be the most favored party in such negotiations as well as the "owner" of the rights achieved through them. Consequently, the employers may not extend those rights to non-unionized employees, which was previously allowed (provided that the non-unionized employees paid the 75% of the labor union fee). Some of the main measures are the following: (i) to forbid the replacement of employees when work stoppages or strikes are ongoing; (ii) to give employees access to the financial and tax information of their employers, as well as to their investment plans; (iii) recognize the benefits achieved in the past collective negotiation as a minimum for the upcoming negotiation; (iv) simplify the procedures of work stoppages or strikes, and (vi) increase the number of hours that the union's representative can spend in union activities and negotiation procedures. Law No. 20,940 became effective on April 1, 2017.

In addition, on July 9, 2014, Law No. 20,760 was enacted, setting forth a new kind of legal entity concept, preventing companies from hiding their identity by using multiple taxpayer numbers. This law deems as the same company, two or more companies that have the same employer, a common management or comply with some conditions like the similarity of their products or rendered services.

Changes in social security legislation may adversely affect our profitability.

In June 16, 2014, a bill related to the creation of a public pension fund was submitted to the Chilean Congress. This bill aims to promote competition and quality in the Chilean's pensions market by giving individuals the possibility to choose between the public and the private pension systems. In addition, the Chilean government has appointed a special commission in order to make a deep review of the pension system and to produce new proposals to improve the pension system. In this context, in October 2014, the commission issued a preliminary report proposing the prohibition of profiting in the health insurance business.

Changes in insurance supervision may adversely affect our profitability.

One of our related companies, Bci Seguros, is an insurance company subject to the supervision of the SVS. A bill of law being discussed by Congress contemplates the implementation of a risk-based supervision model in the Chilean insurance market which would eventually establish supervisory capital requirements. These requirements are risk based, and as the risk levels within the insurer increases, the capital level must increase as well.

Risk Factors Relating to the Notes

Notes issued under the Program may not be a suitable investment for all investors. Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in such Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including Notes with principal or interest payable in one or more Specified Currencies, or where the Specified Currency for principal or interest payments is different from the potential investor's usual currency for holding investments;

- understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment in the relevant Notes and its ability to bear the applicable risks.

Risks Related to the Notes Generally

Set out below is a brief description of certain risks relating to the Notes generally:

There is no trading market for the Notes; you may be unable to sell your Notes if a trading market for the Notes does not develop.

Each Series of Notes will constitute a new issue of securities with no established trading market. Application has been made to the Luxembourg Stock Exchange for Notes issued under the Program to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Issuer cannot assure you that an active trading market for the Notes will develop. If a trading market does not develop or is not maintained, holders of the Notes may experience difficulty in reselling the Notes or may be unable to sell them at all. Even if a market develops, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. Accordingly, there can be no assurance as to the development or liquidity of any market for the Notes, the ability of holders to sell the Notes or the prices at which the Notes could be sold. Because the market for any Series of Notes may not be liquid, you may have to bear the economic risk of an investment in the Notes for an indefinite period of time. If an active trading market does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions, the Issuer's performance and business prospects and other factors.

Market price risk.

The market price of each Series of Notes depends on various factors, such as changes of interest rate levels, the policy of central banks, overall economic developments, inflation rates or the supply and demand for the relevant type of Note. The market price of each Series of Notes may also be negatively affected by an increase in the Issuer's credit spreads (*i.e.,* the difference between yields on the Issuer's debt and the yield of government bonds or swap rates of similar maturity). The Issuer's credit spreads are mainly based on its perceived creditworthiness but also influenced by other factors such as general market trends as well as supply and demand for such Series of Notes.

Exchange rate risk and exchange controls.

An investment in Notes that are denominated in, or the payment of which is to be or may be made in or related to the value of, a currency or composite currency other than the currency of the country in which the purchaser is a resident or the currency in which the purchaser conducts its business or activities (the "home currency") entails significant risks that are not associated with a similar investment in a security denominated in the home currency. Such risks include the possibility of significant changes in rates of exchange between the home currency and the various foreign currencies (or composite currencies) after the issuance of such Note and the possibility of the imposition or modification of foreign exchange controls by either the U.S. or foreign governments. Such risks generally depend on economic and political events over which each Issuer has no control. In recent years, rates of exchange between certain currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of any Note. Depreciation of the currency in which a Note is denominated against the relevant home currency would result in a decrease in the effective yield of such Note below its coupon rate and, in certain circumstances, could result in a loss to the investor on a home currency basis. In addition, depending on the specific terms of a currency linked Indexed Note, changes in exchange rates relating to any of the currencies involved may result in a decrease in the effective yield of such currency linked Indexed Note and, in certain circumstances, could result in a loss of all or a substantial portion of the principal of a currency linked Indexed Note to the investor.

Foreign exchange rates can either be fixed by sovereign governments or float. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. Dollar. National governments, however, rarely voluntarily allow their currencies to float freely in response to economic forces. Governments in fact use a variety of techniques, such as intervention by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an existing currency, or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-home currency denominated Notes or currency linked Indexed Notes is that their home currency-equivalent yields could be affected by governmental actions, which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces, and the movement of currencies across borders. There will be no adjustment or change in the terms of such Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. Dollar or any applicable Specified Currency.

Governments have imposed from time to time, and may in the future impose, exchange controls which could affect exchange rates as well as the availability of a specified foreign currency at the time of payment of principal and of premium, if any, or interest, if any, on a Note. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. Dollars would not be available at such Note's maturity. In that event, the Issuer would make required payments in U.S. Dollars on the basis of the market exchange rate on the date of such payment, or if such rate of exchange is not then available, on the basis of the market exchange rate as of the most recent practicable date. See "Special Provisions Relating to Foreign Currency Notes—Payments on Foreign Currency Notes."

Interest rate risk.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks, and the Issuer cannot assure you that such ratings will not be lowered, suspended or withdrawn by the rating agencies.

One or more independent credit rating agencies may assign credit ratings to the Notes. Where a Series of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Notes to be issued under the Program. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. The credit ratings of the Notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. The Issuer cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any ratings assigned to Notes as at the date of this Prospectus are not indicative of future performance of the Issuer's business or its future creditworthiness.

Changes in tax laws could lead to the Issuer redeeming the Notes.

Payments of interest in respect of the Notes made by the Issuer to foreign holders will be subject to Chilean interest withholding tax currently assessed at a rate of 4.0%. Subject to certain exemptions, the Issuer will pay Additional Amounts (as defined in "Description of the Notes—Payment of Additional Amounts") so that the amount received by the holder after Chilean withholding tax will equal the amount that would have been received if no such taxes had been applicable. The Notes can be redeemable at the Issuer's option, subject to applicable Chilean law, in whole but not in part, at any time, at the principal amount thereof plus accrued and unpaid interest and any Additional Amounts due thereon if, as a result of changes in the laws or regulations affecting taxation in a Relevant Taxing Jurisdiction (as defined in "Description of the Notes—Payment of Additional Amounts"), the Issuer becomes obligated to pay Additional Amounts on the Notes based on a rate of withholding or deduction in excess of 4.0%. The Issuer cannot assure you that an increase in withholding tax rate will not be presented to or enacted by the Chilean Congress. See "Description of the Notes—Redemption Prior to Maturity Solely for Taxation Reasons" and "Taxation—Chilean Taxation."

The Notes are subject to certain transfer restrictions.

The Notes have not been registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, the Notes may be transferred or resold only in a transaction registered under or exempt from the registration requirements of the Securities Act and in compliance with any other applicable securities law. See "Transfer and Selling Restrictions."

Holders of Notes may find it difficult to enforce civil liabilities against the Issuer or its directors, executive officers and controlling persons.

The Issuer is organized under the laws of Chile and its principal place of business (*domicilio social*) is in Santiago, Chile. None of its directors are residents of the United States, and most of its executive officers and controlling persons reside outside of the United States.

In addition, a substantial portion of the assets of the Issuer and its directors, executive officers and controlling persons are located outside of the United States. As a result, it may be difficult for holders of Notes to effect service of process within the United States on such persons or to enforce judgments against them, including in any action based on civil liabilities under the U.S. federal securities laws. Based on the opinion of the Issuer's Chilean counsel, there is doubt as to the enforceability against such persons in Chile, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws. See "Service of Process and Enforcement of Civil Liabilities."

The Issuer's obligations under the Notes will be subordinated to certain statutory liabilities and the liabilities of our subsidiaries.

Under Chilean bankruptcy law, the Issuer's obligations under the Notes are subordinated to certain statutory preferences. In the event of the Issuer's liquidation, such statutory preferences, including among others, claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses related thereto, will have preference over any other claims, including claims by any investor in respect of the Notes. The aforementioned statutory preferences have not been included in a legal order. In addition, the liabilities of our subsidiaries are structurally senior to the Notes.

In addition, the Issuer's creditors may hold negotiable instruments or other instruments governed by local law that grant rights to attach the assets of the Issuer at the inception of judicial proceedings in the relevant jurisdiction, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the Notes.

The Notes contain provisions which may permit their modification without the consent of all investors.

The Notes contain provisions for calling meetings of holders of Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Notes of a Series, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

Interests in global Bearer Notes and Specified Denominations – Investors who purchase interests in global Bearer Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive bearer Notes are subsequently required to be issued.

In relation to any issue of Notes in global bearer form which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that interests in such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in their account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in their account with the relevant clearing system at the relevant time may not receive a definitive Note in bearer form in respect of such holding (should definitive Notes replace the applicable global Bearer Notes) and would need to purchase or sell a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes in bearer form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures.

Unless issued in definitive form, Notes issued under the Program will be represented on issue by one or more global Notes that may be deposited with or registered in the name of a nominee for a common depositary or a common safekeeper, as the case may be, for Euroclear and CBL or may be deposited with or registered in the name of a nominee for DTC. Except in the circumstances described in the applicable global Note, investors in a global Note will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and CBL and their respective direct and indirect participants will maintain records of the beneficial interests in each global Note held through it. While the Notes are represented by a global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

Except in the case of a Registered Global Note denominated in a Specified Currency other than U.S. Dollars and registered in the name of DTC or its nominee and in respect of which a participant in DTC has elected to receive any part of such payment in that Specified Currency, for so long as the Notes are represented by global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any global Note.

Holders of beneficial interests in a global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Risks Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Program. Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the relevant Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact such investment will have on the potential investor's overall investment portfolio. Certain Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer.

Notes with an optional redemption are likely to have a limited market value. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Variable Rate Notes with a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes.

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favorable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Indexed Notes.

An investment in Indexed Notes entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. If the interest rate of a Note is indexed, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued by the Issuer at the same time, including the possibility that no interest will be paid, and, if the principal amount of a Note is indexed, the principal amount payable at maturity may be less than the original purchase price of such Indexed Note, including the possibility that no principal will be paid (but in no event shall the amount of interest and principal paid with respect to an Indexed Note be less than zero). The secondary market for Indexed Notes will be affected by a number of factors, independent of the creditworthiness of the Issuer and the value of the applicable currency, commodity, interest rate or other index, including, but not limited to, the volatility of the applicable currency, commodity, interest rate or other index, the time remaining to the maturity of such Indexed Notes, the amount outstanding of such Indexed Notes and market interest rates. The value of the applicable currency, commodity, interest rate or other index depends on a number of interrelated factors, including economic, financial and political events, over which the Issuer has no control.

Additionally, if the formula used to determine the principal amount or interest payable with respect to such Indexed Notes contains a multiple or leverage factor, the effect of any change in the applicable currency, commodity, interest rate or other index may be increased. The historical experience of the relevant currencies, commodities, interest rate or other indices should not be taken as an indication of future performance of such currencies, commodities, interest rate or other indices during the term of any Indexed Note. Accordingly, prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in Indexed Notes and the suitability of Indexed Notes in light of their particular circumstances.

Notes issued at a substantial discount.

The market values of securities issued at a substantial discount from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing Notes with comparable maturities.

Particular Tax Consequences of Holding Bearer Notes.

Any potential investor should consult its own independent tax adviser for more information about the tax consequences of acquiring, owning and disposing of Bearer Notes in its particular circumstances. Bearer Notes generally may not be offered or sold in the United States or to United States persons. Unless an exemption applies, a United States person holding a Bearer Note or coupon will not be entitled to deduct any loss on the Bearer Note or coupon and must treat as ordinary income any gain realized on the sale or other taxable disposition of the Bearer Note or coupon.

Risks Related to Renminbi-Denominated Notes

Set forth below is a brief description of certain risks related to the Notes by reason of being denominated in Chinese Yuan Renminbi ("**Renminbi**," "**RMB**," "**CNY**"). The Notes will be denominated and settled in Renminbi deliverable in the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), which represents a different market from that of Renminbi deliverable in the People's Republic of China (excluding Hong Kong, Macau and Taiwan, the "**PRC**").

Renminbi is not a freely convertible currency, and there are significant restrictions on remittance of Renminbi into and outside the PRC which may affect the liquidity of the Notes.

Renminbi is not a freely convertible currency at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite a reduction in recent years by the PRC government of control over routine foreign exchange transactions for current account items such as payments for imported goods and salary payments. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. The pilot scheme was extended in June 2010 to cover 20 provinces and cities in the PRC and was further extended in August 2011 to cover all of the PRC and to make Renminbi trade and other current account item settlement available in all countries worldwide. Currently the People's Bank of China (the "**PBOC**") has established Renminbi clearing and settlement mechanisms for participating banks in Australia, Canada, Chile, France, Germany, Hong Kong, the Republic of Korea, Luxembourg, Malaysia, Qatar, Singapore, Taiwan, Thailand and the United Kingdom.

However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items is developing gradually. Commencing from June 1, 2015, remittances of Renminbi by foreign investors into the PRC for capital account items will be subject only to prior registration with an authorized foreign exchange bank in the PRC.

On October 12, 2011, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the "Circular on Certain Issues Concerning Direct Investment Involving Cross border Renminbi" (the "**MOFCOM Circular**"). Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts were authorized to approve Renminbi foreign direct investments ("**FDI**") with certain exceptions based on, amongst others, the size and industry of the investment. The MOFCOM Circular also stipulates that the proceeds of FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in domestic companies listed in the PRC through private placements or share transfers by agreement.

On October 13, 2011, the PBOC promulgated the "Administrative Measures on Renminbi Settlement of Foreign Direct Investment" (the "**PBOC FDI Measures**") as part of the implementation of the PBOC's detailed FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi-denominated cross-border loans. On June 14, 2012, the PBOC further issued the implementing rules for the PBOC FDI Measures. Under the PBOC FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary.

On August 31, 2012, the Taiwan and the PRC governments signed the Renminbi Settlement Memorandum for the purposes of settling Renminbi. Accordingly, on January 25, 2013, the Bank of China, Taipei Branch entered into the Settlement Agreement on the Clearing of RMB Business with the PBOC to further expand the scope of Renminbi business for participating banks in Taiwan. Many Taiwanese banks have signed the settlement agreement and have opened Renminbi settlement accounts with the Bank of China, Taipei Branch.

On December 3, 2013, the MOFCOM promulgated the "Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment" (the "**MOFCOM Foreign Direct Investment Circular**"), which became effective on January 1, 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Foreign Direct Investment Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Foreign Direct Investment Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Foreign Direct Investment Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

On February 13, 2015, the State Administration of Foreign Exchange ("**SAFE**") promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for Direct Investment (Hui Fa 2015 No. 13) (the "**SAFE Circular**"), which became effective on June 1, 2015. Under the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi to make capital contribution to an onshore enterprise or make payment for the transfer of equity of an onshore enterprise by a PRC resident, approval by SAFE for registration or change of registration of the onshore enterprise will no longer be required. Instead, the recipient of the cross-border Renminbi capital contribution can register the remittance of cross-border Renminbi with an authorized foreign exchange bank in the PRC as a foreign direct investment cash capital contribution through SAFE's online Capital Items Information System. The bank will perform verification, statistics collection and reporting obligations in accordance with the Operational Guidelines for Direct Investment Foreign Exchange Business issued by the SAFE in conjunction with the SAFE Circular. In the case of a transfer of equity in an onshore enterprise, the onshore enterprise only needs to register a change in its basic information with the relevant foreign exchange bank. The borrowing of cross-border Renminbi, and the issuance of a guarantee involving cross-border Renminbi, by an onshore entity (including a financial institution) shall continue to be regulated under the respective current PRC regulatory regime for foreign debt and cross-border guarantees.

As the PBOC FDI Measures, the MOFCOM Circular, the MOFCOM Foreign Direct Investment Circular and the SAFE Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC. The Bank cannot assure you whether the relevant PRC authorities will adopt any other new regulations or rules to loosen or further strengthen the administration on the remittance of Renminbi for foreign direct investments.

There is no assurance that the PRC government will continue to gradually liberalize control over cross-border Renminbi remittances in the future, that the pilot scheme introduced in July 2009 (as extended) will not be discontinued or that new regulations will not be promulgated which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under the Notes.

The limited availability of Renminbi outside the PRC may affect the liquidity of the Notes and the Issuer's ability to source Renminbi to make payments in respect of the Notes.

As a result of the restrictions by the PRC government on cross-border Renminbi funds flows, there are limits on availability of Renminbi outside the PRC. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited CNY-denominated banking services to Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On July 19, 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (the "**Settlement Agreement**") between the PBOC and Bank of China (Hong Kong) Limited (the "**CNY Clearing Bank**") to expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong, there is no longer any limit on the ability of corporations to convert Renminbi and there is no longer any restriction on the transfer of Renminbi funds between different accounts in Hong Kong.

On January 25, 2013, the Bank of China, Taipei Branch entered into the Settlement Agreement on the Clearing of RMB Business with the PBOC to further expand the scope of Renminbi business for participating banks in Taiwan. Beginning in February 2013, in accordance with arrangements between the PRC government and the Taiwan government, licensed banks in Taiwan could offer limited Renminbi-denominated banking services to Taiwan residents and Taiwan-domiciled companies. However, since Renminbi-denominated banking services have only just been permitted in Taiwan relatively recently, there can be no assurance that there will be sufficient Renminbi deposits held by participating banks authorized to engage in Renminbi banking business in Taiwan or that a liquid Renminbi market can be established.

In addition to the agreements between the PBOC and Bank of China (Hong Kong) Limited and between the PBOC and the Bank of China, Taipei Branch, the PBOC has also established Renminbi clearing and settlement mechanisms for participating banks in Australia, Canada, Chile, France, Germany, the Republic of Korea, Luxembourg, Malaysia, Qatar, Singapore, Thailand and the United Kingdom through settlement agreements on the clearing of Renminbi business between the PBOC and the Sydney Branch of Bank of China, Industrial and Commercial Bank of China (Canada) Limited, Chile Branch of China Construction Bank, Paris Branch of Bank of China, Frankfurt Branch of Bank of China, Bank of China (Hong Kong) Limited in Hong Kong, Seoul Branch of Bank of Communications, Luxembourg Branch of Industrial and Commercial Bank of China, Bank of China (Malaysia) Limited in Kuala Lumpur, Doha Branch of Industrial and Commercial Bank of China, Singapore Branch of Industrial and Commercial Bank of China, Industrial and Commercial Bank of China (Thai) Limited in Bangkok and China Construction Bank (London) Limited in London.

The current amount of Renminbi-denominated financial assets outside the PRC is limited. As of December 31, 2015, the total amount of Renminbi deposits held by institutions authorized to engage in the Renminbi banking business in Hong Kong totaled approximately RMB 85.1 billion, as reported by the Hong Kong Monetary Authority Monthly Statistical Bulletin. In addition, although participating banks are no longer required by the Hong Kong Monetary Authority to apply a minimum Renminbi liquidity ratio of 25%, they are still required to account for Renminbi together with other currencies on the same basis as the statutory liquidity ratio. While participating banks may request a Renminbi liquidity facility from the Hong Kong Monetary Authority to manage their short-term liquidity needs, such facility should not be regarded as a steady source of funding. Moreover, such participating banks do not have direct Renminbi liquidity support from the PBOC. Participating banks are only allowed to offset their open positions with the RMB Clearing Bank after consolidating the CNY trade position of banks outside Hong Kong and Taiwan that are in the same bank group of the participating banks concerned with their own trade position, and the RMB Clearing Bank only has access to onshore liquidity support from the PBOC only for the purpose of offsetting open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations in relation to cross-border trade settlement and for individual customers of up to CNY20,000 per person per day and for the designated business customers relating to the CNY received in providing their services. The RMB Clearing Bank is not required to offset for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source CNY from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. The Issuer cannot assure you that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future, which will have the effect of restricting the availability of Renminbi offshore. The limited availability of Renminbi outside of the PRC may affect the liquidity of the Notes issued hereunder. The Issuer cannot assure you that it will be able to source Renminbi on satisfactory terms, if at all, to make payments on the Notes in such currency.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorized as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules. In the event that funds cannot be repatriated outside the PRC in Renminbi, the Issuer will need to source Renminbi offshore to finance its obligations under the Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

Investors may be required to provide certifications and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong and Taiwan.

Investment in the Notes is subject to exchange rate risks.

The value of Renminbi against the New Taiwan dollar, Hong Kong dollar, the U.S. dollar and other currencies fluctuates and is affected by developments in or affecting the PRC, international political and economic conditions and many other factors. All payments of interest on and principal of the Notes will be made in Renminbi, except in the case of Inconvertibility, Non-transferability or Illiquidity, in which case the Issuer shall be entitled to settle any such payments in U.S. dollars at the U.S. Dollar Equivalent. As a result, the value of Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the relevant currency, the value of the investment in relevant currency will have declined.

Investment in the Notes is subject to currency risk.

Investors cannot be assured that payments in respect of the Notes will be made in Renminbi. If the Issuer is not able, or it is impracticable for the Issuer, to satisfy its obligation to pay interest or principal on the Notes as a result of Inconvertibility, Non-transferability or Illiquidity, the Issuer shall be entitled to settle any such payment in U.S. dollars at the U.S. Dollar Equivalent of any such interest or principal, as the case may be.

Investment in the Notes is subject to interest rate risk.

The PRC government has gradually liberalized the regulation of interest rates over the past years. Further liberalization may increase interest rate volatility. The Notes offered hereunder may carry a fixed or floating interest rate. Consequently, the trading price of the Notes will vary with the fluctuations in the Renminbi interest rates. If a holder of the Notes tries to sell the Notes before their maturity, that holder may receive an offer that is less than its original investment.

Payments in respect of the Notes will be made solely by transfer to a Renminbi bank account maintained in Hong Kong, except in limited circumstances.

Except as provided below, so long as the Notes are represented by a Global Note Certificate held with the Common Depositary for Clearstream, Luxembourg and Euroclear, all payments in respect of the Notes will be made solely by transfer to a Renminbi bank account maintained in Hong Kong by the holder of such Global Note Certificate. Any further credit of such amounts will be made in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures. In the case of Inconvertibility, Non-transferability or Illiquidity, the Issuer may make payments on the Notes in U.S. dollars. If the Notes are issued in definitive form, all payments in respect of any such Note will be made by transfer to a Renminbi bank account maintained by the holder of such the Note in Hong Kong in accordance with prevailing rules and regulations. The Issuer will not be required to make payment by any other means, including, for example, in any other currency or by transfer to a bank account in the PRC.

Gains on the transfer of the Notes may become subject to income taxes under the PRC tax laws.

Under the PRC Enterprise Income Tax Law and its implementation rules which took effect on January 1, 2008, any gain realized on the transfer of Notes by non-resident enterprise holders may be subject to enterprise income tax if such gain is regarded as income derived from sources within the PRC. However, there remains uncertainty as to whether the gain realized from the transfer of Notes denominated in Renminbi would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and its implementation rules. According to the arrangement between the PRC and Hong Kong, residents of Hong Kong, including enterprise holders and individual holders, will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Notes.

If non-resident enterprise holders are required to pay PRC income tax on gains on the transfer of the Notes (such enterprise income tax is currently levied at the rate of 10% of the gross proceeds, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-resident enterprise holders of the Notes reside that reduces or exempts the relevant tax), the value of their investment in the Notes may be materially and adversely affected.

Remittance of Renminbi into and Outside the People's Republic of China.

In the event that the Issuer decides to remit some or all of the proceeds of the offering into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and registration with, the relevant PRC government authorities. However, the Issuer cannot assure you that the necessary approvals from and registration with the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

The Issuer cannot assure you that the PRC government will continue to gradually liberalize the control over cross-border Renminbi remittances in the future, that the pilot scheme introduced in July 2009 will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds of the offering into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds outside the PRC in Renminbi, the Issuer would need to source Renminbi outside the PRC to finance its obligations under the Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

ROC Taxation.

The following overview of certain taxation provisions under Republic of China ("**ROC**") law is based on current law and practice and that the Notes will be issued, offered, sold and re-sold only to professional institutional investors as defined under Paragraph 2, Article 19-7 of the Regulations Governing Securities Firms of the ROC. It does not purport to be comprehensive and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult with their own tax advisers regarding the tax consequences of an investment in the Notes.

Interest on the Notes.

Bci is not a ROC statutory tax withholder, and consequently, there is no ROC withholding tax on the interest paid on the Notes.

ROC corporate holders must include the interest receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 17% (unless the total taxable income for a fiscal year is under NT$120,000), as they are subject to income tax on their worldwide income on an accrual basis. The alternative minimum tax ("**AMT**") is not applicable.

Sale of the Notes.

In general, the sale of corporate bonds or financial bonds is subject to a 0.1% securities transaction tax ("**STT**") on the transaction price. Any sale of the Notes will be subject to STT at 0.1% of the transaction price, unless otherwise provided by the tax laws that may be in effect at that time.

Capital gains generated from the sale of bonds are exempt from income tax. Accordingly, ROC corporate holders are not subject to income tax on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include the capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the annual income tax calculated pursuant to the Income Tax Act of the ROC, the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred by such holders could be carried over five years to offset capital gains of the same category of income for the purposes of calculating their AMT.

Non-ROC corporate holders with a fixed place of business (e.g., a branch) or a business agent in the ROC are not subject to income tax on any capital gains generated from the sale of the Notes. However, their fixed place of business or business agent should include any such capital gains in calculating their basic income for the purpose of calculating AMT.

As to non-ROC corporate holders without a fixed place of business or a business agent in the ROC, they are not subject to income tax or AMT on any capital gains generated from the sale of the Notes.

ROC Settlement and Trading.

Bci has not entered into any settlement agreement with Taiwan Depository & Clearing Corporation ("**TDCC**") and have no intention to do so.

In the future, if Bci enters into a settlement agreement with TDCC, an investor, if it has a securities book-entry account with a Taiwan securities broker and a foreign currency deposit account with a Taiwanese bank, may settle the Notes through the account of TDCC with Euroclear or Clearstream if it applies to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream to such TDCC account with Euroclear or Clearstream for trading in the domestic market or vice versa for trading in overseas markets. For settlement through TDCC, TDCC will allocate the respective Notes position to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the GTSM as domestic bonds. For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders actually receive such distributions may vary depending upon the daily operations of the Taiwanese banks with which the holder has the foreign currency deposit account.

USE OF PROCEEDS

We intend to use the net proceeds from the sale of each issue of our Notes for general corporate purposes.

The use and allocation of the net proceeds is influenced by a number of factors outside of our control, including market conditions, and is based on our analysis, estimates and current views on future events and trends. Changes to these and other factors may require us to revise, at our discretion, our intended use of the net proceeds of the offering.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Statements

This Prospectus includes our audited consolidated financial statements as of and for the fiscal years ended December 31, 2014 and 2015, and as of and for the fiscal years ended December 31, 2015 and 2016 together with the notes thereto, prepared in accordance with Chilean GAAP. Our audited consolidated financial statements have been audited by Deloitte Auditores y Consultores Limitada, independent auditors ("Deloitte"). The reports of Deloitte on our audited consolidated financial statements appear elsewhere in this Prospectus. See "Independent Auditors."

Chilean GAAP

We are a Chilean bank, and we maintain our financial books and records in Chilean pesos. We prepare our audited consolidated financial statements in accordance with Compendium of Accounting Standards issued by the Chilean Superintendency of Banks and Financial Institutions, which came into effect on January 1, 2009 and differ in certain significant aspects from International Financial Reporting Standards ("IFRS"). See "Annex A—Significant Differences Between Chilean GAAP and IFRS." We refer to accounting standards, as issued by the Superintendency of Banks as "Chilean GAAP."

Loans

Unless otherwise specified, all references herein to loans are to loans and receivables to customers before deductions for loan loss allowances.

Our past due ("past due") loans include only the portion of principal and interest that is overdue (as defined below) for 90 or more days and do not include the installments of such loan that are not overdue or that are overdue for less than 90 days, unless (i) any portion of the loan is overdue for 180 days or more, in which case the entire loan is considered past due, or (ii) legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan, in which case the entire loan is considered past due within 90 days after initiation of such proceedings. This practice differs from the practice normally followed in the United States, under which the amount classified as past due would include the entire amount of principal and interest on any and all loans that have any portion overdue. Overdue portfolio ("overdue") includes only the portion of principal and interest that is overdue for one day or more. Overdue loans or portfolio that are overdue for 90 or more days represent past due portfolio. Our non-performing loans include the entire amount of principal and interest on any and all loans that have any portion overdue. Restructured loans for which no payments are overdue are not ordinarily classified as past due loans or non-performing loans.

We present information on "non-performing" loans in accordance with guidelines for classifying and provisioning loan portfolios that were issued by the Superintendency of Banks and became mandatory as of January 1, 2011. Non-performing loans are loans with respect to which we have evidence indicating that the borrower will not perform its payment obligations in accordance with the terms and conditions of the loan. For purposes of assessing our loan portfolio, we assess certain loans on an "individual" basis and other loans on a "collective" basis. We perform individual assessments of loans that we consider significant relative to our loan portfolio, based on the amount of the loan and its size, complexity and the credit profile of the borrower. Generally, we perform individual assessments of loans equal to or greater than UF 18,000 and collective assessments of loans of less than UF 18,000. We assess on a collective basis all of our loans that we do not assess individually, grouping them according to certain common characteristics such as the amount of the loan and the borrower's credit profile.

Under the guidelines issued by the Superintendency of Banks, our individually assessed loans are considered non-performing when they are classified as B3, B4, C1, C2, C3, C4, C5 or C6. Our collectively assessed loans are considered non-performing when (i) they are 90 days or more in default or (ii) they are restructured past due loans until we re-classify them as performing loans based on our periodic reassessment of such loans. See "Regulation and Supervision—Classification of Loan Portfolio." In the sections of this Prospectus that specifically describe Superintendency of Banks guidelines, we have used the terminology "impaired" as the equivalent to "non-performing" in order to conform the terminology in those sections to the terminology designated by the Superintendency.

Effect of Rounding

Certain figures included in this Prospectus have been rounded for ease of presentation. Percentage figures included in this Prospectus have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts in this Prospectus may vary from those obtained by performing the same calculations using the figures in our consolidated financial statements. Certain other amounts that appear in this Prospectus may not sum due to rounding.

Economic and Market Data

In this Prospectus, unless otherwise indicated, macroeconomic data related to the Chilean economy is based on information published by the Central Bank of Chile, and all market share and other data related to the Chilean financial system is based on information published by the Superintendency of Banks.

Information Published by the Superintendency of Banks

In this Prospectus, we present certain financial information as published and calculated by the Superintendency of Banks. Certain information published and calculated by the Superintendency of Banks differs from such information as presented in our financial statements. As published and calculated by the Superintendency of Banks (but not in our consolidated financial statements), our total assets include gross tax receivables and our total loans include inter-bank loans. For this reason, certain financial information in this Prospectus may vary from information presented in our consolidated financial statements. In addition, certain information published by the Superintendency of Banks is not always published on a quarterly basis.

OVERVIEW OF THE BANK

The following overview highlights selected information about us and the rights to subscribe for our Notes that are offered hereby. This overview does not contain all of the information that an investor should consider before subscribing to rights to acquire our Notes. Before making an investment decision, you should read this entire Prospectus carefully for a more complete understanding of our business and this offering, including our financial statements and respective notes thereto and the notes to those financial statements and the sections named "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

This overview is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Prospectus. As used in this overview, unless the context otherwise requires, references to "Bci" are to Banco de Crédito e Inversiones, the unconsolidated entity, and references to "us" or "we" are to Bci, its consolidated subsidiaries and its Miami branch. See "Business."

Overview

We are the fourth largest commercial bank in Chile in terms of total assets and deposits and the third largest bank in terms of net loans, according to information published and calculated by the Superintendency of Banks, with total assets of Ch$30,849,904 million, deposits of Ch$18,151,951 million and net loans of Ch$21,954,346 million as of December 31, 2016. Our market share of total assets, deposits and net loans in the Chilean banking system was 14.6%, 14.7% and 15.1%, respectively, as of December 31, 2016, in each case according to the Superintendency of Banks and taking into consideration Itaú CorpBanca's investment in Colombia and our acquisition of City National Bank of Florida. Our risk index, calculated as allowances for loan losses as a percentage of our total loans, was 1.6%, as of December 31, 2016, compared to a weighted average of 2.5% for the Chilean banking system as a whole on such date, according to the Superintendency of Banks.

Since our founding in 1937, we have emphasized a target market segment of small to medium-sized companies, while progressively increasing our focus on the retail banking segment. In addition to traditional banking products such as lending and deposit taking, our banking services for our approximately 87,543 active commercial checking account customers (not including individual clients in the retail segment) include working capital financing, lines of credit, foreign trade financing, mortgage loans, foreign exchange and non-credit services such as cash management, payroll and payment services, and a wide range of treasury and risk management products.

We provide our approximately 479,912 active retail checking account customers with deposit services such as checking and savings accounts and also offer residential mortgage and consumer loans, lines of credit, credit cards and diversified products such as mutual funds, stock brokerage services, financial advisory services, insurance brokerage, and private and public investment fund management services. We serve our retail customers through a nationwide network of 356 points of contact, which include multiservice branches, cash agencies, point of sale branches, private banking commercial platforms and automated branches, and 1,104 ATMs. We have made significant investments in alternate distribution channels, including online banking, telephonic banking and other electronic financial services, to facilitate implementation of our market segmentation strategy and strengthen our competitive position in electronic payment transfers.

We offer international banking services through our branch in Miami, our representative offices in Lima, São Paulo, Mexico City, Bogotá and Shanghai, an alliance with Banco Popular in Madrid and a worldwide network of correspondent banks. As part of our international expansion strategy, in October 2015 we acquired 100% of CM Florida Holdings Inc., a registered U.S. bank holding company which owns 99.9% of City National Bank of Florida, in a transaction valued at US$946.9 million. Established in 1946 and headquartered in Miami, City National Bank of Florida is a local commercial bank focused on mid-sized (middle market) and small companies, real estate business and high net worth and affluent clients, particularly professionals and company owners. City National Bank of Florida offers a range of financial products, including real estate, commercial and consumer banking, to over 23,000 clients. With 26 branches and over 500 employees located in four counties in Florida, City National Bank of Florida has historically emphasized a target market segment of small to medium-sized companies. See "Our Acquisition of City National Bank of Florida."

At December 31, 2016, we had total shareholders' equity of Ch$2,518,677 million and a regulatory capital ratio of 13.4% (Basel I Tier 2), computed in accordance with guidelines promulgated by the Superintendency of Banks. For the year ended December 31, 2016, we had consolidated net income of Ch$340,165 million.

We are registered and headquartered in Santiago, Chile and had 11,007 employees as of December 31, 2016. We are a public company whose common shares are listed on the Santiago Stock Exchange (*Bolsa de Comercio de Santiago*). At December 31, 2016 approximately 63.26% of our outstanding shares were beneficially owned by the Yarur family in Chile.

Corporate Strategy

Our ultimate goal is to be the best bank for our customers and become their overall "bank of choice." We intend to pursue that goal through the following strategic priorities:

- ***Our commitment to enhance customer experience, including through digital innovation.*** We believe that we differentiate ourselves from our principal competitors because of our customer-driven, rather than product-driven, focus, combined with a world class customer experience. We value loyal customers that are a source of stable, recurring revenues, and we seek to establish long-term relationships by providing banking and financial products tailored to our customers' specific needs, coupled with high-quality service. We seek to further enhance our customers' experience by (i) focusing on and investing in digital innovation and data-driven decision-making, particularly in our retail and small- to medium-size enterprises ("SMEs") operating segment, using new technologies and data-analytics (such as software for credit scoring and fraud detection) to achieve better insights and expand the digitalization of our customers' multi-channel experience that we strive to make as seamless as possible, (ii) combining our diversified, full service model with our capacity to adapt to customer needs and our local experience, to provide superior service and deepen our relationship with our corporate and investment banking clients, (iii) expanding our client coverage and enhancing our payments and cash management services through state-of-the-art technology by offering new services such as payments to suppliers and employees, (iv) implementing our strong commitment to mobile banking, focusing on the development of mobile services to improve our customer experience, and (v) responding to the evolving needs of our customers. In addition, we believe that our focus on digital innovation will also continue to help us improve our operating efficiency.

- ***Pursue consistent growth and profitability while maintaining our conservative risk management.*** We intend to continue pursuing growth and profitability by (i) expanding penetration of our market segments and increasing cross-selling of our products and services with a particular focus on customer-targeted offerings, (ii) continuing to strengthen our capital position to support growth, with the goal of achieving and maintaining a tier 1 capital ratio of at least 10%, and (iii) seeking to optimize our technology infrastructure to reduce costs and create value for our customers through simpler and more flexible processes and develop greater in-source capabilities. Furthermore, we intend to pursue growth and profitability while maintaining our focus on conservative risk management. We have a dedicated risk management team that focuses on monitoring risks across all areas of our business, and we have implemented an algorithmic model to monitor and manage our exposure to market risk. In 2012, we hired a top-tier consulting firm to review our risk tolerance levels and help us find ways to improve on maximizing our risk-reward approach in furtherance of our strategy of achieving growth while maintaining a solid risk management. From 2013 to 2016, we were able to improve our risk index relative to the weighted average risk index of the industry.

- ***Continue to promote and enhance our culture of leadership, collaboration and innovation.*** We seek to promote a culture of leadership and collaboration through a set of best practices with a particular focus on customer centricity and disciplined execution. In addition, we focus on creating an environment that fosters innovation over marginal improvement through our award-based innovation framework. We obtained the Best Place to Innovate (Financial Sector) award given by the University of Chile in 2013 and 2014, and the Most Innovative Company (Banking Sector) in Chile given by the ESE Business School in 2014, 2015 and 2016. Furthermore, because we believe that employee talent, motivation and satisfaction are key to our business and success, we strive to attract the best talent, promote their embrace of our core cultural values and keep our high employee satisfaction levels. In 2015 and 2016, we were named as one of the best companies to work for in Chile by the Great Place to Work Institute and as one of the best companies for working parents by the Chile Unido Foundation. We intend to continue to concentrate on the development of talented and motivated employees who are committed to our mission and institutional values of leadership, collaboration and innovation.

- ***Pursue our international strategy.*** We expect to continue to evaluate and selectively pursue growth opportunities outside Chile that complement our existing operations. This strategy is focused on (i) generating new sources of revenue, (ii) geographic diversification allowing us to diversify risk as well as providing existing clients with regional solutions and access to new markets, and (iii) enhancing our pre-existing regional platform. In addition, we intend to consolidate the integration with City National Bank of Florida and expect to increase our international revenues significantly as a result of the growth expected from scaling up an established banking platform in the strategic Florida market. We believe that the Florida market offers attractive prospects for growth outside of Chile, as it is the fourth largest state in the United States in terms of GDP (according to the Bureau of Economic Activity) and financial assets (deposits) (according to FDIC), as well as the third largest in terms of population, according to the US Census Bureau. We believe that the state of Florida has favorable demographics with strong population and personal income growth. In addition, it has an attractive and fragmented banking system which we believe offers organic and inorganic growth opportunities (by volume or by acquisition). Florida has a deep-rooted cultural and economic connection with Latin America, as evidenced by the high levels of trade and investment flow to and from the region. We expect to benefit from City National Bank of Florida's established banking platform to drive future growth in this strategic market and to continue its focus primarily on its core segments, which are mid-sized (middle market) and small companies, real estate business and high net worth individuals, by offering a range of financial products, including real estate, commercial and consumer banking. See "Our Acquisition of City National Bank of Florida." For risks associated with our acquisition of City National Bank of Florida, see "Risk Factors—Risks Relating to our Acquisition of City National Bank of Florida."

Corporate Information

We are incorporated under the law of Chile. Our principal executive offices are located at Avenida El Golf 125, Las Condes, Santiago, Chile, and our telephone number is +5622 692-7000.

Summary Consolidated Financial Information

The following table presents our summary consolidated financial information as of and for the years indicated, in each case in accordance with Chilean GAAP. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," appearing elsewhere in this Prospectus.

The summary consolidated financial information as of and for the years ended December 31, 2014, 2015 and 2016 has been derived from our audited consolidated financial statements included elsewhere in this Prospectus. The reports of Deloitte Auditores y Consultores Limitada on our audited consolidated financial statements as of and for the years ended December 31, 2015 and 2016, and as of and for the years ended December 31, 2014 and 2015 appear elsewhere in this Prospectus. The summary consolidated financial information as of and for the years ended December 31, 2012 and 2013 has been derived from our audited consolidated financial statements not included in this Prospectus.

Chilean GAAP differs in certain significant respects from IFRS. See "Presentation of Financial and Other Information." We have included a description of certain significant differences between Chilean GAAP and IFRS as applied to us in "Annex A—Significant Differences Between Chilean GAAP and IFRS."

	As of and for the year ended December 31,					
	2012	2013	2014	2015	2016	2016
	(in millions of Ch$)(1)					(in millions of US$)(2)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION						
Assets						
Cash and deposits in banks	1,459,619	1,261,766	1,547,758	1,272,552	1,577,565	2,356
Items in course of collection (3)	394,396	698,013	940,888	434,550	264,265	395
Trading portfolio financial assets	1,223,519	1,042,536	1,227,807	1,298,131	1,267,979	1,894
Investments under agreements to resell	134,808	195,021	143,451	206,105	116,461	174
Derivative financial agreements	469,156	1,269,280	2,400,505	1,499,423	1,360,247	2,032
Loans and receivables to banks, net (4)	88,306	106,151	328,960	169,416	223,228	333
Loans and receivables to customers, net (4):						
Commercial loans	8,758,322	9,605,433	10,232,258	12,994,394	14,459,695	21,599
Residential mortgage loans	2,457,377	2,806,223	3,302,280	4,462,499	4,967,162	7,420
Consumer loans	1,532,425	1,677,415	1,896,394	2,313,636	2,527,489	3,775
Total loans	12,748,124	14,089,071	15,430,932	19,770,529	21,954,346	32,794
Financial investments available for sale	771,381	934,351	859,185	2,407,882	2,524,500	3,771
Financial investments held to maturity	—	—	—	708	872	1
Investments in other companies	67,235	80,093	101,086	170,103	187,958	281
Intangible assets	80,968	83,346	91,030	175,551	177,516	265
Property, plant and equipment, net	205,057	233,019	230,785	282,556	279,496	417
Current income tax	4,237	—	—	5,093	31,247	47
Deferred income taxes	60,109	56,846	74,076	203,686	198,094	296
Other assets	219,663	197,176	426,705	788,116	686,130	1,025
Total assets	17,926,578	20,246,669	23,803,168	28,684,401	30,849,904	46,081
Liabilities						
Current accounts and demand deposits	3,618,365	3,920,617	4,592,440	8,047,288	8,194,263	12,240
Items in course of collection (3)	248,898	552,895	725,573	255,800	132,507	198
Liabilities under agreements to repurchase	325,163	335,701	407,531	449,128	799,844	1,195
Time deposits and savings accounts	7,222,588	7,707,698	8,228,609	9,301,896	9,957,688	14,874
Derivative financial agreements	428,236	1,232,264	2,448,134	1,535,191	1,420,086	2,121
Borrowings from financial institutions	2,060,444	1,504,728	1,673,565	1,790,090	1,648,764	2,463
Debt issued	2,065,074	2,908,623	3,298,967	3,822,650	4,398,430	6,570
Other financial liabilities	115,069	71,860	70,741	746,946	953,246	1,424
Current income tax	—	3,026	23,832	—	—	—
Deferred income taxes	44,605	40,199	45,309	42,611	55,655	83
Provisions	179,425	181,359	239,195	255,132	263,495	394
Other liabilities	198,754	205,599	248,308	437,144	507,249	758
Total liabilities	16,506,621	18,664,569	22,002,204	26,683,876	28,331,227	42,320
Shareholders' Equity						
Attributable to equity holders of the Bank:						
Capital	1,202,180	1,381,871	1,547,126	1,781,396	2,276,820	3,401
Reserves	—	—	—	109	109	—
Accumulated other comprehensive income	27,897	(9,978)	13,756	(12,790)	3,256	5
Retained earnings:						
Net income from the year	271,256	300,294	342,972	330,819	340,121	508
Less: Accrual for minimum dividends	(81,377)	(90,088)	(102,891)	(99,247)	(102,049)	(152)
Non-controlling interest	1	1	1	238	420	1
Total shareholders' equity	1,419,957	1,582,100	1,800,964	2,000,525	2,518,677	3,763
Total liabilities and shareholders' equity	17,926,578	20,246,669	23,803,168	28,684,401	30,849,904	46,082

	As of and for the year ended December 31,					
	2012	2013	2014	2015	2016	2016
	(in millions of Ch$)(1)					(in millions of US$)[(2)]
CONSOLIDATED STATEMENT OF INCOME						
Interest income	1,127,026	1,185,970	1,324,982	1,344,842	1,513,339	2,261
Interest expense	(531,843)	(536,945)	(557,003)	(544,336)	(608,286)	(909)
Net interest income	595,183	649,025	767,979	800,506	905,053	1,352
Fee and commission income	239,958	249,158	270,492	304,289	344,507	515
Fee and commission expense	(50,264)	(53,943)	(58,279)	(70,019)	(72,878)	(109)
Net fee and commission income	189,694	195,215	212,213	234,270	271,629	406
Trading and investment income, net	37,762	102,406	139,934	111,278	145,873	218
Foreign exchange results, net	63,268	22,126	(38,726)	(19,378)	(65,609)	(98)
Other operating income	18,953	21,761	30,887	31,370	28,376	42
Provisions for loan losses	(135,275)	(158,654)	(195,310)	(189,206)	(183,412)	(274)
Operating income, net of provisions for loan losses, interest and commissions	769,585	831,879	916,977	968,840	1,101,910	1,646
Staff costs	(234,923)	(251,957)	(276,646)	(304,611)	(372,631)	(557)
Administrative expenses	(145,327)	(155,158)	(163,748)	(189,442)	(225,489)	(337)
Depreciation and amortization	(38,850)	(40,428)	(40,860)	(43,450)	(55,108)	(82)
Other operating expenses	(29,299)	(24,575)	(31,769)	(37,224)	(42,837)	(64)
Impairment of property, plant and equipment and intangible assets	(642)	(5,191)	(84)	(6,896)	(92)	—
Total operating expenses	(449,041)	(477,309)	(513,107)	(581,623)	(696,157)	(1,040)
Total net operating income	320,544	354,570	403,870	387,217	405,753	606
Share of profit/loss on investments accounted for using the equity method	6,559	7,859	10,102	13,495	19,136	29
Income before income tax	327,103	362,429	413,972	400,712	424,889	635
Income tax expense	(55,847)	(62,135)	(71,000)	(69,889)	(84,724)	(127)
Consolidated net income from the year	271,256	300,294	342,972	330,823	340,165	508
CONSOLIDATED STATEMENT OF CASH FLOW						
Total cash flows (used in) provided by operating activities	(9,362)	(610,644)	267,473	50,261	(660,469)	(987)
Total cash flows provided by (used in) investing activities	(43,484)	(84,213)	(90,069)	(619,376)	151,763	227
Total cash flows provided by financing activities	406,923	651,512	26,160	330,267	660,624	987
Change in cash and cash equivalents	354,077	(43,345)	203,564	(238,848)	151,918	227

	As of and for the year ended December 31,				
	2012	2013	2014	2015	2016
	(in millions of Ch$)(1)				
CONSOLIDATED RATIOS					
Profitability and performance					
Net interest margin(5)	4.3%	4.2%	4.5%	4.1%	3.8%
Fee and commission income as a % of average interest-earning assets	1.7%	1.6%	1.6%	1.5%	1.4%
Fee and commission income as a % of administrative expense	165.1%	160.6%	165.2%	160.6%	152.8%
Return on average total assets(6)	1.6%	1.6%	1.5%	1.3%	1.1%
Return on average shareholders' equity(7)	20.5%	20.2%	20.5%	17.0%	14.5%
Dividend payment ratio(8)	31.7%	30.5%	39.4%	32.9%	32.6%
Capital					
Average shareholders' equity as a % of average total assets	7.8%	7.9%	7.5%	7.7%	7.8%
Regulatory capital as a % of risk weighted assets	13.6%	13.4%	13.8%	11.98%	13.41%
Regulatory capital as a % of minimum regulatory capital required	170.1%	168.1%	172.3%	149.8%	167.6%
Liabilities as a multiple of regulatory capital	822.0%	831.5%	875.2%	941.9%	847.2%
Asset Quality					
Loans overdue less than 90 days as a % of total loans(9)	0.5%	0.3%	0.3%	0.2%	0.3%
Past due loans as a % of total loans(10)	1.3%	1.8%	1.8%	0.9%	0.7%
Non-performing loans as a % of total loans(11)	5.4%	5.1%	5.4%	4.5%	4.5%
Allowance for loan losses as a % of loans overdue less than 90 days(9)	450.5%	670.3%	831.5%	1,012.0%	582.5%
Allowance for loan losses as a % of past due loans(10)	170.4%	130.9%	123.1%	192.4%	233%
Allowance for loan losses as a % of non-performing loans(11)	42.7%	45.3%	40.3%	40.5%	36.7%
Allowance for loan losses as a % of total loans(12)	2.3%	2.3%	2.2%	1.8%	1.7%
Consolidated risk index(13)	2.3%	2.4%	2.2%	1.8%	1.7%
Efficiency					
Operating expenses as a % of operating income, including voluntary provision for loan losses	49.6%	48.2%	46.1%	50.2%	54.2%
Operating expenses as a % of average total assets(14)	2.7%	2.5%	2.3%	2.3%	2.3%
Liquidity					
Loans as a % of total deposits(15)	117.6%	121.2%	120.4%	114.0%	120.9%
Liquid assets as a % of total deposits(16)	17.1%	16.9%	19.4%	9.8%	10.1%
OTHER DATA					
Inflation rate(17)	1.5%	3.0%	4.6%	4.4%	2.7%
Number of branches and offices	388	384	361	387	356
Number of employees	10,584	10,518	10,511	11,039	11,007

(1) Except percentages and ratios.

(2) For the reader's convenience, we have converted the original Chilean peso amounts into U.S. dollars at the observed exchange rate as published by the Central Bank on the first business day following the respective period. The exchange rate used for purposes of this conversion were Ch$669.47 per US$1.00, as of December 31, 2016. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all.

(3) Transactions the pending settlement of which will increase or decrease our funds deposited with the Central Bank or with foreign banks within 24 business hours of the execution of such transactions.

(4) Net of allowances for loan losses.

(5) Net interest income as a percentage of monthly average interest earning assets.

(6) Net income as a percentage of monthly average total assets.

(7) Net income as a percentage of monthly average assets for the last 13 months.

(8) Dividends paid divided by net income.

(9) Loans overdue less than 90 days consist of loans overdue one to 89 days.

(10) Past due loans consist of loans for which either principal or interest are overdue for at least 90 days and which do not accrue interest. Past due loans include, with respect to any loan, only the portion of principal and interest that is overdue for 90 or more days, and do not include the installments of such loan that are not overdue or that are overdue for less than 90 days, unless (i) any portion of the loan is overdue for 180 days or more, in which case the entire loan is considered past due, or (ii) legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan, in which case the entire loan is considered past due within 90 days after initiation of such proceedings. This practice differs from that normally followed in the United States where the amount classified as past due would include the entire amount of principal and interest on any and all loans which have any portion overdue.

(11) Non-performing loans consist of our (i) "individually" assessed loans which have been classified as B3, B4, C1, C2, C3, C4, C5 and C6 according to the categories set forth by the Superintendency of Banks and (ii) "collectively" assessed loans that are (a) past due loans, or (b) restructured past due loans until we re-classify them as performing loans based on our periodic reassessment of such loans. See "Regulation and Supervision – Classification of Loan Portfolio."

(12) Allowance for loan losses as a percentage of total loans before allowances for loan losses.

(13) The risk index is calculated as allowances for loan losses as a percentage of total loans net of allowances for loan losses.

(14) Average total assets are calculated on the basis of average daily balances of our consolidated assets.

(15) Total deposits consist of current accounts and demand deposits plus term deposits and saving accounts.

(16) Liquid assets consist of cash and deposits in banks and items in course of collection.

(17) Based on the Chilean consumer price index, as reported by the Chilean National Institute of Statistics (*Instituto Nacional de Estadísticas*).

GENERAL DESCRIPTION OF THE PROGRAM

General

Under this Program, the Issuer may from time to time issue Notes to one or more of the following Dealers: Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, BNP Paribas Securities Corp., Citigroup Global Markets Inc., Citigroup Global Markets Limited, Daiwa Capital Markets America Inc., Goldman Sachs & Co. LLC, HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Mizuho Securities USA LLC, MUFG Securities Americas Inc., Standard Chartered Bank, and any other Dealer appointed from time to time in accordance with the Dealer Agreement which appointment may be for a specific issue or on an ongoing basis (each a "**Dealer**" and together the "**Dealers**"). References in this Prospectus to the "**relevant Dealer"** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

Each Series of Notes is issued either in bearer form or in registered form and Notes comprising each such Series will be issued in each case in the nominal amount of the denomination specified (the "**Specified Denomination**") in the applicable final terms (the "**Final Terms**"). The maximum aggregate principal amount of all Notes from time to time outstanding under the Program will not exceed US$2,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement), subject to increase in accordance with the terms of the Dealer Agreement.

Notes will be issued by the Issuer through its head office in Santiago, Chile.

Notes may be distributed by way of public offer (in jurisdictions in which a public offer of the Notes is permitted) or private placement and, in each case, on a syndicated or non-syndicated basis. The method of distribution of each Tranche will be stated in the applicable Final Terms.

Notes will be issued on a continuous basis in tranches (each a "**Tranche**"), each Tranche consisting of Notes which are identical in all respects (including as to admission to trading and listing). One or more Tranches which are (i) expressed to be consolidated and forming a single series and (ii) identical in all respects (except for different issue dates, interest commencement dates, issue prices and dates for first interest payments) may form a series ("**Series**") of Notes. Further Notes may be issued as part of existing Series. The specific terms of each Tranche will be set forth in the applicable Final Terms.

Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms. If the Notes are admitted to trading on a European Economic Area regulated market or other trading platform or offered to the public in a Relevant Member State in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination of the Notes will be Euro 100,000 (or, if the Notes are denominated in a currency other than the Euro, the equivalent amount in such currency) or such higher amount as may be allowed or required from time to time by the relevant Central Bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Notes may be issued at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Final Terms.

The offering of the Notes by the Dealers is subject to receipt and acceptance of orders and subject to the Dealers' right to reject any order in whole or in part.

References in this Prospectus to Notes which are intended to be listed (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). The Program provides that Notes may be listed or admitted to trading on other or further stock exchanges including, but not limited to, the Frankfurt Stock Exchange and the SIX Swiss Exchange, as may be agreed between the Issuer and the relevant Dealer(s) in relation to each issue. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Prospective purchasers of Notes should ensure that they understand the nature of the relevant Notes and the extent of their exposure to risks and that they consider the suitability of the relevant Notes as an investment in the light of their own financial situation. Certain issues of Notes involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment. It is the responsibility of prospective purchasers to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Notes and are not relying on the advice of the Issuer or any Dealer in that regard. See "Risk Factors" beginning on page 6.

Bearer Notes will be accepted for clearing through one or more Clearing Systems as specified in the applicable Final Terms. These Clearing Systems will include those operated by Clearstream Banking AG, Frankfurt ("**CBF**"), Clearstream Banking, *société anonyme*, Luxembourg ("**CBL**") and Euroclear Bank S.A./N.V. ("**Euroclear**").

Registered Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**"), (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and CBL, or (iii) be deposited with a custodian or depositary for, and registered in the name of, a nominee of any other clearing system specified for a particular Tranche or Series of Notes, in each case, as specified in the applicable Final Terms. No beneficial owner of an interest in a Registered Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and CBL, in each case to the extent applicable.

Bank of America, National Association, (operating through its London branch) will act as fiscal agent (the "**Fiscal Agent**"), unless otherwise stated in the applicable Final Terms. Bank of America, National Association, (operating through its London branch) (the "**Non-U.S. Transfer Agent**") and Bank of America, National Association (the "**U.S. Transfer Agent**") will act as transfer agents (the "**Transfer Agents**"). Bank of America, National Association, (operating through its London branch) (the "**Non-U.S. Paying Agent**"), Bank of America, National Association (the "**U.S. Paying Agent**") and other institutions, all as indicated in the applicable Final Terms, as paying agents (the "**Paying Agents**"). Bank of America, National Association, (operating through its London branch) will act as Luxembourg listing agent (the "**Luxembourg Listing Agent**"). Bank of America, National Association will act as the U.S. registrar (the "**U.S. Registrar**") and Merrill Lynch Equity S.à.r.l. will act as the Luxembourg registrar (the "**Luxembourg Registrar**," and, together with the U.S. Registrar, the "**Registrars**"). Bank of America, National Association, (operating through its London branch) will act as exchange agent ("**Exchange Agent**"). The Fiscal Agent, the Transfer Agents, the Paying Agents, the Luxembourg Listing Agent, the Registrars and the Exchange Agent are hereinafter referred to as the "**Agents**."

The Issuer reserves the right to vary such appointments and will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg (which is currently expected to be *LuxemburgerWort*) or on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

CAPITALIZATION

The following table sets forth our capitalization, defined as our financial obligations on an accrued basis determined in accordance with Chilean GAAP and which represent our main sources of funding, as of December 31, 2016. For additional information, see our consolidated financial statements included in this Prospectus.

	As of December 31, 2016	
	Historical	**Historical**[1]
	(in millions of Ch$)	(in millions of US$)
Borrowings from customers	18,151,951	27,114
Liabilities under agreements to repurchase	799,844	1,195
Borrowings from financial institutions	1,648,764	2,463
Debt issued:		
Mortgage finance bonds[2]	24,996	37
Subordinated bonds	898,378	1,342
Other bonds	3,475,056	5,191
Other financial liabilities	953,246	1,424
Derivative financial agreements	1,420,086	2,121
Subtotal	27,372,321	40,887
Shareholders' equity		
Capital and reserves	2,276,929	3,401
Other equity accounts	(98,793)	(148)
Net income for the period	340,121	508
Total capitalization[3]	2,518,257	3,761

(1) Amounts in the table stated in pesos have been translated into U.S. dollars at the Observed Exchange Rate as published by the Central Bank of Chile on the first business day following the respective period. The exchange rate used for purposes of this conversion were Ch$669.47 per US$1.00 as of December 31, 2016.

(2) References to "Mortgage finance bonds" in this Prospectus are described in our audited consolidated financial statements as "Letters of credit".

(3) Excludes non-controlling interest of Ch$420 million.

EXCHANGE RATES

Chile has a floating exchange rate system in which the Central Bank of Chile has the authority to intervene, if necessary. Chile has two currency markets, the Formal Exchange Market (*Mercado Cambiario Formal*) and the Informal Exchange Market (*Mercado Cambiario Informal*). The Formal Exchange Market is comprised of banks and other entities authorized by the Central Bank of Chile. The Informal Exchange Market is comprised of entities that are not expressly authorized to operate in the Formal Exchange Market, such as certain foreign exchange houses and travel agencies, among others, but that can trade under current laws and regulations. The Central Bank of Chile is empowered to require that certain purchases and sales of foreign currencies be carried out on or through the Formal Exchange Market. The main difference between both markets is that regulation requires the participants in the formal market to inform the Central Bank of Chile about the transactions they carry out. In case that the Central Bank of Chile decides to intervene, it does so by buying or selling foreign currency on the Formal Exchange Market.

The *dólar observado* (the "Observed Exchange Rate"),which is reported by the Central Bank of Chile and published daily in the Official Gazette (*Diario Oficial*), is the weighted average exchange rate of the U.S. dollar of the previous business day's transactions in the Formal Exchange Market. On September 2, 1999, the Chilean Central Bank eliminated the band within which the Observed Exchange Rate could fluctuate, in order to provide greater flexibility to the exchange market. Even though the Central Bank is authorized to carry out its transactions at the Observed Exchange Rate, it generally uses spot rates for its transactions. Other banks generally carry out authorized transactions at spot rates as well.

The Informal Exchange Market reflects transactions carried out at an informal exchange rate (the "Informal Exchange Rate"). There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the Observed Exchange Rate. In recent years, the variation between the Observed Exchange Rate and the Informal Exchange Rate has not been significant.

The following table sets forth the annual low, high, average and period-end Observed Exchange Rate for U.S. dollars in Chilean pesos for the periods indicated, as reported by the Central Bank of Chile.

Year	**Low**[(1)]	**High**[(1)]	**Average**[(2)]	**Period End**[(3)]
2009	491.09	643.87	559.61	507.10
2010	468.37	549.17	510.25	468.01
2011	455.91	533.74	483.67	519.20
2012	469.65	519.69	486.59	479.96
2013	466.50	533.95	498.83	524.61
2014	621.41	524.61	570.01	606.75
2015	597.10	715.66	660.09	710.16
2016	645.22	730.31	669.29	669.47

Source: Central Bank of Chile.

(1) Exchange rates are the actual low and high, on a daily basis for each period.

(2) The yearly or monthly average rate is calculated as the average of the exchange rates on the first business day of each month during the period.

(3) Each year period ends on December 31, and the respective period-end exchange rate is published by the Central Bank of Chile on the first business day of the following year. Each month period ends on the last calendar day of such month, and the respective period end exchange rate is published by the Central Bank of Chile on the first business day of the following month.

We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted in U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. The Federal Reserve Bank of New York does not report a noon buying rate for pesos.

EXCHANGE CONTROLS

The Central Bank of Chile is the entity responsible for monetary policies and exchange controls in Chile. Chilean issuers are authorized to offer securities internationally provided they comply with, among other things, the provisions of Chapter XIII of the Compendium of Foreign Exchange Regulations of the Central Bank of Chile (the "Central Bank Compendium").

Pursuant to the provisions of Chapter XIII of the Central Bank Compendium, it is not necessary to seek the Central Bank of Chile's prior approval in order to purchase and pay the Notes. The Central Bank of Chile only requires that (i) the remittance of funds obtained from the purchase of the Notes into Chile be made through the Formal Exchange Market and disclosed to the Central Bank of Chile as described below; and (ii) all remittances of funds to make the payment of principal and of premium, if any, or interest, if any, on a Note made from Chile be made through the Formal Exchange Market and disclosed to the Central Bank of Chile as described below.

The proceeds of the sale of the Notes may be brought into Chile or held abroad. If we remit the funds obtained from the sale of the Notes into Chile, such remittance must be made through the Formal Exchange Market and we must deliver to the Central Bank directly or through an entity of the Formal Exchange Market a report, through a form contained in Chapter XIV of the Central Bank Compendium, providing information about the transaction, together with a letter instructing such entity to deliver us the foreign currency or the peso equivalent thereof. If we do not remit the funds obtained from the sale of the Notes into Chile, we have to provide the same information to the Central Bank directly or through an entity of the Formal Exchange Market within the first 10 days of the month following the date on which we received the funds. The regulations require that the information provided describe the financial terms and conditions of the securities offered, related guarantees and the schedule of payments.

All payments in connection with the Notes made from Chile must be made through the Formal Exchange Market. Pursuant to Chapter XIII of the Central Bank Compendium, no prior authorization from the Central Bank of Chile is required for such payments in U.S. dollars. The participant of the Formal Exchange Market involved in the transfer must provide certain information to the Central Bank of Chile on the banking business day following the day of payment. In the event payments are made outside Chile using foreign currency held abroad, we must provide the relevant information to the Central Bank of Chile directly or through an entity of the Formal Exchange Market within the first 10 days of the month following the date on which the payment was made.

Under Chapter XIII of the Central Bank Compendium, payments and remittances of funds from Chile are governed by the rules in effect at the time the payment or remittance is made. Therefore, any change made to Chilean laws and regulations after the date hereof will affect foreign investors who have acquired the Notes. We cannot assure you that further Central Bank of Chile regulations or legislative changes to the current foreign exchange control regime in Chile will not restrict or prevent us from acquiring U.S. dollars or that further restrictions applicable to us will not affect our ability to remit U.S. dollars for payment of interest or principal on the Notes.

The above is an overview of the Central Bank's regulations with respect to the issuance of debt securities, including the Notes, as in force and effect as of the date of this Prospectus. We cannot assure you that restrictions will not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed. This overview does not purport to be complete and is qualified in its entirety by reference to the provisions of Chapter XIII and XIV of the Central Bank Compendium, a copy of which is available from us upon request.

OUR ACQUISITION OF CITY NATIONAL BANK OF FLORIDA

Overview

As part of our international expansion strategy, in October 2015 we acquired 100% of Bci Financial Group, Inc., formerly known as CM Florida Holdings, Inc., a U.S. bank holding company which owns 99.9% of City National Bank of Florida, in a transaction valued at US$947 million. Established in 1946 and headquartered in Miami, Florida, City National Bank of Florida is a local commercial bank focused on mid-sized (middle market) and small companies, real estate business and high net worth and affluent clients, particularly professionals and company owners. City National Bank of Florida offers financial products, including real estate, commercial and consumer banking, to over 23,000 clients through 26 banking centers strategically located in four counties in Florida. City National Bank of Florida has more than 500 employees.

As a result of the banking crisis in the United States in 2007-2008, City National Bank of Florida's non-performing loans increased significantly, particularly with respect to land loans, and it incurred significant net losses in 2009 and 2010. City National Bank of Florida's previous owner, the Spanish bank Bankia S.A., injected additional capital into City National Bank of Florida in 2010 but was later required to sell City National Bank of Florida as a result of financial assistance Bankia received from the European Union. Since 2010, City National Bank of Florida has improved its results of operations and its asset quality, benefitting from the rapid economic recovery in South Florida. On May 24, 2013, Bci signed a Share Purchase Agreement with Bankia S.A. and closed the transaction on October 16, 2015.

At December 31, 2016, 74.2% of City National Bank of Florida's loans had mortgage collateral, 24.9% were commercial and other business loans and leases and 0.9% were consumer loans. At December 31, 2016, City National Bank of Florida had total assets of approximately US$8.2 billion, deposits and borrowings of US$7.2 billion (US$5.6 billion in deposits), shareholders' equity of US$1 billion and a risk based Tier 1 regulatory capital ratio of 15%, computed in accordance with guidelines promulgated by the Federal Deposit Insurance Corporation ("FDIC"), the Office of the Comptroller of the Currency ("OCC") and the Federal Reserve. For the years ended December 31, 2014, 2015 and 2016, City National Bank of Florida had consolidated net income, US$42,948 million, US$47,379 million (of which US$10,389 million was attributable to the period starting when we closed our acquisition of City National Bank of Florida), and US$70,227 million, respectively. The financial information of City National Bank of Florida presented in this section is in accordance with generally accepted accounting principles in the United States ("US GAAP").

We believe that the market for banking services in Florida offers attractive prospects for growth due to its favorable characteristics, such as a large depositary base. The counties in which City National Bank of Florida operates account for a substantial portion of the state's GDP, and the Miami metropolitan area (including Ft. Lauderdale and Palm Beach) accounts for approximately 40% of Florida´s commercial bank deposits, according to the FDIC. As a result of our acquisition of City National Bank of Florida, we expect to increase our international revenues by combining our experience and capabilities in Chile with an established and scalable banking platform that is managed by an experienced management team in the strategic Florida market, where we have operated an international branch for over 16 years. However, we cannot assure you that we will be able to realize all of the anticipated benefits that we seek. See "Risk Factors—Risks Relating to our Acquisition of City National Bank of Florida."

Summary Consolidated Financial Information of City National Bank of Florida

The following table presents summary consolidated financial information of City National Bank of Florida as of and for the years indicated, in accordance with US GAAP. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," appearing elsewhere in this Prospectus.

Our acquisition of City National Bank of Florida in October 2015 has been accounted for under the acquisition method of accounting by Bci Financial Group, Inc., which elected to push down such transaction to City National Bank of Florida. The acquisition method of accounting also required that all assets and liabilities purchased be recorded at fair market value at the date of acquisition.

	As of and for the year ended December 31,		
	2014	**2015[(1)]**	**2016**
		(in thousands of US$)	
CONSOLIDATED BALANCE SHEET DATA			
Assets			
Interest-earning assets:			
Real estate loans*	2,594,854	3,132,274	3,983,477
Commercial and other business loans and leases	739,466	895,434	1,336,585
Consumer loans	34,025	54,542	50,151
Total loans	3,368,345	4,082,250	5,370,213
Net loan discount	—	(39,138)	(29,964)
Deferred loan fees	(9,480)	(1,257)	(4,550)
Allowance for loan losses [(2)]	(47,572)	(1,121)	(11,230)
Loans – net	3,311,293	4,040,734	5,324,469
Securities available-for-sale	1,063,687	1,716,731	1,902,000
Securities held-to-maturity	246,519	1,000	1,300
Investments under agreements to sell	72,250	50,000	—
Interest-bearing balances with financial institutions	83,743	70,626	258,717
Total interest-earning assets	4,777,492	5,879,091	7,486,486
Cash and due from banks	69,126	56,847	79,343
Accrued interest receivable	10,749	13,757	17,519
Bank premises and equipment – net	75,419	80,735	80,984
Operating lease equipment – net	—	—	60,924
Other real estate owned	3,910	867	467
Intangible assets-net	29,458	82,839	74,819
Goodwill [(3)]	188,833	3,105	2,790
Federal Home Loan Bank and Federal Reserve Bank Stock [(4)]	37,898	75,029	89,509
Other assets – net [(5)]	160,474	285,965	333,089
Total	5,353,359	6,478,235	8,225,930
Liabilities and Stockholders' Equity			
Deposits	4,159,160	4,482,653	5,575,319
Other borrowings[(6)]	105,585	950,585	1,310,585
Federal funds purchased and obligations under agreements to repurchase	91,572	87,838	287,455
Total deposits and borrowings	4,356,317	5,521,076	7,173,359
Other liabilities	18,152	26,092	52,201
Total liabilities	4,374,469	5,547,168	7,225,560
Stockholders' equity[(7)]:			
Common stock	14,205	14,206	14,211
Capital surplus	1,202,358	918,415	918,415
(Accumulated deficit) retained earnings	(241,334)	10,389	80,616
Accumulated other comprehensive (loss) income - net of tax	3,661	(11,943)	(12,872)
Total stockholders' equity	978,890	931,067	1,000,370
Total liabilities and stockholders' equity	5,353,359	6,478,235	8,225,930

	As of and for the year ended December 31,		
	2014	2015[1]	2016
	(in thousands of US$)		
CONSOLIDATED INCOME STATEMENT DATA			
Total interest income	158,075	183,671	230,382
Total interest expense	8,033	9,351	17,268
Net interest income after provision for loan losses	160,042	169,463	203,035
Service charges, commissions, and fees	12,307	14,096	24,044
Gain on sale of investment securities – net	277	1,854	8,920
Other	3,151	4,039	4,592
Total other operating income	15,735	19,989	37,556
Total other operating expenses	105,518	115,785	126,956
Net income [8]	42,948	47,379	70,227
CONSOLIDATED CASH FLOW DATA			
Net cash provided by operating activities	80,002	102,611	122,108
Net cash used in investing activities [9]	(673,560)	(1,224,614)	(1,613,809)
Net cash provided by financing activities	477,654	1,163,959	1,652,288
Net (decrease) increase in cash and cash equivalents	(115,904)	41,956	160,587
CONSOLIDATED RATIOS			
Capital			
Average shareholders' equity as a % of average total assets	18.7%	16.1%	13.1%
Regulatory capital as a % of risk weighted assets[10]	17.1%	18.4%	15.0%
Regulatory capital as a % of minimum regulatory capital required[10]	322.51%	342.62%	290.22%
Liabilities as a multiple of regulatory capital[10]	6.9	6.5	8.0
Asset quality			
Nonaccrual loans as a % of total loans[11]	0.4%	0.5%	0.5%
Special mentioned loans as a % of total loans [12]	0.6%	0.0%	0.0%
Substandard loans as a % of total loans[13]	1.1%	0.5%	0.9%
Substandard and special mentioned loans as a % of total loans[12][13]	1.7%	0.5%	1.0%
Allowance for loan losses as a % of non accrual loans[11]	383.1%	5.7%	44.0%
Allowance for loan losses as a % of sub standard loans[13]	131.1%	5.7%	23.0%
Allowance for loan losses as a % of sub standard and special mentioned loans[12][13]	84.1%	5.4%	21.9%
Allowance for loan losses as a % of total loans	1.4%	0.0%	0.2%

(1) Activities from January 1, 2015 to October 16, 2015 pertain to the previous owner of City National Bank of Florida.

(2) Allowance for loan losses were reset to zero in October 2015 at the closing of our acquisition of City National Bank of Florida, as a result of the acquisition method of accounting and push down accounting.

(3) The decrease in goodwill in 2015 was primarily attributable to the acquisition method of accounting and push down accounting resulting from our acquisition of City National Bank of Florida. During 2016 the new goodwill is being amortized.

(4) The increase in Federal Home Loan Bank (the "FHLB") stock in 2015 and 2016 was primarily attributable to the increase in other borrowings in 2015 and 2016, respectively (see note 6 below). As member banks of the FHLB increase their borrowings, they also must increase their equity share in the FHLB. The FHLB stock yields an annual dividend of approximately 4.5%.

(5) Other assets, net in 2015 includes US$179 million in deferred tax assets and US$100 million in bank owned life insurance. Other assets, net in 2016 includes US$167 million in deferred tax assets and US$154 million in bank owned life insurance.

(6) The increase in other borrowings in 2015 and 2016 was primarily attributable to US$845 million and US$360 million from incremental borrowings from FHLB in 2015 and 2016, respectively.

(7) Stockholders equity decreased in 2015 as a result of our acquisition of City National Bank of Florida. In October 2015 (at closing of our acquisition of City National Bank of Florida), all of the assets and liabilities of City National Bank of Florida were adjusted to fair market value and the equity of City National Bank of Florida was adjusted to the purchase price. During 2016, stockholders equity increased primarily due to the net income for 2016.

(8) Net income in 2015 consisted of US$36,990 million attributable to the previous owner of City National Bank of Florida until October 16, 2015 and US$10,389 million attributable to us for the period from and including October 17, 2015 to December 31, 2015. In 2016, all of City National Bank of Florida's net income was attributable to us.

(9) City National Bank of Florida doubled its investment activity in loans and securities in each of 2014 and 2015 in an effort to expand its loan portfolio. During 2016, investment activity in loans and securities continued to grow, albeit at a lower rate, although City National Bank of Florida's investment portfolio to earnings assets ratio was already above its peers.The excess liquidity provided was needed to fund exceptional capital growth.

(10) In 2015 and 2016, Regulatory Capital is defined as established in US 12 CFR parts 324.12 through 324.19. Regulatory capital components are: Common Equity Tier 1 Capital (CET 1), Additional Tier 1 capital and Tier 2 Capital. CPS1: is the sum of any common stock instruments, plus related surplus, issued by City National Bank of Florida, retained earnings, accumulated other comprehensive income, less goodwill, intangible assets and deferred tax assets arising from net operating losses, and deferred tax assets arising from temporary differences (also subject to transition rules). City National Bank of Florida does not have Additional Tier 1 capital. Therefore, CET 1 equals Tier 1 capital. Tier 2 Capital includes allowance for loan losses (up to 1.25% of gross risk weighted assets).Tier 1 Capital is used in the calculation of regulatory capital as a % of minimum regulatory capital required and liabilities as a multiple of regulatory capital.

(11) We place loans on nonaccrual status when we believe the borrower may be unable to meet payment obligations as they become due, which is typically 90 days, as well as when required by regulatory provisions. The reduction in this ratio is the result of the allowance being reset to zero under purchase accounting.

(12) Special mentioned loans are loans not individually analyzed but nevertheless identified for monitoring, as we consider them marginally acceptable.

(13) Substandard loans include performing and non-performing loans. For performing loans, which are loans which we determine to have several characteristic requiring increased scrutiny to determine that the loans are not impaired, or require an additional reserve. The characteristics we have identified to be relevant to substandard loans are (a) indication that the borrower(s) financial condition is deteriorating due to other debt maturing, the borrower's liquidity, weakness in the borrower's business, and other financial or borrower-specified indicators, (b) if the borrower has other outstanding loans with us which are non-performing, or if we have a significant concentration of the borrower's debt, (c) weakness in underlying collateral, such as land, condominiums, and commercial real estate, (d) if the loan is beginning to show signs of nonperformance (loans overdue 30-60 days), (e) the loan to value has increased to a level that requires additional scrutiny, (f) the appraised value of the collateral is less than the loan balance or (g) the loan is considered non-performing.

Loan Portfolio

The following table sets forth City National Bank of Florida's loans by type of loan.

	As of December 31,		
	2014	2015	2016
	(in thousands of US$)		
Commercial and other business loans and leases	739,466	895,434	1,203,618
Residential real estate	849,950	907,106	1,004,098
Commercial real estate	1,450,432	1,890,505	2,519,269
Commercial leases(1)	—	—	132,967
Consumer	34,025	54,542	50,151
Construction and land real estate	294,472	334,663	460,110
Total	3,368,345	4,082,250	5,370,213

(1) In 2014 and 2015, commercial leases were included under other commercial loans and other consumer loans.

The loan categories are as follows:

Commercial and other business loans and leases are comprised of long-term and short-term loans and leases granted to corporations and individuals in U.S. dollars on an adjustable or fixed rate basis, primarily to finance working capital or investments. Interest accrues daily on actual/365 basis, in most of the cases. Loan payments are scheduled monthly, quarterly, semi-annually or yearly, depending on the terms of the loan.

As of December 31, 2016, commercial loans constituted 22.4% of City National Bank of Florida's loan portfolio.

Residential real estate loans are comprised of the following:

Mortgage loans. Mortgage loans are fixed, variable, or adjustable rate long-term loans with monthly payments of principal and interest secured by a mortgage over 1-4 family residential properties. At the time of approval, the principal amount of this type of mortgage loan depends on the occupancy status, number of units, and loan amount, but cannot be higher than 80.0% of the appraised value of the mortgaged property.

Home Equity Lines (HELOC). HELOCs are revolving, open-end lines of credit extended to a homeowner secured by, typically, a junior lien over 1-4 family residential property.

As of December 31, 2016, residential real estate loans constituted 18.7% of City National Bank of Florida's loan portfolio.

Commercial real estate loans are comprised of the following:

Owner and non-owner occupied commercial real estate loans are adjustable or fixed rate loans used to purchase or refinance owner occupied or investment commercial real estate property. The owner occupancy should be greater or equal to 51% of the leasable space. Loan to value cannot be higher than 75%. The bank has a first lien position over the real estate property. Underwriting parameters include mandatory escrow for taxes and insurances, maximum vacancy, in case of non-owner occupied loans, minimum management fees and debt service coverages.

As of December 31, 2016, commercial real estate loans constituted 46.9% of City National Bank of Florida's loan portfolio.

Commercial leases are comprised of the following:

Commercial leasing operations: equipment finance services provided by City National Capital Finance, a wholly-owned subsidiary of City National Bank of Florida.

As of December 31, 2016, commercial leases constituted 2.5% of City National Bank of Florida's loan portfolio.

Consumer loans are comprised of the following:

Personal line of credit: revolving variable rate line of credit targeted for personal use. Payback generally occurs within 24 months. These lines can be unsecured or secured by a CD.

Unsecured term loans: Personal purpose fixed rate loan with relatively short time periods, with payback generally occurring within 60 months.

Automobile, boat, and airplane loans: Loans used to purchase or refinance these types of assets, secured by a first lien position on those assets.

As of December 31, 2016, consumer loans constituted 0.9% of City National Bank of Florida's loan portfolio.

Construction and land real estate loans are comprised of the following:

Construction loans: Fixed or variable rate loans made to construct commercial real estate or 1-4 Family Residences.

Land loans: Fixed or variable rate Loans made for the purpose of acquiring land for the future construction of commercial real estate or 1-4 Family Residences.

As of December 31, 2016, construction and land real estate loans constituted 8.6% of City National Bank of Florida's loan portfolio.

At December 31, 2016, 74.2% of City National Bank of Florida's loan portfolio constituted loans secured by mortgages.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following discussion should be read in conjunction with our audited consolidated financial statements, included elsewhere in this Prospectus and the section entitled "Presentation of Financial and Other Information" included elsewhere herein. Certain amounts (including percentage amounts) that appear herein have been rounded for ease of presentation. Percentage figures included herein have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts may vary from those obtained by performing the same calculations using the figures in our consolidated financial statements. Certain other amounts may not sum due to rounding.

The financial data presented herein as of and for the years ended December 31, 2014, 2015 and 2016, is stated in nominal Chilean pesos.

As described below, changes in interest rates and the rates of inflation as well as economic and political factors affecting Chile have a substantial impact on our financial performance.

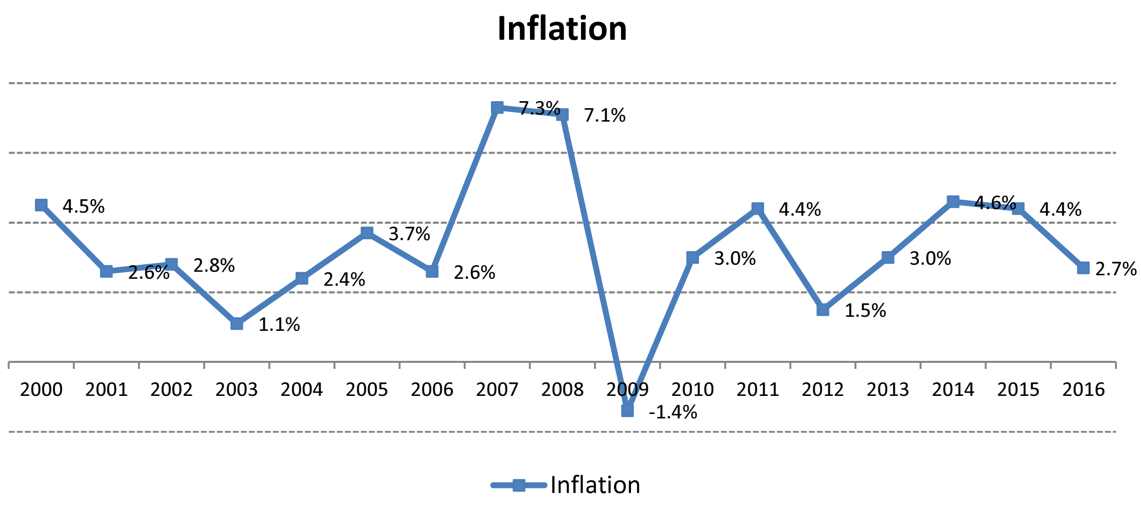
Impact of Economic Condition in Chile

Substantially all of our operations and our customers (excluding CNB) are located in Chile. Accordingly, our financial condition and results of operations are substantially dependent upon economic conditions prevailing in Chile. Chile experienced profound economic reforms during the 1970s and 1980s that led to economic growth rates averaging more than 7% per annum from 1985 until the onset of the Asian economic crisis in 1997. Afterwards, the average rate of growth from 1998 to 2006 slowed to 3.6% per annum. The Chilean economy grew at a rate of 4.6% in 2007, but returned to 3.7% in 2008 as a result of the international financial crisis, originated in the U.S. real estate sector.

As the Chilean economy continued to suffer the effects of the economic crisis in 2009, the government implemented one of the largest fiscal stimulus packages in the world, representing almost 3% of current gross domestic product. In December 2009, the OECD invited Chile to become a full member, after a two year period of compliance with organization mandates, and in May 2010 Chile signed the OECD Convention, becoming the first South American country to join the OECD. The Chilean economy started to show signs of a rebound in the fourth quarter of 2009, and GDP grew more than 5% in 2010 and more than 6% in 2011. Chile achieved this growth despite the 8.8 magnitude earthquake that struck the country in February 2010, which was one of the ten strongest earthquakes on record. Subsequently, the Chilean economy experienced a boom in investment, which was particularly associated with mining and boosted economic activity, leading to achieve GDP growth of 5.9%, 5.6% and 4.1% in 2011, 2012 and 2013, respectively.

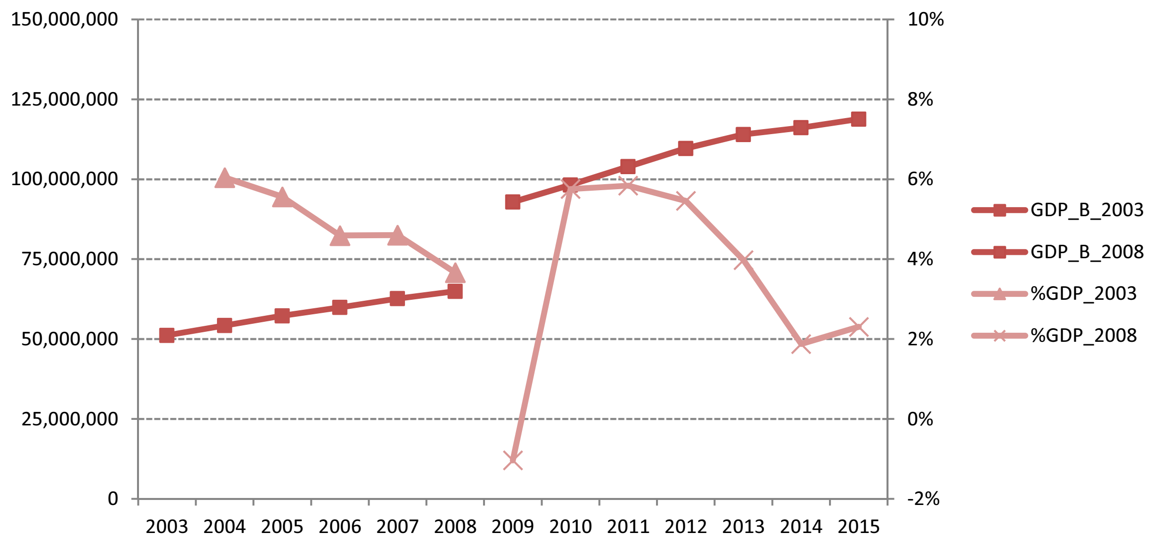
With respect to inflation, in 1990 the central bank proposed to reduce it from the average of 12% experienced during the 1980s by implementing a target range for monetary policy. Since 2001, the target range has been between 2% and 4% and inflation has fluctuated within this range with the exceptions of 2007 and 2008. In particular, during 2008 inflation was characterized by significant absorption of external inflation, which caused domestic prices to rise. This resulted in high domestic inflation rates of 7.1% in 2008, according to the Central Bank, far exceeding the goal of 3% established by domestic monetary authorities. In this highly inflationary environment, the Central Bank successively increased the monetary policy rate during the year. Thus, the monetary rate increased from 6% to 8.25% by September 2008 and closed the year at the same level. In 2009, low inflationary pressures pushed annual inflation to negative ground from August through December, finishing at -1.4% year over year. Inflation rose to 3.0% in 2010, 4.4% in 2011 and 1.5% in 2012. During 2013, inflation was 3.0% on an annualized basis. Annual inflation in 2014 and 2015 was 4.7% and 4.4%, respectively, mainly due to the transfer to the final prices of the depreciation of the Chilean peso relative to the U.S. Dollar. Inflation decreased to 2.7% in 2016.

The following graph shows the inflation rate in Chile from 2000 to mid-2016:



Source: Central Bank of Chile

The following graph shows GDP in millions of Ch$ and the percentage of GDP increase or decrease from 2008 to 2015:



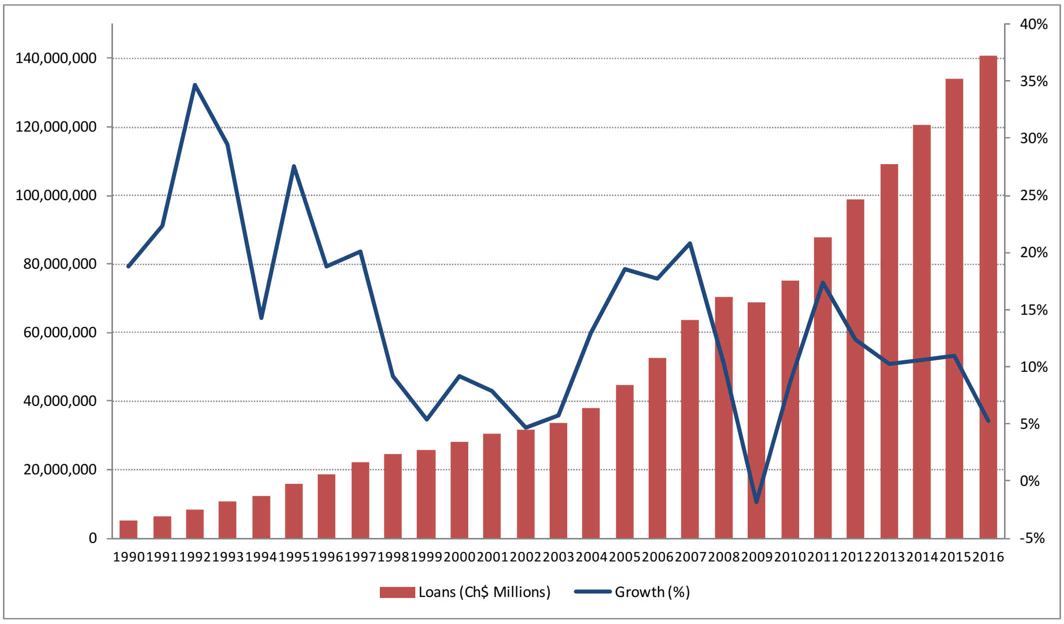
Source: Central Bank of Chile

Recent Developments in the Chilean Banking Industry

During the last sixteen years, the Chilean banking industry has experienced increased consolidation and had many new players enter the market. In 1998, 32 financial institutions operated in Chile and the five largest banks had a combined market share of approximately 40%. That year, CorpBanca acquired Financiera Condell and the assets of Corfinsa and Citibank Chile acquired Corporación Financiera Atlas. The market experienced two mergers in 2002: Banco de Chile with Banco Edwards and Banco Santander with Banco Santiago. During that same year, Banco Ripley began operating. In 2003, Banco del Desarrollo merged with Sudameris and in 2004 Banco Penta and Banco Paris commenced operations. Then in 2005, we acquired Financiera Conosur. In 2008, Banco de Chile merged with Citibank and Scotiabank acquired Banco del Desarrollo. Thus, by the end of 2008, only 25 financial institutions were operating, of which one is operated by the Republic of Chile and 4 are branches of foreign banks. In December 2013, Ripley consolidated its retail and banking credit cards, with the consolidated results reported under Banco Ripley since January 31, 2014. In January 2015, Banco BTG Pactual started operating in Chile, in May 2015, Scotiabank began operating Banco Paris credit cards and consumer loans and in October 2015, we completed the purchase of City National Bank of Florida. In April 2016, the merger between Itaú and CorpBanca was completed, with the new bank operating under the name of Itaú CorpBanca. In June 2016, China Construction Bank began operating in Chile, in September 2016, Deutsche Bank exited the market and in December 2016, Scotiabank purchased the remaining portion of Banco Paris. The merger between Itaú and CorpBanca in 2016 and our acquisition of CNB in October 2015 affected the comparability of industry data between 2015 and 2016.

As of December 31, 2016, the Chilean banking system was comprised of one public-sector bank and 22 private-sector banks (of which 17 were Chilean banks and five were Chilean branches of foreign banks). As of the same date, private- sector Chilean banks and the Chilean branches of foreign banks accounted for 85.87% and 0.12% of all outstanding loans in the Chilean financial system, respectively, according to information published by the Superintendency of Banks.

Because of the Asian crisis, the Chilean banking industry, which recorded 20.1% growth in 1997, saw growth abruptly fall to 9.2% in 1998, reaching its weakest point in December 2002 with barely 4.2% annual growth. Between 2005 and 2008, the Chilean banking sector grew at annual nominal rates over 8%. Due to the changes in accounting standards, data for the Chilean banking industry from 2009 to date are not comparable to those for 2008 and prior years. Starting from 2010, the banking industry has experienced a decrease in the loans growth rate. The following graph shows the nominal increase or decrease in loans from 2008 to 2016 for the Chilean banking industry:



Source: Superintendency of Banks

Since the last quarter of 2007, loan approval conditions have become more restrictive for both large corporations and real estate companies as well as small and medium enterprises or SMEs. According to Bank Loan Survey Results, a quarterly publication of the Central Bank, by March 2009, 60% of financial institutions displayed more restrictive loan approval standards for large companies, compared to December of 2008, attributed principally to deteriorating economic conditions and prospects and a less favorable perception of client risk. However, this scenario changed during the year, and, in December 2009, the percentage of lenders that continued to tighten the lending standards dropped to only 4.8%, compared to 8.57% in December 2008. Through 2010, this percentage dropped to zero. In 2011, the percentage of lenders that tightened their lending standards increased each quarter to reach 33.3% in December, 2011. During 2012, favorable economic conditions brought an ease in lending to large corporations and SMEs, with 11.1% and 14.3% of the financial institutions reporting less restrictive approval conditions, respectively, in December 2012. Since then, the lending standards have tightened each quarter, with a brief easing during December 2013. The restriction (particularly during 2016) is attributed mainly to a perception of increased risk given the deterioration of the prospects of the economy.

As of March 31, 2009, 58.8% of lenders had tightened loan approval conditions for real estate companies, a percentage that decreased to just 5.3% as of December 2009, compared to 72.2% in December 2008, according to the Bank Loan Survey Results. No lenders had tightened their lending standards in December 2010, compared to 5.3% in December 2009. Since then and until June 2012, the percentage of lenders that had increased their respective lending standards fluctuated between zero and 27.3%. In December 2012, 25% of lenders perceived tightened loan approval conditions for real estate companies, with each successive quarter until December 2015 revealing a restriction in the approval standard. Although this trend prevailed during 2016, the second half of the year saw a reduction in the number of banks reporting a tightening in their lending standards.

As of December 31, 2011, commercial loans rose 14.88% compared to December 31, 2010. During 2012, commercial loans (excluding data related to CorpBanca's business in Colombia) grew 10.48%, and 6.83% during 2013. The slowdown of the economy had an impact on commercial loans, which grew 2.75% in 2014. After a mild recovery in 2015, when commercial loans grew 4.90%, the slowdown in the economy and pessimistic outlook had its effect on commercial loans, which increased only 0.18% in 2016.

The retail segment has also experienced increased loan approval restrictions; for example, during 2008 limits on consumer and mortgage loans decreased and interest rates increased. These changes were a result of the portfolios deteriorating as purchasing power worsened due to the higher inflation rate experienced in 2007 and 2008. Consequently, consumer loans grew just 0.4% during 2008, which is the lowest level seen since the Asian financial crisis. On the other hand, retail mortgage loans grew 11.5% in 2008 compared to 2007. During 2009, the spreads on the short and long terms loans deteriorated as interest rates fell due to the relaxation of monetary policy by the Central Bank of Chile. In 2010, 2011 and 2012, consumer loans grew 9.25%, 13.52% and 9.15%, respectively, compared to the prior year. In 2013, consumer loans increased 11.95%, and 3.22% during 2014. In 2015, consumer loans grew 6.90%. It is worth noting that in May 2015 the consumer loan book of the Chilean banking system was amplified by the incorporation of credit cards coming from a retail industry company. Despite the slowdown of the economy in 2016, the unemployment rate remained low, at 5.8% as of December 31, 2016, and consumer loans grew 3.80% in 2016.

Mortgage loans have been very active since 2013, though usually lagging behind in growth rates when compared to other loans, increasing 8.07%, 8.21%, 9.03%, 10.44%, 10.53% and 6.57% in 2011, 2012, 2013, 2014, 2015 and 2016, respectively. The growth in 2016 was driven in part by increasing residential values and VAT regulatory changes that will come into force in 2017. The growth in the portfolio of consumer and mortgage loans since 2010 was due, in part, to the decline in the unemployment rate and the growth of the economy in Chile. However, the competitiveness of the Chilean financial system, as well as inflation and the US$/Ch$ exchange rate, had a negative impact on the growth of net interest income, which did not grow in the same magnitude as the loans. Net interest income grew only 3.65% in 2011 as compared to 2010, and 5.15% in 2012 compared to 2011. 2013 saw an increase in inflation and a better US$/Ch$ exchange, allowing interest income to grow 10.78% when compared to 2012 and 18.34% in 2014 when compared to 2013. The lower value of the UF (currency indexed to inflation) during the first months of 2015 had a negative impact on interest income, with a decrease of 3.0% in 2015 when compared to 2014. Net interest income decreased 1.9% in 2016 when compared to 2015.

The risk index for the Chilean banking industry, calculated as allowances for loan losses as a percentage of total loans, increased 10 basis points at December 31, 2010, when compared to December 31, 2009, reflecting deterioration in credit quality, particularly for retail loans, as a result of higher unemployment rates. At December 31, 2011, the risk index was 2.33%, decreasing 16 basis points compared to December 31, 2010, due to the improvement of the unemployment rates and higher corporate revenues. As of December 31, 2012, the risk index decreased slightly to 2.27% but increased in 2013 to 2.39% and to 2.42% during 2014. As of December 31, 2015, the risk index had decreased to 2.38%, due to a reduction in consumer loans risk index. Regulatory changes in allowances for loan losses in mortgage loans and Itaú CorpBanca's decision to lower the risk exposure in the merged bank, caused the risk index of the banking industry to increase to 2.50% as of December 31, 2016.

Given the changes in accounting standards, data for the Chilean banking industry for 2009 are not comparable to those for 2008. During 2009, the Chilean banking industry had an average return on equity of 17.99%, up by 276 basis points when compared to 2008. During 2010, the banking industry's average return on equity increased to 18.58% and in 2011 it decreased to 17.44%, as a result of a decrease of the efficiency ratios of the industry, in conjunction with an increase in shareholders equity in the same period. In 2012, average return on equity decreased to 14.65%. During 2013, the return on equity increased to 14.84% and to 17.21% as of December 31, 2014. Because of the tax reform passed in Chile during 2014, the industry had a positive one-off effect on deferred taxes which, coupled to a rise in the inflation, brought an increase on the net income in the system. The almost nil variation of the UF during the first quarter of 2015, compared to December 31, 2014, coupled with an increase in expenses had a negative impact on the net income of the Chilean banking industry, which translated into a return on equity of 14.19% as of December 31, 2015. The return on equity decreased to 11.04% as of December 31, 2016, although, due to the merger between Itaú and CorpBanca consummated in 2016, data of 2016 is not directly comparable with 2015. See "The Chilean Banking Industry."

City National Bank of Florida and the Impact of Economic Conditions in the Florida Real Estate Market

City National Bank of Florida operates in the strategic Florida market, with a primary focus on mid-sized and small companies, real estate business and high net worth and affluent clients. At December 31, 2016, 74.2% of City National Bank of Florida's loans had mortgage collateral, 24.9% were commercial and other business loans and 0.9% were consumer loans. See "Our Acquisition of City National Bank of Florida". According to estimates from the United States Census Bureau, from 2010 to 2016, Florida added over 1.7 million new residents, the third most of any U.S. state, and, in 2016, had a total population of 20.6 million and a median household annual income of $47,400. The Florida unemployment rate decreased to 4.9% at December 31, 2016. The Case-Shiller home price index for Florida (Miami) reflected a year over year increase of 7% at December 31, 2016, and an 9.2% (according to the Federal Reserve economic data) year over year increase in 2016 relative to 2015. The counties in which City National Bank of Florida operates account for a substantial portion of the state's GDP, and the Miami metropolitan Area (including Palm Beach) accounts for approximately 32.9% of Florida´s commercial bank deposits, according to the FDIC. Conditions affecting the real estate loans market in Florida have a direct impact on City National Bank of Florida's business and results of operations.

Our acquisition of City National Bank of Florida in October 2015 had a direct impact on the comparability of our results of operations in 2016 relative to 2015, as our consolidated results of operations for 2015 reflect only two-and-a-half months of results of operations of City National Bank of Florida, whereas our consolidated results of operations for 2016 reflect a full fiscal year (2016) of results of operations of City National Bank of Florida. See "Results of Operations for the Years Ended December 31, 2015 and 2016" below for a description of the impact of City National Bank of Florida's results of operations on certain line items of our consolidated results of operations for 2015 and 2016.

Effects of Inflation

Because we are a bank, substantially all of our assets and liabilities are monetary. Substantially all monetary assets and liabilities in Chile are denominated in (i) UFs, a unit of account developed during the 1960s whose value in pesos is indexed to Chilean inflation, (ii) nominal pesos or (iii) foreign currencies. A significant portion of the loans made by us with a maturity greater than 90 days are denominated in UFs, as are savings deposits and certain time deposits (generally those having maturities in excess of 90 days). The nominal peso value of UF-denominated loans and deposits will increase or decrease in tandem with changes in the Chilean consumer price index. The effect of any changes in the nominal peso value of the UF on UF-denominated assets or liabilities is reflected in our statement of income as an increase or decrease in interest income or expense.

Our net interest income will be positively affected by an inflationary environment to the extent that our average assets denominated in UFs exceed our average liabilities denominated in UFs. Our net interest income will be negatively affected by inflation in any period in which our average liabilities denominated in UFs exceed our average assets denominated in UFs. In addition, we have peso-denominated, non-interest earning assets and non-interest bearing liabilities, the value of which is particularly susceptible to inflation, which decreases their value in real terms.

Interest Rates

Interest rates earned and paid on our assets and liabilities reflect to a certain degree inflation and expectations regarding inflation as well as shifts in short-term rates related to the Central Bank of Chile's monetary policies. The Central Bank of Chile manages short-term interest rates based on its objectives of balancing low inflation and economic growth. Because our liabilities generally re-price to reflect interest rate changes faster than our assets, changes in the rate of inflation or short-term rates in the economy are reflected in the rates of interest we pay on our liabilities before such changes are reflected in the rates of interest we earn on our assets. Accordingly, our net interest margin on assets and liabilities tends to be adversely affected in the short term by increases in inflation or short-term rates and to benefit in the short term from decreases in inflation or short-term rates, although the existence of non-interest bearing peso-denominated demand deposits tends to mitigate both effects.

In addition, because our peso-denominated liabilities have relatively short repricing periods, they are generally more responsive to changes in inflation or short-term rates than our UF-denominated liabilities. As a result, during periods when current inflation or expected inflation exceeds the previous month's inflation, customers often switch funds from UF-denominated deposits to more expensive peso-denominated deposits, thereby adversely affecting our net interest margin.

Foreign Exchange Rates

A portion of our assets and liabilities is denominated in foreign currencies, principally the U.S. dollar, and we historically have maintained gaps between the balances of such assets and liabilities. At December 31, 2014, 2015 and 2016, the gaps between our average foreign currency-denominated assets and our average foreign currency-denominated liabilities (where such liabilities exceeded such assets) were Ch$725,391 million, Ch$885,932 million and Ch$417,958 million, respectively. Because such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains (losses) realized upon the sale of such assets, are translated to pesos in preparing our financial statements, our reported income is affected by changes in the value of the peso with respect to foreign currencies. See "Exchange Rates" and "Management's Discussion and Analysis of Results of Operations and Financial Condition—Financial Condition—Asset and Liability Management—Exchange Rate Sensitivity."

We enter into derivative financial instruments to reduce our exposure to exchange rates volatility. See "Quantitative and Qualitative Disclosures about Market Risk—Disclosures Regarding Derivative Financial Instruments."

Critical Accounting Policies

We have identified certain key accounting policies on which our financial position and results of operations are dependent. These key accounting policies generally involve complex quantitative analyses or are based on subjective judgments or decisions which are evaluated on an ongoing basis. Management bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances. Actual results in future periods could differ from those estimates and assumptions.

Our most critical accounting policies under the Compendium of Accounting Standards issued by the Superintendency of Banks or ("Compendium") are those related to the establishment of allowances for loan losses, fair value of financial assets and liabilities and impairment of investment securities. For a description of our significant accounting policies, see Note 2 to our Audited Consolidated Financial Statements included elsewhere in this Prospectus.

Allowance for loan losses

Allowance for loan losses is made for estimated losses in outstanding loans for which there is any doubt about the borrower's capacity to repay the principal and/or the interest. The allowance for loan losses for our loan portfolio is calculated primarily based on the classification and rating of loan portfolios set forth under the Regulations issued by the Superintendency of Banks into prescribed categories. There are two components of a bank's allowance for loan losses: individual and collective. All loans which exceed a certain threshold are individually assessed for impairment. Impairment allowances for portfolios of smaller balance homogeneous loans that are below the individual assessment thresholds are determined on a collective basis. See "Presentation of Financial and Other Information—Loans."

To calculate our allowance for loan losses, the Compendium requires that we follow a methodology to classify loans considering the borrower's industry or sector, owners or managers, financial condition, payment ability and payment behavior, among others, in the loan's rating analysis to estimate a probable loss and define the percentage of necessary reserves.

Our allowance for loan losses is presented net from the account of loans and receivable to customers held, and all write-offs of uncollectible loans are charged against this account if certain conditions established by the Superintendency of Banks are met. In addition, Chilean banks are required to inform the Superintendency of Banks after such write-offs have been recorded. The allowance for loan losses is an estimate and differences between the estimate and the actual loss will be reflected in our financial statements at the time of write-off.

Fair value measurements

Financial assets and liabilities designated at fair value and derivative instruments are recorded at fair value on the balance sheet. Fair values are obtained from quoted market prices and by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. If market information is limited or in some instances not available, we use our own judgment, which adds a degree of subjectivity to such determinations of fair value.

Impairment of Financial Assets

We assess at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the reporting date and that those loss events that have had an impact over the estimated cash flows of the financial asset or portfolio can be reliably estimated.

The amount of impairment loss is measured as the difference between the carrying value and the present value of the estimated cash flows of the asset.

Management judgment is required in determining whether factors exist that indicate that an impairment loss has been incurred at the balance sheet date. Our assessment of a potential impairment involves risks and uncertainties depending on market conditions.

Segment Reporting

Overview

In order to improve our identification of, and focus on, synergies within our customer service model, in 2016 we simplified the presentation of our segments. In accordance with IFRS 8, we have aggregated operating segments with similar economic characteristics based on the aggregation criteria specified in the standard. Thus, a reporting segment comprises clients to whom differentiated products are addressed which are homogeneous in terms and whose performance is measured in a similar way. Overall, this new aggregation had no significant impact on understanding the nature and effects of our business activities. The former six segments we presented prior to 2016 are now aggregated, in certain instances, to be defined as reporting segments. Our Retail Banking and Small and Medium Enterprise operating segments fall under the "Retail Banking" reporting segment and our Commercial Banking and Corporate and Investment Banking Commercial Division operating segments fall under the "Wholesale Banking" reporting segment. The Corporate & Investment Banking Finance Division and Bci Financial Group, Inc. and Subsidiaries (BciFG) remain the same as separate reporting segments.

The following are Bci's four reporting segments:

Retail Banking: This category includes individuals and entities with sales of less than UF80,000, divided into the following two operating segments:

- **Retail Banking:** This segment includes individuals. The operating units in this operating segment are Individuals, Preferential, Nova and Tbanc.

- **Small and Medium Enterprises:** This operating segment includes entrepreneurs and enterprise entities (with sales of between UF2,400 and UF80,000) and includes microenterprises (with sales of less than UF2,400).

Wholesale Banking Segment: This category is composed mainly of companies whose annual sales exceed

UF80,000, divided into the following two operating segments:

- **Commercial Banking**: This operating segment includes mainly companies whose annual sales exceed UF80,000. The operating units in this operating segment are Large Companies, Real Estate and Institutional, Companies and Transactional Banking.

- **Corporate & Investment Banking Commercial Division:** This operating segment includes large corporations, financial institutions and high net worth investors with financial needs of high value added financial services. The operating units in this operating segment are Corporate and Private Banking.

Corporate & Investment Banking Finance Division Segment: This segment manages the Bank's own investment portfolio. The operating unit in this segment is Sales and Trading.

Bci Financial Group, Inc. and Subsidiaries (BciFG) Segment: This segment includes the results of operations of CNB, which operates as an independent unit under the supervision of our senior management in Chile.

Others: This includes those expenses and/or income which by their nature are not directly identifiable within the reporting segments and therefore are not assigned.

Consistent with our client-focused strategy, each segment considers the income and expenses produced by the subsidiaries under each segment as a consequence of services to our clients in those respective segments.

The exchange rates used for purposes of the conversion from UF to U.S. Dollar indicated above were UF 1.0 per U.S. Dollar 39.36 as published on December 31, 2016 by the Central Bank. For more information on our reporting segments, see Note 5 to our consolidated financial statements included elsewhere in this Prospectus.

Allocation of Expenses

We allocate administrative expenses of our subsidiaries using an "activity based costing" system, an internal methodology that takes into account the business activities of our subsidiaries and assigns these expenses to our different reporting segments regardless of which of our subsidiaries incurred the expense. We assign expenses to our different reporting segments in three ways:

- first, we assign to the cost directly attributable to each cost center of each segment which are clearly recognizable and assignable, such as personnel expenses, materials and equipment and depreciation, among others;

- second, we assign to each segment's cost center the centralized expenses that are booked in our collective cost centers. For example, the telephone expenses that are booked in our collective cost centers are allocated to each segment according to the number of employees of each segment, among other factors; and

- third, we assign to each segment the expenses that are incurred by such segment to support our management according to the time and resources spent by each segment in connection with these management support activities.

Results of Operations by Segment

The following tables set forth certain income statement data for the periods indicated:

	Year ended December 31, 2016							
	Retail Banking		Wholesale Banking					
	Retail	Small and Medium Enterprise	Commercial Banking	Corporate and Investment Banking Commercial Division	Corporate and Investment Banking Finance Division	Bci Financial Group	Others (3)	Consolidated
	(in millions of Ch$)							
Net interest income	380,335	132,408	156,226	99,934	32,896	136,703	(33,449)	905,053
Net fee and commission income	139,448	38,107	39,119	26,644	11,631	18,434	(1,754)	271,629
Other operating income(1)	30,748	7,675	26,260	31,444	(3,470)	10,994	4,989	108,640
Total operating income	550,531	178,190	221,605	158,022	41,057	166,131	(30,214)	1,285,322
Provision for loan losses	(112,844)	(35,433)	(16,754)	(2,489)	(8,517)	(4,894)	(2,481)	(183,412)
Operating income, net of provisions for loan losses, interest and commissions	437,687	142,757	204,851	155,533	32,540	161,237	(32,695)	1,101,910
Total operating expenses	(323,597)	(79,750)	(104,287)	(60,230)	(33,489)	(78,617)	(16,187)	(696,157)
Operating Income by Segment(2)	114,090	63,007	100,564	95,303	(949)	82,620	(48,882)	405,753

(1) Includes trading and investment income, net and foreign exchange loss, net.
(2) The breakdown of consolidated operating income shown is used for internal reporting, planning and marketing purposes and is based on, among other things, our estimated funding cost and direct and indirect cost allocations. This breakdown may differ in some respects from breakdowns of our operating income for financial and regulatory purposes. See "Non-Banking Financial Services" for additional information with respect to the operations, assets, liabilities and income of our financial service subsidiaries.
(3) Income and expenses that, due to their nature, are not directly identified with or allocated to one of our specific segments.

	Year ended December 31, 2015							
	Retail Banking		Wholesale Banking					
	Retail	Small and Medium Enterprise	Commercial Banking	Corporate and Investment Banking Commercial Division	Corporate and Investment Banking Finance Division	Bci Financial Group (3)	Others (4)	Consolidated
	(in millions of Ch$)							
Net interest income	359,770	118,066	146,830	76,142	62,563	25,872	11,263	800,506
Net fee and commission income	140,738	34,352	31,654	19,733	4,842	2,120	831	234,270
Other operating income(1)	49,096	19,851	38,908	52,013	(13,472)	1,927	(25,053)	123,270
Total operating income	549,604	172,269	217,392	147,888	53,933	29,919	(12,959)	1,158,046
Provision for loan losses	(119,456)	(32,929)	(11,264)	(16,310)	(3,692)	(697)	(4,858)	(189,206)
Operating income, net of provisions for loan losses, interest and commissions	430,148	139,340	206,128	131,578	50,241	29,222	(17,817)	968,840
Total operating expenses	(297,296)	(70,770)	(92,865)	(57,966)	(21,520)	(18,623)	(22,583)	(581,623)
Operational Income by Segment(2)	132,852	68,570	113,263	73,612	28,721	10,599	(40,400)	387,217

(1) Includes trading and investment income, net and foreign exchange loss, net.
(2) The breakdown of consolidated operating income shown is used for internal reporting, planning and marketing purposes and is based on, among other things, our estimated funding cost and direct and indirect cost allocations. This breakdown may differ in some respects from breakdowns of our operating income for financial and regulatory purposes. See "Non-Banking Financial Services" for additional information with respect to the operations, assets, liabilities and income of our financial service subsidiaries.
(3) Our acquisition of City National Bank of Florida closed on October 16, 2015, and therefore only its results of operation from such date through December 31, 2015 are reflected in our consolidated results of operations for 2015.
(4) Income and expenses that, due to their nature, are not directly identified with or allocated to one of our specific segments.

Results of Operations for the Years Ended December 31, 2015 and 2016

This section presents consolidated and other financial and operating information as of and for December 31, 2015 and 2016. This information should be read in conjunction with, and is qualified in its entirety by reference to our audited consolidated financial statements appearing elsewhere in this Prospectus.

The following table sets forth the principal components of our net income for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
	2015	2016	2015/2016
	(in millions of Ch$)		% Change
Interest income	1,344,842	1,513,339	12.5%
Interest expense	(544,336)	(608,286)	11.7%
Net interest income	800,506	905,053	13.1%
Fee and commission income	304,289	344,507	13.2%
Fee and commission expense	(70,019)	(72,878)	4.1%
Net fee and commission income	234,270	271,629	15.9%
Trading and investment income, net	111,278	145,873	31.1%
Foreign exchange results, net	(19,378)	(65,609)	238.6%
Other operating income	31,370	28,376	(9.5)%
Provision for loan losses	(189,206)	(183,412)	(3.1)%
Operating income, net of provisions for loan losses, interest and commissions	968,840	1,101,910	13.7%
Staff costs	(304,611)	(372,631)	22.3%
Administrative expenses	(189,442)	(225,489)	19.0%
Depreciation and amortization	(43,450)	(55,108)	26.8%
Other operating expenses	(37,224)	(42,837)	15.1%
Impairment of property, plant and equipment and intangible assets	(6,896)	(92)	(98.7)%
Total operating expenses	(581,623)	(696,157)	19.7%
Total net operating income	387,217	405,753	4.8%
Share of profit/loss of investment accounted for using the equity method	13,495	19,136	41.8%
Income before income tax	400,712	424,889	6.0%
Income tax expense	(69,889)	(84,724)	21.2%
Consolidated net income from the year	330,823	340,165	2.8%

Net Interest Income

The following table sets forth information with respect to our net interest income and net interest margin for the periods ended December 31, 2015 and 2016.

	Year ended December 31,		
	2015	2016	2015/2016
	(in millions of Ch$)		% Change
Interest income	1,344,842	1,513,339	12.5%
Interest expense	(544,336)	(608,286)	11.7%
Net interest income	800,506	905,053	13.1%
Net interest margin(1)	4.1%	3.8%	(6.6)%

(1) Net interest margin is net interest income divided by monthly average interest-earning assets.

The following table sets forth the effects of the changes in monthly average volume of the net of interest-earning assets and interest-bearing liabilities and average nominal interest rates on our net interest income between December 31, 2015 and 2016.

	Year ended December 31,
	2015/2016
	(in millions of Ch$)
Due to changes in average volume of interest-earning assets and interest-bearing liabilities	99,668
Due to changes in average nominal interest rate	4,879
Net change	104,547

Our net interest income increased Ch$104,547 or 13.1%, from Ch$800,506 million for 2015 to Ch$905,053 million for 2016, primarily as a result of a 12.5% increase in our interest income. This increase in interest income was mainly attributable to a 21.1% increase in our average interest-earning assets due to the strong performance of our local loan portfolio and the consolidation of a full year of CNB's results in our consolidated financial statements. As a result of a drop in interest rates due to lower inflation and strong market competition, our net interest margin decreased from 4.1% in 2015 to 3.8% in 2016.

Interest Income

The following table sets forth information regarding our interest income and average interest-earning assets for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
	2015	2016	2015/2016(1)(2)
	(in millions of Ch$)		% Change
Interest income	1,344,842	1,513,339	12.5%
Average interest earning assets(1):			
Commercial loans	11,244,011	13,787,707	22.6%
Residential mortgage loans	3,800,603	4,677,434	23.1%
Consumer loans	2,150,877	2,480,649	15.3%
Loans and receivables to banks	245,626	208,275	(15.2)%
Total loans	17,441,117	21,154,065	21.3%
Investments	1,908,147	2,336,750	22.5%
Other assets	394,374	412,924	4.7%
Total average interest-earning assets	19,743,638	23,903,739	21.1%
Average nominal rates earned(1):			
Loans(2)	7.6%	6.8%	(10.4)%
Investments	0.4%	3.0%	758.7%
Other assets	4.1%	1.5%	(64.5)%
Average nominal rates earned	6.8%	6.3%	(7.1)%
Annual inflation rates	4.4%	2.7%	(38.6)%

(1) Average interest-earning and average nominal rates earned are determined on a monthly average basis.
(2) Includes loans and receivables to banks.

The following table sets forth the effects of the changes in average volume of interest-earning assets and average nominal interest rates on our interest income between the years ended December 31, 2015 and 2016.

	Year ended December 31,
	2015/2016
	(in millions of Ch$)
Due to changes in average volume of interest-earning assets	183,124
Due to changes in average nominal interest rate	(14,627)
Net change	168,497

Our interest income increased Ch$168.497 or 12.5% for 2016, from Ch$1,344,842 million for 2015 to Ch$1,513,339 million for 2016, primarily as a result of a 21.3% increase in our average net loan portfolio (net of allowances for loan losses) for 2016 over our average net loan portfolio for 2015 primarily attributable to a 22.6% increase in commercial loans, a 23.1% increase in residential mortgage loans and a 15.3% increase in consumer loans. This increase in our average loan portfolio net of allowances for loan losses was partially offset by a decrease in the average nominal interest rate in 2016 compared to 2015, due to lower inflation and strong market competition.

In an environment of low interest rates, high housing prices and a recently renewed tax reform, we continued to grow in volume in 2016 by implementing a successful commercial strategy, resulting in a growth rate that outperformed the industry. In the domestic market, Bci saw annual loan growth of 8.5% in 2016, well above the industry rate of 5.3%. This trend was reflected across our segments. Our commercial loans grew at a rate of 6.8% in 2016 compared to 2015, higher than the industry rate of 2.9%, mainly due to our focus on outreach to infrastructure and corporate customers as well as factoring. Our consumer loans grew at a rate of 10.5% in 2016 compared to 2015, outperforming the industry rate of 6.7%.

In addition, 2016 was our first year where the results of operations of CNB were fully consolidated for an entire year with our results of operations. Ch$120,972 million, or 70.8%, of the Ch$168,497 million increase in our interest income in 2016 compared to 2015, was primarily attributable to CNB's loan portfolio.

Interest Expense

The following table sets forth certain information concerning our interest expense and average interest-bearing liabilities for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
	2015	2016	2015/2016[(1)(2)]
	(in millions of Ch$)		% Change
Interest expense	(544,336)	(608,286)	11.7%
Average interest bearing liabilities[(1)]:			
Time deposits	9,515,688	10,800,620	13.5%
Savings accounts	49,529	50,190	1.3%
Central Bank of Chile borrowings	—	—	—
Obligations under agreements to repurchase	373,212	599,772	60.7%
Debt issued payable	3,677,138	3,998,062	8.7%
Other interest-bearing liabilities	1,618,926	2,199,959	35.9%
Total average interest bearing liabilities	15,234,493	17,648,603	15.8%
Average nominal rates paid(1):			
Deposits	2.9%	3.2%	8.4%
Debt issued	6.0%	5.1%	(15.6)%
Other interest bearing liabilities	2.1%	2.1%	1.2%
Average nominal rates paid	3.5%	3.4%	(3.5)%
Average real rates paid:	5.3%	(1.2)%	(122.6)%

(1) Average interest-bearing liabilities are determined on a monthly average basis.

(2) Calculated taking into account average interest-bearing liabilities determined on a monthly average basis.

The following table sets forth the effects of the changes in average volume of interest-bearing liabilities and average nominal interest rates on our interest expense between the years ended December 31, 2015 and 2016:

	Increase/(decrease)
	2015/2016
	(in millions of Ch$)
Due to changes in average volume of interest-bearing liabilities	83,456
Due to changes in average nominal interest rates	(19,506)
Net change	63,950

Our interest expense increased 11.7% for 2016, from Ch$544,336 million for 2015 to Ch$608,286 million for 2016, primarily as a result of:

- a 13.5% increase in average time deposit volume, which increased from Ch$9,515,688 million in 2015 to Ch$10,800,620 million in 2016; and

- a 35.9% increase in average other interest-bearing liabilities, from Ch$1,618,926 million for 2015 to Ch$2,199,959 million for 2016.

In addition, interest expense attributable to CNB increased 667.4%, from Ch$1,519 million for 2015 to Ch$11,657 million for 2016 (the first full year of consolidation of CNB's results of operations into our results of operations).

These increases were partially offset by a 3.5% decrease in the average interest rate of interest-bearing liabilities, from 3.5% in 2015 to 3.4% in 2016.

Net Fee and Commission Income

The following table sets forth information with respect to our net fee and commission income for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
	2015	2016	2015/2016
	(in millions of Ch$)		% Change
Fee and commission income	304,289	344,507	13.2%
Fee and commission expense	(70,019)	(72,878)	4.1%
Net fee and commission income	234,270	271,629	15.9%

Our net fee and commission income increased 15.9% in 2016, from Ch$234,270 million in 2015 to Ch$271,629 million in 2016, primarily as a result of a 13.2% increase in fee and commission income, which grew at a rate that exceeded the 4.1% increase in fee and commission expense. The increase in fee and commission income was primarily attributable to increases in commissions for management of mutual and investment funds, credit lines and overdrafts and insurance brokerage. Ch$16,314 million, or 43.7%, of our Ch$37,359 million increase in net fee and commission income for 2016 was attributable to CNB (2016 was the first full year of consolidation of CNB's results of operations into our results of operations).

Net fee and commission income represented 24.7% of our net operating income for 2016, compared to 24.2% in 2015.

Fee and Commission Income

The following table sets forth the principal components of our fee and commission income for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
	2015	2016	2015/2016
	(in millions of Ch$)		% Change
Commissions for credit lines and overdrafts	4,107	6,407	56.0%
Commissions for guarantees and letters of credit	20,311	20,991	3.3%
Commissions for administration of accounts	36,236	42,930	18.5%
Commissions for collection service fees	50,521	52,698	4.3%
Commissions for management of mutual and investment funds	47,544	58,778	23.6%
Commissions for credit card services	68,210	77,420	13.5%
Commissions for securities brokerage	9,197	5,607	(39.0)%
Commissions for insurance brokerage	35,504	42,234	19.0%
Other	32,659	37,442	14.6%
Total	304,289	344,507	13.2%

Our fee and commission income increased 13.2% for 2016, from Ch$304,289 million for 2015 to Ch$344,507 million for 2016, primarily as a result of:

- a 23.6% increase in commissions for management of mutual and investment funds, from Ch$47,544 million for 2015 to Ch$58,778 million for 2016, due to the increase in funds administered;

- a 56.0% increase in commissions for credit lines and overdrafts, from Ch$4,107 million for 2015 to Ch$6,407 million for 2016, due to the increase in the use of the lines; and

- a 19.0% increase in insurance brokerage, from Ch$35,504 million for 2015 to Ch$42,234 million for 2016, due to higher sales of general insurance and life insurance.

In addition, fee and commission income attributable to CNB increased 741.6% in 2016, from Ch$2,399 million in 2015 to Ch$20,189 million in 2016 (the first full year of consolidation of CNB's results of operations into our results of operations).

Fee and Commission Expense

The following table sets forth the principal components of our fee and commission expense for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
	2015	2016	2015/2016
	(in millions of Ch$)		% Change
Commissions for operations with credit cards	(35,539)	(38,180)	7.4%
Commissions on security trading	(16,526)	(12,561)	(24.0)%
Other commissions	(17,954)	(22,137)	23.3%
Total	(70,019)	(72,878)	4.1%

Our fee and commission expense increased 4.1% for 2016, from Ch$70,019 million for 2015 to Ch$72,878 million for 2016, primarily as a result of a 23.3% increase in other commissions and expenses, attributable mainly to:

- an increase in exchange points for our credit card loyalty program through our alliance with American

Airlines that has been in place since the end of 2015, and an increase in credit card use; and

- an increase in fees relating to our derivative instruments.

This increase in fee and commission expenses was partially offset by a 24.0% decrease in commissions on security trading in 2016 compared to 2015, primarily attributable to an adjustment in transaction fees between financial institutions.

In addition, fee and commission expense attributable to CNB increased 529% in 2016, from Ch$279 million in 2015 to Ch$1,755 million in 2016 (the first full year of consolidation of CNB's results of operations into our results of operations).

Trading and Investment Income (Loss), Net

The following table sets forth information with respect to our net trading and investment income for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
	2015	2016	2015/2016
	(in millions of Ch$)		% Change
Trading instruments	83,154	78,409	(5.7)%
Derivative financial agreements	27,867	58,826	111.1%
Sale of investments available for sale (realized gain)	80	6,120	7550.0%
Other	177	2,518	1322.6%
Total	111,278	145,873	31.1%

Our net trading and investment income consists of net gains from trading and fair value adjustments. Our net trading and investment income increased 31.1% in 2016, from Ch$111,278 million in 2015 to Ch$145,873 million in 2016, primarily as a result of a Ch$30,959 million increase in fair value adjustment from derivative financial agreements and a Ch$6,040 million increase in realized gain from sale of available for sale investments in 2016, which were partially offset by a Ch$4,745 million decrease in income from trading instruments.

The Ch$30,959 million increase in fair value adjustment from derivative financial agreements was primarily attributable to the implementation of our new option strategy for 2016. The Ch$6,040 million increase in realized gain from sale of available-for-sale investments in 2016 was primarily attributable to the effect of CNB in 2016 (the first full year of consolidation of CNB's results of operations into our results of operations) compared to 2015.

The Ch$4,745 million decrease in income from trading instruments in 2016 was primarily attributable to lower indexation income for instruments issued by the Central Bank of Chile and the General Treasury of the Republic, due to a 1.7% decrease in inflation for 2016 compared to the previous year, resulting in a decrease in indexation income, which had a negative impact on the interest earned on the portion of these instruments linked to inflation. That decrease was partially offset by an increase in 2016 in the same trading instruments indexed to the UFs as a result of their mark-to-market in 2016 compared to the previous year, which mark-to-market adjustment at the end of the year had a positive impact due to expectations of a drop in the monetary policy rate.

Foreign Exchange Results, Net

The following table sets forth information with respect to our net foreign exchange results for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
	2015	2016	2015/2016
	(in millions of Ch$)		% Change
(Loss) from exchange differences	(161,350)	(6,914)	95.7%
Foreign currency indexation(1)	141,972	(58,695)	(141.3)%
Total	(19,378)	(65,609)	(238.6)%

(1) Foreign currency indexation includes the sum of net results for assets and liabilities denominated in foreign currency and hedge accounting results.

Our net foreign exchange results decreased 238.6% in 2016, from a loss of Ch$19,378 million in 2015 to a loss of Ch$65,609 million in 2016. This decrease was primarily attributable to a 141.3% negative change relating to foreign currency indexation, from a Ch$141,972 million positive result in 2015 to a Ch$58,695 million negative result in 2016, mainly driven by changes in Chilean monetary policy, which caused the Chilean peso to depreciate and later appreciate against the U.S. dollar with respect to assets denominated in foreign currency. This decrease was partially offset by an improvement in our loss from exchange differences in 2016, which decreased 95.7%, from a loss of Ch$161,350 million in 2015 to a loss of Ch$6,914 million in 2016, mainly as a result of a 5.7% appreciation of the Chilean peso against the U.S. dollar in 2016 compared to a 17% depreciation of the Chilean peso against the U.S. dollar in 2015, which resulted in recognizing Ch$7,684 in 2016 compared to Ch$30,874 million in 2015 as net results for assets and liabilities in foreign currency.

Other Operating Income

The following table sets forth the components of our other operating income for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
	2015	2016	2015/2016
	(in millions of Ch$)		% Change
Gain on sale of assets received in lieu of payments	4,224	2,610	(38.2)%
Provision for country risk	274	771	181.4%
Other	26,872	24,995	(7.0)%
Total	31,370	28,376	(9.5)%

Our other operating income, net decreased 9.5% in 2016, from Ch$31,370 million in 2015 to Ch$28,376 million in 2016, primarily due to a 7.0% decrease in "Other" income in 2016. This decrease was partially offset by a Ch$3,483 million increase in operating income from CNB in 2016 (the first full year of consolidation of CNB's results of operations into our results of operations) compared to 2015.

Provision for Loan Losses

Chilean banks are required to maintain allowances to cover possible credit losses in an amount at least equal to their loans to customers multiplied by their risk index. The risk index is derived from our classification of our portfolio according to objective criteria relating to the performance of the loans or, in the case of commercial loans, our estimate of the likelihood of default. The amount of provisions charged to income in any period consists of provisions for loan losses including direct charge-offs against income (equal to the portion of loans charged off that is not covered by a reserve at the time of charge-off).

The following table sets forth information for our allowances for loan losses and their principal components, provision for loan losses and charge-offs, for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
	2015	**2016**	**2015/2016**
	(in millions of Ch$)		% Change
Provisions:			
Allowances for loan losses at beginning of period	342,596	364,452	6.4%
Provisions established for loan losses, net of provisions released	228,478	206,920	(9.4)%
Bci Financial Group (net changes)	27,700	770	(97.2)%
Applied provision	–	–	–
Charge-offs:			
Charge-offs against reserves	(234,322)	(202,476)	(13.6)%
Allowance for loan losses at end of the period	364,452	369,666	1.4%
Other asset quality data:			
Total loans	20,134,981	22,324,012	10.9%
Consolidated risk index (%)(1)	1.81%	1.66%	(8.5)%
Additional voluntary provision	76,754	64,068	(16.5)%
Allowance for loan losses including additional voluntary provision (presented as a liability)	441,206	433,734	(1.7)%
Allowance for loan losses (including additional voluntary provision (presented as a liability) as a percentage of total loans	2.19%	1.94%	(11.3)%

(1) The risk index of our loan portfolio is calculated as allowances for loan losses as a percentage of total loans.

Our allowances (including additional voluntary allowances) decreased 1.7% for 2016, from Ch$441,206 million for 2015 to Ch$433,734 million for 2016, primarily as a result of an 8.5% decrease in our consolidated risk index based on improvement in the management of risk in our commercial loans portfolio.

Our additional voluntary provisions decreased 16.5% for 2016, from Ch$76,754 million for 2015 to Ch$64,068 million for 2016, primarily as a result of the release of additional voluntary provisions in connection with our implementation of the new mortgage loan regulations implemented by the SBIF on January 1, 2016.

As a result, our allowance for loan losses as a percentage of total loans, or risk index, (including CNB) decreased from 2.19% for 2015 to 1.94% for 2016. If we exclude CNB from our calculation, our risk index was 2.18% for 2016.

Operating Expenses

The following table sets forth the principal components of our operating expenses for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
	2015	2016	2015/2016
	(in millions of Ch$)		% Change
Staff costs	(304,611)	(372,631)	22.3%
Administrative expenses	(189,442)	(225,489)	19.0%
Depreciation and amortization	(43,450)	(55,108)	26.8%
Other operating expenses	(37,224)	(42,837)	15.1%
Impairment of property, plant and equipment and intangible assets	(6,896)	(92)	(98.7)%
Total operating expenses	(581,623)	(696,157)	19.7%
Efficiency ratio(1)	50.22%	54.16%	7.8%

(1) Operating expenses as a percentage of net operating income.

Our operating expenses increased 19.7% in 2016, from Ch$581,623 million for 2015 to Ch$696,153 million for 2016, primarily as a result of a Ch$68,020 million, or 22.3%, increase in staff costs due to the additional bonuses paid to employees for 2016 in comparison to 2015, as well as improvements in the non-monetary benefits package we offered to our employees in 2016. Another contributing factor was the 26.8% increase in depreciation and amortization for 2016, due to the amortization throughout the year of intangibles generated by our acquisition of CNB.

Our efficiency ratio (operating expenses as a percentage of net operating income) increased from 50.22% in 2015 to 54.16 % in 2016, primarily as a result of an increase in employee salaries and increased investment in our digital transformation program aimed at improving our customers' digital banking experience.

Income Tax

Law No. 20,780, enacted and published in the Official Gazette of Chile in September 2014, as amended by Law No. 20,899, introduced certain amendments to Chilean income tax law that impact the calculation of our income tax. Article 14 of the Income Tax Law (Law Decree No. 824), as amended by Law No. 20,780 and Law No. 20,899, establishes two alternative systems of taxation for taxpayers obliged to declare their actual income determined under full accounting records: the Attributed System and the Partially Integrated System. See "Risk Factors—Risks Relating to Chile—Changes in Chilean tax laws may increase our tax burden and adversely affect our profitability" for a description of such taxation systems. Since Bci is a stock corporation *(sociedad anónima),* we are subject to the Partially Integrated System.

The following table sets forth our income before income tax and effective tax rate for 2015 and 2016:

	Year ended December 31,		
	2015	2016	2015/2016
	(in millions of Ch$)		% Change
Income before income tax	400,712	424,889	6.0%
Income tax expense	(69,889)	(84,724)	21.2%
Effective tax rate(1)	17.4%	19.9%	14.33%

(1) Effective tax rate is equal to income tax divided by net income before income tax.

The increase in tax expense for 2016 as compared to 2015, is mainly due to a 1.5% increase in the Chilean effective statutory income tax rate (from 22.5% for 2015 to 24% for 2016). Our higher tax rate for 2016 is also due to the fact that, in 2016, Bci consolidated CNB into its business for a full 12 months, whereas in 2015 only one quarter was consolidated, resulting in a higher profit before tax (Ch$11,014 million for 2015 and Ch$85,723 million for 2016), and consequently a higher income tax (Ch$2,501 million for 2015 and Ch$29,797 million for 2016). This second factor generates a significant deviation in the effective rate, given the fact that the U.S. effective statutory income tax rate (35% federal and 5% state, a net rate of 38.575%) is higher than the current rate in Chile (22.5% for 2015 and 24% for 2016).

Net Income

As a result of the foregoing factors, our net income increased 2.8% for 2016, from Ch$330,823 million for 2015 to Ch$340,165 million for 2016.

Results of Operations for the Years Ended December 31, 2014 and 2015

This section presents consolidated and other financial and operating information as of and for December 31, 2014 and 2015. This information should be read in conjunction with, and is qualified in its entirety by reference to our audited consolidated financial statements appearing elsewhere in this Prospectus.

The following table sets forth the principal components of our net income for the years ended December 31, 2014 and 2015:

	Year ended December 31,		
	2014	2015	2014/2015
	(in millions of Ch$)		% Change
Interest income	1,324,982	1,344,842	1.5%
Interest expense	(557,003)	(544,336)	(2.3)%
Net interest income	767,979	800,506	4.2%
Fee and commission income	270,492	304,289	12.5%
Fee and commission expense	(58,279)	(70,019)	20.1%
Net fee and commission income	212,213	234,270	10.4%
Trading and investment income, net	139,934	111,278	(20.5)%
Foreign exchange results, net	(38,726)	(19,378)	(50)%
Other operating income	30,887	31,370	1.6%
Provision for loan losses	(195,310)	(189,206)	(3.1)%
Operating income, net of provisions for loan losses, interest and commissions	916,977	968,840	5.7%
Staff costs	(276,646)	(304,611)	10.1%
Administrative expenses	(163,748)	(189,442)	15.7%
Depreciation and amortization	(40,860)	(43,450)	6.30%
Other operating expenses	(31,769)	(37,224)	17.2%
Impairment of property plant and equipment and intangible assets	(84)	(6,896)	8,109.5%
Total operating expenses	(513,107)	(581,623)	13.4%
Total net operating income	403,870	387,217	(4.1)%
Share of profit/loss of investment accounted for using the equity method	10,102	13,495	33.6%
Income before income tax	413,972	400,712	(3.2)%
Income tax expenses	(71,000)	(69,889)	(1.6)%
Net income from continuing operations	342,972	330,823	(3.5)%

Net Interest Income

The following table sets forth information with respect to our net interest income and net interest margin for the periods ended December 31, 2014 and 2015.

	Year ended December 31,		
	2014	2015	2014/2015
	(in millions of Ch$)		% Change
Interest income	1,324,982	1,344,842	1.5%
Interest expense	(557,003)	(544,336)	(2.3)%
Net interest income	767,979	800,506	4.2%
Net interest margin[1]	4.4%	4.1%	(10.6)%

(1) Net interest margin is net interest income divided by monthly average interest earning assets.

The following table sets forth the effects of the changes in monthly average volume of interest-earning assets and interest-bearing liabilities and average nominal interest rates on our net interest income between December 31, 2014 and 2015.

	Year ended December 31, 2014/2015
	(in millions of Ch$)
Due to changes in average volume of interest-earning assets and interest-bearing liabilities	133,666
Due to changes in average nominal interest rate	(101,139)
Net change	32,527

Our net interest income for 2015 increased 4.2%, from Ch$767,979 million for 2014 to Ch$800,506 million for 2015, primarily as a result of a 16.6% increase in our average interest-earning assets relative to a 12.9% increase in our interest-bearing liabilities, partially offset by a 13.0% decrease in average nominal interest rates, from 7.8% in 2014 to 6.8% in 2015. Our net interest margin decreased 10.6% in 2015, from 4.4% in 2014 to 4.1% in 2015, primarily as a result of the decrease in the interest generated by time deposits in Chilean pesos due to a decrease in interest rates, from 4.5% in 2014 to 3.8% in 2015.

Interest Income

The following table sets forth information regarding our interest income and average interest-earning assets for the years ended December 31, 2014 and 2015:

	Year ended December 31,		
	2014	2015	2014/2015
	(in millions of Ch$)		% Change
Interest income	1,324,982	1,344,842	1.5%
Average interest earning assets(1):			
Commercial loans	10,052,964	11,244,011	11.8%
Residential mortgage loans	3,073,659	3,800,603	23.7%
Consumer loans	1,840,035	2,150,877	16.9%
Loans and receivables to banks	194,771	245,626	26.1%
Total loans	15,161,429	17,441,117	15.0%
Investments	1,478,928	1,908,147	29.0%
Other assets	289,372	394,374	36.3%
Total average interest-earning assets	16,929,729	19,743,638	16.6%
Average nominal rates earned(1):			
Loans(2)	8.8%	7.6%	(13.9)%
Investments	(0.9)%	0.4%	141.6%
Other assets	0.8%	4.1%	406.0%
Average nominal rates earned	7.8%	6.8%	12.8%
Annual inflation rates	4.6%	4.4%	(4.3)%

(1) Average interest-earning and average nominal rates earned are determined on a monthly average basis.
(2) Includes loans and receivables to banks.

The following table sets forth the effects of the changes in average volume of interest-earning assets and average nominal interest rates on our interest income between the years ended December 31, 2014 and 2015.

	Year ended December 31,
	2014/2015
	(in millions of Ch$)
Due to changes in average volume of interest-earning assets	212,869
Due to changes in average nominal interest rate	(193,009)
Net change	19,860

Our interest income increased 1.5% in 2015, from Ch$1,324,982 million in 2014 to Ch$1,344,842 million in 2015, primarily as a result of a 15.0% increase in our average net loan portfolio in 2015 compared to 2014, mainly due to a 23.7% increase in average residential mortgage loans attributable to our acquisition of City National Bank of Florida in October 2015, partially offset by a 13.0% decrease in the average nominal rate earned by loans.

Interest Expense

The following table sets forth certain information concerning our interest expense and average interest-bearing liabilities for the years ended December 31, 2014 and 2015:

	Year ended December 31,		
	2014	**2015**	**2014/2015**
	(in millions of Ch$)		% Change
Interest expense	(557,003)	(544,336)	(2.3)%
Average interest bearing liabilities(3):			
Time deposits	8,528,163	9,515,688	11.6%
Savings accounts	48,531	49,529	2.1%
Central Bank of Chile borrowings	979	—	(100)%
Obligations under agreements to repurchase	361,792	373,212	3.2%
Debt issued payable	3,098,901	3,677,138	18.7%
Other interest-bearing liabilities	1,451,719	1,618,926	11.5%
Total average interest bearing liabilities	13,490,085	15,234,493	12.9%
Average nominal rates paid(4):			
Deposits	3.7%	2.9%	(20.9)%
Debt issued	7.4%	6.0%	(18.7)%
Other interest bearing liabilities	1.9%	2.1%	359.5%
Average nominal rates paid	4.3%	3.5%	(13.5)%
Average real rates paid:	4.7%	5.3%	17.6%

(1) Average interest-bearing liabilities is determined on a monthly average basis.
(2) Calculated taking into account average interest-bearing liabilities determined on a monthly average basis.

The following table sets forth the effects of the changes in average volume of interest-bearing liabilities and average nominal interest rates on our interest expense between the years ended December 31, 2014 and 2015:

	Increase/(decrease)
	2014/2015
	(in millions of Ch$)
Due to changes in average volume of interest-bearing liabilities	79,203
Due to changes in average nominal interest rates	(91,870)
Net change	(12,667)

Our interest expense decreased 2.3% in 2015, from Ch$557,003 million in 2014 to Ch$544,336 million in 2015, primarily due to lower interest rates in the UF denominated bonds in 2015 relative to 2014, partially offset by increase in the volume of UF bonds in the last quarter of 2015.

Net Fee and Commission Income

The following table sets forth information with respect to our net fee and commission income for the years ended December 31, 2014 and 2015:

	Year ended December 31,		
	2014	2015	2014/2015
	(in millions of Ch$)		% Change
Fee and commission income	270,492	304,289	12.5%
Fee and commission expense	(58,279)	(70,019)	20.1%
Net fee and commission income	212,213	234,270	10.4%

Our net fee and commission income increased 10.4% in 2015, from Ch$212,213 million in 2014 to Ch$234,270 million in 2015, primarily as a result of a 12.5% increase in our fee and commission income in 2015 compared to 2014, partially offset by the increase in our fee and commission expense in 2015 compared to 2014.

Net fee and commission income represented 24.2% of our net operating income in 2015, compared to 23.1% in 2014, primarily as a result of an increase in fees earned from credit card and securities brokerage in 2015 compared to 2014.

Fee and Commission Income

The following table sets forth the principal components of our fee and commission income for the years ended December 31, 2014 and 2015:

	Year ended December 31,		
	2014	2015	2014/2015
	(in millions of Ch$)		% Change
Commissions for credit lines and overdrafts	19,464	4,107	(78.9)%
Commissions for guarantees and letters of credit	19,371	20,311	4.9%
Commissions for administration of accounts	33,714	36,236	7.5%
Commissions for collection service fees	44,237	50,521	14.2%
Commissions for management of mutual and investment funds	40,359	47,544	17.8%
Commissions for credit card services	49,723	68,210	37.2%
Commissions for securities brokerage	3,510	9,197	162.0%
Commissions for insurance brokerage	32,212	35,504	10.2%
Other	27,902	32,659	17.0%
Total	270,492	304,289	12.5%

Our fee and commission income increased Ch$33,797 million, or 12.5%, in 2015, from Ch$270,492 million in 2014 to Ch$304,289 million in year ended December 31, 2015, primarily as a result of:

- a 37.2% increase in credit card fees, from Ch$49,723 million in 2014 to Ch$68,210 million in 2015; and
- a 162.0% increase in securities brokerage fees in 2015 from Ch$3,510 million in 2014 to Ch$9,197 million in 2015.

This increase was partially offset by a 78.9% decrease in fees earned from lines of credit and overdraft charges, from Ch$19,464 million in 2014 to Ch$4,107 million in 2015 as a result of a decision to stop charging some fees related to emergency line overdraft.

Fee and Commission Expense

The following table sets forth the principal components of our fee and commission expense for the years ended December 31, 2014 and 2015:

	Year ended December 31,		
	2014	2015	2014/2015
	(in millions of Ch$)		% Change
Commissions for operations with credit cards	(29,299)	(35,539)	21.3%
Commissions on security trading	(13,740)	(16,526)	20.3%
Other commissions	(15,240)	(17,954)	17.8%
Total	(58,279)	(70,019)	20.1%

Our fee and commission expense increased 20.1% in 2015, from Ch$58,279 million in 2014 to Ch$70,019 million in 2015, primarily due to a 21.3% increase in credit card operating expenses, which increased from Ch$29,299 million in 2014 to Ch$35,539 million in 2015, principally as a result of an increase in expenses for loyalty points charged.

Trading and Investment Income, Net

The following table sets forth information with respect to our net trading and investment income for the years ended December 31, 2014 and 2015:

	Year ended December 31,		
	2014	2015	2014/2015
	(in millions of Ch$)		% Change
Trading instruments	107,793	83,154	(22.9)%
Derivative financial agreements	16,533	27,867	68.6%
Sale of investments available for sale (realized gain)	12,148	80	(99.3)%
Other	3,460	177	(94.9)%
Total	139,934	111,278	(20.5)%

Our trading and investment income, net consists of net gains and losses from trading and fair value adjustments. Our trading and investment income decreased 20.5% in 2015 compared to 2014, from a gain of Ch$139,934 million in 2014 to a gain of Ch$111,278 million in 2015, primarily as a result of a 22.9% decrease in income from trading portfolio financial assets, from Ch$107,793 million in 2014 to Ch$83,154 million in 2015, as a result of our decision to sell certain financial assets (primarily corporate bonds) with the goal of decreasing our exposure to potential interest rate increases, and a 99.3% decrease in income from sales of financial investments available for sale, from a gain of Ch$12,148 million in 2014 to a gain of Ch$80 million in 2015 in connection with our sales of corporate bonds at lower prices in 2015 driven by our intent to reduce our exposure to increased risk in Latin America.

Foreign Exchange Results, Net

The following table sets forth information with respect to our net foreign exchange results for the years ended December 31, 2014 and 2015:

	Year ended December 31,		
	2014	2015	2014/2015
	(in millions of Ch$)		% Change
(Loss) from exchange differences	(72,903)	(161,350)	121.3%
Foreign currency indexation[1]	34,177	141,972	315.4%
Total	(38,726)	(19,378)	(50.0)%

(1) Foreign currency indexation includes the sum of net results for assets and liabilities denominated in foreign currency and hedge accounting results.

Our foreign exchange loss, net decreased 50.0% in 2015, from a loss of Ch$38,726 million in 2014 to a loss of Ch$19,378 million in 2015, primarily as a result of the 315.5% increase in foreign currency indexation, from Ch$34,177 million in 2014 to Ch$141,972 million in 2015, due to the 17% appreciation of the U.S. dollar against the Chilean peso in 2015 and its impact on our foreign currency loans, in particular on our commercial leasing transactions. This decrease in our foreign exchange loss was partially offset by a 121.3% increase in our loss from exchange differences, from Ch$72,903 million in 2014 to Ch$161,350 million in 2015, due to the appreciation of the U.S. dollar against the Chilean peso and its effect on our foreign exchange liabilities (primarily debt issued), together with the results of our hedge accounting strategies.

Other Operating Income

The following table sets forth the components of our other operating income, net for the years ended December 31, 2014 and 2015:

	Year ended December 31,		
	2014	2015	2014/2015
	(in millions of Ch$)		% Change
Gain on sale of assets received in lieu of payments	5,354	4,224	(21.1)%
Provision for country risk	–	274	100%
Other	25,533	26,872	5.2%
Total	30,887	31,370	1.6%

Our other operating income, net increased 1.6% in 2015, from Ch$30,887 million in 2014 to Ch$31,370 million in 2015, primarily due to a 5.2% increase in "Other" income in 2015 that includes income from the release of provisions for contingencies, from Ch$25,533 million in 2014 to Ch$26,872 million in 2015, partially offset by a 21.1% decrease in income from assets received in payment in 2015 compared to 2014.

Provision for Loan Losses

Chilean banks are required to maintain allowances to cover possible credit losses in an amount at least equal to their loans to customers multiplied by their risk index. The risk index is derived from our classification of our portfolio according to objective criteria relating to the performance of the loans or, in the case of commercial loans, our estimate of the likelihood of default. The amount of provisions charged to income in any period consists of net provisions for expected loan losses and direct charge-offs against income (equal to the portion of loans charged off that is not covered by a required reserve at the time of charge-off).

The following table sets forth information for our allowances for loan losses and their principal components, provision for loan losses and charge-offs, for the years ended December 31, 2014 and 2015:

	Year ended December 31,		
	2014	2015	2014/2015
	(in millions of Ch$)		% Change
Provisions:			
Allowances for loan losses at beginning of period	334,247	342,596	2.5%
Provisions established for loan losses, net of provisions released	204,224	228,478	11.9%
Bci Financial Group (net changes)	–	27,700	100%
Applied provision	–	–	–
Charge-offs:	–	–	–
Charge-offs against reserves	(195,875)	(234,322)	19.6%
Allowance for loan losses at end of the period	342,596	364,452	6.4%
Other asset quality data:			
Total loans	15,773,528	20,134,981	27.7%
Consolidated risk index (%)(1)	2.17%	1.81%	(16.7)%
Additional voluntary provision	57,754	76,754	32.9%
Allowance for loan losses including additional voluntary provision (recorded as a liability)	400,350	441,206	10.2%
Allowance for loan losses (including additional voluntary provision (recorded as a liability)) as a percentage of total loans	2.54%	2.19%	(13.7)%

(1) The risk index of our loan portfolio is calculated as allowances for loan losses as a percentage of total loans.

Our allowance for loan losses including additional voluntary allowances increased 10.2% in 2015, from Ch$400,350 million in 2014 to Ch$441,206 million in 2015.

Our provisions established for loan losses, net of provisions released increased 11.9% in 2015, from Ch$204,224 million in 2014 to Ch$228,478 million in 2015. The increase in our provision for loan losses for 2015 was primarily attributable to an Ch$27,700 million increase in provisions corresponding to City National Bank of Florida (collective allowances) acquired in October 2015 (see footnotes 1 and 2 to table in "Our Acquisition of City National Bank of Florida—Summary Consolidated Financial Information of City National Bank of Florida").

Our additional voluntary allowances for loan losses increased 32.9% in 2015, from Ch$57,754 million in 2014 to Ch$76,754 million in 2015, primarily as a result of provisions established for regulatory changes in the methodology of mortgage loans provisioning, which will come into effect in 2016.

Operating Expenses

The following table sets forth the principal components of our operating expenses for the years ended December 31, 2014 and 2015:

	Year ended December 31,		
	2014	2015	2014/2015
	(in millions of Ch$)		% Change
Staff costs	(276,646)	(304,611)	10.1%
Administrative expenses	(163,748)	(189,442)	15.7%
Depreciation and amortization	(40,860)	(43,450)	6.3%
Other operating expenses	(31,769)	(37,224)	17.2%
Impairment of property, plant and equipment and intangible assets	(84)	(6,896)	8,109.54%
Total operating expenses	(513,107)	(581,623)	13.4%
Efficiency ratio(1)	46.13%	50.22%	(8.9)%

(1) Operating expenses as a percentage of net operating income.

Our operating expenses increased 13.4% in 2015, from Ch$513,107 million in 2014 to Ch$581,623 million in 2015, primarily as a result of a Ch$27,965 million, or 10.1%, increase in staff costs due to the additional bonuses paid to employees in 2015 in comparison to 2014. Our operating expenses also increased due to an increase of Ch$25,694 million, or 15.7%, in administrative expenses, from Ch$163,748 million in 2014 to Ch$189,442 million in 2015, due to an increase in the rent of offices, IT and communication expenses and auditor expenses.

Our efficiency ratio (operating expenses as a percentage of net operating income) increased from 46.13% in 2014 to 50.22% in 2015, primarily as a result of the fact that our operating income before provisions increased 4.1% while our operating expenses increased 13.4% in 2015.

Income Tax Expenses

Law No. 20,780, enacted in September 2014, as amended, introduced certain amendments to Chilean income tax law that impact the calculation of our income tax. Article 1 of Law 20,780 establishes two alternative systems of taxation for taxpayers obliged to declare their actual income as full accounting income: the Attributed System and the Partially Integrated System. See “Risk Factors—Risks Relating to Chile—Changes in Chilean tax laws may increase our tax burden and adversely affect our profitability” for a description of such taxation systems. Since Bci is a corporation, we are required to use the Partially Integrated System. The following table sets forth our income before income tax and effective tax rate for 2014 and 2015:

	Year ended December 31,		
	2014	**2015**	**2014/2015**
	(in millions of Ch$)		% Change
Income before income tax	413,972	400,712	(3.2)%
Income tax expenses	(71,000)	(69,889)	(1.6)%
Effective tax rate(1)	17.2%	17.4%	1.69%

(1) Effective tax rate is equal to income tax divided by net income before income tax.

Our income tax expenses increased 1.6% during 2015 compared to 2014, primarily as a result of an increase in applicable tax rate from 21% in 2014 to 22.5% in 2015 and the impact of non-deductible expenses in 2015 that resulted in an increase in our effective tax rate from 17.2% in 2014 to 17.4% in 2015.

Net Income

As a result of the foregoing factors, our net income decreased 3.5% in 2015, from Ch$342,972 million in 2014 to Ch$330,823 million in 2015.

Liquidity and Capital Resources

Sources of Liquidity

Our liquidity depends upon our capital, reserves and financial investments, including investments in government securities. To cover any liquidity shortfalls and to augment our liquidity position, we have established lines of credit with foreign and domestic banks and also have access to Central Bank of Chile borrowings.

The following table sets forth our financial obligations by time remaining to maturity. At December 31, 2016, the scheduled maturities of our financial obligations on an accrued basis, were as follows:

	up to 1 year	1 to 5 years	Over 5 years	Total
		(in millions of Ch$)		
Current accounts and demand deposits	8,194,263	—	—	8,194,263
Items in course of collection	132,507	—	—	132,507
Liabilities under agreements to purchase	799,844	—	—	799,844
Time deposits and savings accounts	9,616,891	338,755	2,042	9,957,688
Derivative financial agreements	479,285	489,225	451,576	1,420,086
Borrowings from financial institutions	1,390,360	258,404	—	1,648,764
Debt issued	619,902	1,576,034	2,202,494	4,398,430
Other financial liabilities	917,814	33,336	2,096	953,246
Total liabilities	22,150,866	2,695,754	2,658,208	27,504,828

Capital and Reserves

We currently have regulatory capital in excess of the minimum requirement under the current Chilean regulations. According to the General Banking Law, a bank must have regulatory capital of at least 8.0% of its risk-weighted assets, net of required loan loss allowances, and paid-in capital and reserves (*i.e*., the basic capital) of at least 3.0% of its total assets, net of required loan loss allowances. For these purposes, the regulatory capital of a bank is the sum of (1) the bank's basic capital, (2) subordinated bonds issued by the bank valued at their placement price for an amount up to 50% of its basic capital; provided that the value of the bonds shall decrease by 20% for each year that elapses during the period commencing six years prior to their maturity, and (3) its contingency allowances for loan losses, for an amount of up to 1.25% of its risk-weighted assets. When calculating risk-weighted assets, we also include off-balance sheet contingent loans. For purposes of weighing the risk of a bank's assets, the General Banking Law considers five different categories of assets, based on the nature of the issuer, the availability of funds, and the nature of the assets and the existence of collateral securing such assets.

Circular No. 3,410 issued by the Superintendency of Banks, which became effective on January 1, 2008, prescribed new accounting formats for financial statements. Among the changes introduced was the inclusion of a provision for mandatory dividends in shareholders' equity equivalent to 30% of the period net income attributable to shareholders. Another change is that period net income is included when calculating the bank's regulatory capital ratio. Previously, period net income was not included as regulatory capital.

The following table sets forth our regulatory capital at the dates indicated. See Note 24 g) to our audited consolidated financial statements appearing elsewhere in this Prospectus for a description of the minimum capital requirements.

	As of December 31,		
	2014	2015	2016
	(in millions of Ch$, except percentages)		
Basic capital	1,800,963	2,000,287	2,518,257
3% of total assets	(751,315)	(949,035)	(1,000,767)
Excess over minimum required basic capital	1,049,649	1,051,252	1,517,490
Basic capital as a % of total assets	7.2%	6.3%	7.5%
Regulatory capital	2,513,953	2,832,980	3,344,119
Risk-weighted assets	18,243,036	23,643,216	24,939,152
8% of risk-weighted assets	(1,459,443)	(1,891,457)	(1,995,132)
Excess over minimum required regulatory capital	1,054,510	941,523	1,348,987
Regulatory capital as a % of 8% of risk-weighted assets	172.3%	149.8%	167.6%
Regulatory capital as a % of risk-weighted assets	13.8%	11.98%	13.41%

We must calculate the credit risk involved on all derivatives contracted over-the-counter with a net asset position and this is included as a risk-weighted asset. On January 30, 2009, the Superintendency of Banks issued Circular No. 3,465 that modified the guidelines for risk-weighting derivatives. Since April 2009, if we have a net liability in a derivative position and if this derivative, under certain stress and volatility measures, becomes a net asset position, then we must also include this derivative as a risk-weighted asset.

The current economic climate has affected the access of Chilean banks to foreign borrowings. The providers of this funding were mainly European and U.S. banks which have restricted their interbank lending. We use such funds to match and finance our foreign trade lending. In response, we have revised our use of local sources of liquidity and overnight dollar deposits in U.S. banks.

Liquidity Management

Liquidity management seeks to ensure that, even under adverse conditions, we have access to the funds necessary to cover client needs, maturing liabilities and capital requirements. Liquidity risk arises in the general funding for our financing, trading and investment activities. It includes the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, the risk of being unable to liquidate a position in a timely manner at a reasonable price and the risk that we will be required to repay liabilities earlier than anticipated.

Our general policy is to maintain liquidity adequate to ensure our ability to honor withdrawals of deposits, make repayments of other liabilities at maturity, extend loans and meet our own working capital needs. Our minimum amount of liquidity is determined by the statutory reserve requirements of the Central Bank of Chile. Deposits are subject to a statutory reserve requirement of 9.0% for demand deposits and 3.6% for Chilean peso, UF-denominated and foreign currency-denominated time deposits with a term of less than a year. See "Regulation and Supervision—The Banking System—Reserve Requirements." The Central Bank of Chile has statutory authority to increase these percentages to up to 40.0% for demand deposits and up to 20.0% for time deposits. In addition, a 100% special reserve (*reserva técnica*) applies to demand deposits, deposits in checking accounts, other demand deposits received or obligations payable on sight and incurred in the ordinary course of business, other than deposits unconditionally payable immediately or within a term of less than 30 days and other time deposits payable within 10 days. This special reserve requirement applies to the amount by which the total of such deposits exceeds 2.5 times the amount of a bank's regulatory capital. Loans and receivables to banks are deemed to have a maturity of more than 30 days, even if payable within the following 10 days.

The Central Bank of Chile also requires us to comply with the following liquidity limits:

- Our total liabilities with maturities of less than 30 days cannot exceed our total assets with maturities of less than 30 days by an amount greater than our capital. This limit must be calculated in local currency and foreign currencies together as one gap.

- Our total liabilities with maturities of less than 90 days cannot exceed our total assets with maturities of less than 90 days by more than twice of our capital. This limit must be calculated in local currency and foreign currencies together as one gap.

We have set other liquidity limits and ratios that help manage liquidity risk. See "Quantitative and Qualitative Disclosures About Market Risk."

Cash Flow Information

No legal or economic restrictions exist on the ability of subsidiaries to transfer funds to us in the form of loans or cash dividends as long as these subsidiaries abide by the regulations of the *Ley de Sociedades Anónimas* (Chilean Corporations Law) regarding loans to related parties and minimum dividend payments. U.S. federal banking law imposes restrictions on Bci and certain of its affiliates from borrowing from CNB, unless certain requirements are satisfied. U.S. federal banking law also imposes limitations on the payment of dividends by CNB. In addition to dividend restrictions set forth in statutes and regulations, the OCC may prohibit or limit the payment of dividends by CNB if, in the OCC's opinion, payment of a dividend would constitute an unsafe or unsound practice. See the consolidated statements of cash flows in our Audited Consolidated Financial Statements for a detailed breakdown of our cash flow.

Year ended December 31, 2015 and 2016

Cash from operating activities varied from Ch$50,261 million in 2015 to Ch$660,469 million used in operating activities in 2016, primarily due to a decrease in time deposits and other financial obligations as compared to 2015, which was mainly attributable to our acquisition of CNB (and the deposits contributed by it) in 2015.

Cash from investing activities varied from Ch$619,376 used in investing activities in 2015 to Ch$151,763 provided by investing activities in 2016, primarily as a result of our acquisition of CNB in 2015.

Cash provided by financing activities increased from Ch$330,267 million in 2015 to Ch$660,624 million in 2016, primarily as a result of the capital increase conducted by Bci in 2016.

Year ended December 31, 2014 and 2015

Cash provided by operating activities decreased from Ch$267,473 million in 2014 to Ch$50,261 million in 2015, primarily as a result of an increase in payments for loans from the Central Bank, along with a decrease in loans from the Central Bank and a decrease in obligations with banks and demand deposits, in each case in 2015. This was offset by a lesser increase of loans and receivables from others.

Cash used in investing activities increased from Ch$90,069 million in 2014 to Ch$864,982 million in 2015, as a result of cash used in the acquisition of CNB in 2015. In addition, there were increases in other assets such as prepaid expenses and guarantees given in cash.

Cash provided by financing activities increased from Ch$26,160 million in 2014 to Ch$330,267 million in 2015, primarily as a result of new notes issuance, partially offset by the redemption of financial instruments.

Deposits and Other Borrowings

The following tables set forth our average monthly balance of deposits upon which we disburse interest for the periods indicated, in each case together with the related average nominal interest rates paid thereon.

	As of December 31,					
	2014		2015		2016	
	Average balance	Average Nominal Rate	Average balance	Average Nominal Rate	Average balance	Average Nominal Rate
	(in millions of Ch$, except percentages)					
Time deposits	8,528,163	3.7%	9,515,688	2.9%	10,800,620	3.2%
Saving accounts	48,531	5.3%	49,529	4.0%	50,190	2.7%
Total	8,576,694		9,565,217		10,850,810	

Our most important source of funding is time deposits. Average time deposits represented 36.1% of our average total liabilities and shareholders' equity as of December 31, 2016. Our current funding strategy is to continue to utilize all sources of funding in accordance with their cost, their availability and our general asset and liability management strategy. Special emphasis is being placed on lengthening the maturities of time deposits with institutional clients and increasing our deposits from retail customers. We also intend to continue to broaden our customer deposit base and to emphasize core deposit funding.

Maturity of Deposits

The following tables set forth information regarding the currency and maturity of our deposits at December 31, 2014, 2015 and 2016. UF-denominated deposits are similar to peso-denominated deposits in all respects, except that the principal is readjusted periodically based on variations in the Chilean consumer price index.

	As of December 31, 2016				
	Ch$	**UF**	**Foreign Currency, (other than US$)**	**US$**	**Total**
	(in millions of Ch$)				
Demand deposits and other obligations payable on demand	4,290,875	34,550	909	3,867,929	8,194,263
Savings accounts	—	50,186	—	—	50,186
Time deposits:					
Maturity within 3 months	4,614,248	555,588	9,127	1,461,047	6,640,010
Maturity after 3 but within 6 months	757,779	37,897	78	218,880	1,014,634
Maturity after 6 but within 12 months	1,351,501	54,178	92	506,291	1,912,062
Maturity after 12 months	77,435	787	3	262,571	340,796
Total time deposits	6,800,963	648,450	9,300	2,448,789	9,907,502
Total deposits	11,091,838	733,186	10,209	6,316,718	18,151,951

	As of December 31, 2015				
	Ch$	**UF**	**Foreign Currency, (other than US$)**	**US$**	**Total**
	(in millions of Ch$)				
Demand deposits and other obligations payable on demand	4,275,056	31,635	3,731,563	9,034	8,047,288
Savings accounts	—	49,844	—	—	49,844
Time deposits:					
Maturity within 3 months	3,780,898	491,411	123,380	1,492,303	5,887,992
Maturity after 3 but within 6 months	1,170,678	114,114	183	61,653	1,346,628
Maturity after 6 but within 12 months	836,879	521,665	75,081	70,826	1,504,452
Maturity after 12 months	280,505	44,073	109,239	79,163	512,980
Total time deposits	6,068,960	1,171,263	307,883	1,703,945	9,252,052
Total deposits	10,344,016	1,252,742	4,039,446	1,712,979	17,349,184

	As of December 31, 2014				
	Ch$	**UF**	**Foreign Currency (other than US$)**	**US$**	**Total**
	(in millions of Ch$)				
Demand deposits and other obligations payable on demand	3,916,943	28,428	98,052	549,017	4,592,440
Savings accounts	—	48,765	—	—	48,765
Time deposits:					
Maturity within 3 months	3,648,693	394,390	20,519	1,490,940	5,554,542
Maturity after 3 but within 6 months	926,918	248,499	394	190,467	1,366,278
Maturity after 6 but within 12 months	874,557	240,510	154	64,807	1,180,028
Maturity after 12 months	22,980	2,368	—	53,648	78,996
Total time deposits	5,473,148	885,767	21,067	1,799,862	8,179,844
Total deposits	9,390,091	962,960	119,119	2,348,879	12,821,049

The following tables sets forth information regarding the maturity of our outstanding time deposits in excess of US$100,000 at December 31, 2014, 2015 and 2016:

	As of December 31, 2016				
	Ch$	**UF**	**Foreign Currency, (other than US$)**	**US$**	**Total**
			(in millions of Ch$)		
Time deposits:					
Maturity within 3 months	4,039,647	471,979	5,256	1,297,309	5,814,191
Maturity after 3 but within 6 months	751,728	31,438	—	216,155	999,321
Maturity after 6 but within 12 months	1,348,576	52,992	85	617,333	2,018,986
Maturity after 12 months	77,140	532	—	264,921	342,593
Total deposits in excess of US$100,000	6,217,091	556,941	5,341	2,395,718	9,175,091

	As of December 31, 2015				
	Ch$	**UF**	**Foreign Currency, (other than US$)**	**US$**	**Total**
			(in millions of Ch$)		
Time deposits:					
Maturity within 3 months	3,219,794	423,303	10,680	1,441,650	5,095,427
Maturity after 3 but within 6 months	1,164,849	106,302	—	58,099	1,329,250
Maturity after 6 but within 12 months	834,751	518,779	95	70,219	1,423,844
Maturity after 12 months	280,492	43,820	—	78,528	402,840
Total deposits in excess of US$100,000	5,499,886	1,092,204	10,775	1,648,496	8,251,361

	As of December 31, 2014				
	Ch$	**UF**	**Foreign Currency, (other than US$)**	**US$**	**Total**
			(in millions of Ch$)		
Time deposits:					
Maturity within 3 months	3,157,327	337,198	15,922	1,445,071	4,955,518
Maturity after 3 but within 6 months	923,519	243,339	185	187,216	1,354,259
Maturity after 6 but within 12 months	873,120	238,764	90	62,699	1,174,673
Maturity after 12 months	22,840	2,041	—	52,089	76,970
Total deposits in excess of US$100,000	4,976,806	821,342	16,197	1,747,075	7,561,420

Total borrowings

Our long-term and short-term borrowings are summarized below. Borrowings are generally classified as short-term when they have original maturities of less than one year or are due on demand. All other borrowings are classified as long-term, as long as their remaining maturity is longer than one year; otherwise, they will become short-term borrowing. The following table sets forth, at the dates indicated, the components of our borrowings.

	December 31, 2016		
	Long-term	Short-term	Total
		(in millions of Ch$)	
Central Bank of Chile borrowings	—	1,959	1,959
Credit loans for renegotiation of loans	—	—	—
Borrowings from foreign institutions	258,404	767,449	1,025,853
Borrowings from domestic institutions	—	620,952	620,952
Subtotal	258,404	1,390,360	1,648,764
Obligations under agreements to repurchase	—	799,844	799,844
Subtotal	—	799,844	799,844
Mortgage finance bonds	18,698	6,298	24,996
Subordinated bonds	884,915	13,463	898,378
Bonds	2,874,915	600,141	3,475,056
Subtotal	3,778,528	619,902	4,398,430
Other obligations	35,432	917,814	953,246
Subtotal	35,432	917,814	953,246

	December 31, 2015		
	Long-term	Short-term	Total
		(in millions of Ch$)	
Central Bank of Chile borrowings	—	1,732	1,732
Credit loans for renegotiation of loans	—	—	—
Borrowings from foreign institutions	527,274	681,345	1,208,619
Borrowings from domestic institutions	—	579,739	579,739
Subtotal	527,274	1,262,816	1,790,090
Obligations under agreements to repurchase	449,128	—	449,128
Subtotal	449,128	—	449,128
Mortgage finance bonds	26,003	7,549	33,552
Subordinated bonds	869,660	16,295	885,955
Bonds	2,748,872	154,271	2,903,143
Subtotal	3,644,535	178,115	3,822,650
Other obligations	39,339	707,607	746,946
Subtotal	39,339	707,607	746,946

	December 31, 2014		
	Long-term	Short-term	Total
		(in millions of Ch$)	
Central Bank of Chile borrowings	24	47	71
Credit loans for renegotiation of loans	—	—	—
Borrowings from foreign institutions	227,531	1,027,634	1,255,165
Borrowings from domestic institutions	—	418,329	418,329
Subtotal	227,555	1,446,010	1,673,565
Obligations under agreements to repurchase	—	407,531	407,531
Subtotal	—	407,531	407,531
Mortgage finance bonds	34,402	9,647	44,049
Subordinated bonds	749,784	24,104	773,888
Bonds	2,407,391	73,639	2,481,030
Subtotal	3,191,577	107,390	3,298,967
Other obligations	34,644	36,097	70,741
Subtotal	34,644	36,097	70,741

Central Bank of Chile borrowings

The maturities of the outstanding amounts due under these Central Bank of Chile borrowings are as follows:

	At December 31,		
	2014	2015	2016
	(in millions of Ch$)		
Due within 1 year	47	1,732	1,959
Due after 1 year but within 2 years	24	—	—
Due after 2 years but within 3 years	—	—	—
Due after 3 years but within 4 years	—	—	—
Due after 4 years but within 5 years	—	—	—
Due after 5 years	—	—	—
Total	71	1,732	1,959

Obligations under agreements to repurchase

The maturities of the outstanding amounts due under these obligations under agreements to repurchase are as follows:

	At December 31,		
	2014	2015	2016
	(in millions of Ch$)		
Due within 1 year	407,531	449,128	799,844
Due after 1 year but within 2 years	—	—	—
Due after 2 years but within 3 years	—	—	—
Due after 3 years but within 4 years	—	—	—
Due after 4 years but within 5 years	—	—	—
Due after 5 years	—	—	—
Total obligations under agreements to repurchase	407,531	449,128	799,844

Mortgage finance bonds

These bonds were used to finance the granting of mortgage loans. The outstanding principal amounts of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and in 2013 bore a real weighted-average annual interest rate of 5.2%. The following table sets forth the remaining maturities of our mortgage finance bonds at the dates indicated.

	At December 31,		
	2014	2015	2016
	(in millions of Ch$)		
Due within 1 year	9,647	7,549	6,297
Due after 1 year but within 2 years	7,788	6,637	4,400
Due after 2 years but within 3 years	6,731	4,581	3,447
Due after 3 years but within 4 years	4,692	3,578	3,156
Due after 4 years but within 5 years	3,671	3,271	2,893
Due after 5 years	11,520	7,936	4,803
Total mortgage bonds	44,049	33,552	24,996

Bonds

The following table sets forth, at the dates indicated, our issued bonds. The bonds are denominated principally in UF and are principally used to fund our general activities. The UF-denominated bonds bear an annual average interest rate of 3.6%, 2.7% and 2.5% at the respective dates indicated.

	As of December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Bonds denominated in UF	1,161,133	1,356,346	1,946.277
Bonds denominated in foreign currencies	1,319,897	1,546,797	1,528,779

The maturities of these bonds are as follows:

	At December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Due within 1 year	73,362	143,236	600,141
Due after 1 year but within 2 years	356,138	623,527	552,540
Due after 2 years but within 3 years	628,912	529,297	546,628
Due after 3 years but within 4 years	512,325	481,618	99,806
Due after 4 years but within 5 years	142,597	105,163	311,918
Due after 5 years	767,696	1,020,302	1,364,013
Total ordinary bonds	2,481,030	2,903,143	3,475,056

On February 11, 2013 we issued US$500 million in principal amount of 4.00% senior notes due 2023. On June 26, 2014 we issued CHF150,000,000 in principal amount of 1.125% bonds due 2019 and CHF150,000,000 in principal amount of 0.875% bonds due 2018. On May 5, 2013 we issued Ch$228,500 million in aggregate principal amount of bonds due 2018 with an annual average rate of 4.08%. On October 1, 2014, we issued UF13,310,000 in aggregate principal amount of AJ1 bonds due 2019 with an annual average interest rate of 2.1% and UF7,890,000 in aggregate principal amount of AJ2 bonds due 2024 with an annual average interest rate of 2.7%. On September 13, 2012, we issued US$600 million in principal amount of 3.00% senior notes due 2017. On November 1, 2014 we issued Ch$500,000,000,000 in aggregate principal amount of 5.31% bonds due 2019. On December 4, 2014 we issued (i) 4,900,000,000 Japanese Yen in principal amount of 0.7% bonds due 2017, (ii) 10,100,000,000 Japanese Yen in principal amount of 0.81% bonds due 2019 and (iii) 1,500,000,000 Japanese Yen in principal amount of 0.68% bonds due 2017. On June 17, 2015 we issued 150,000,000 Swiss Francs in principal amount of 0.25% bonds due 2020. On June 1, 2016 we issued Ch$50,000,000,000 in aggregate principal amount of 4.90% bonds due 2023. On September 23, 2016 we issued EU$20,000,000 in aggregate principal amount of 0.8% bonds due 2024. On November 17, 2016 we issued CHF 90,000,000 in aggregate principal amount of 0.0% bonds due 2021. On June 1, 2016, we issued UF3,000,000, in aggregate principal amount of AL1 bonds due 2022 with an annual average interest rate of 2.26%; UF3,000,000, in aggregate principal amount of AL2 bonds due 2023 with an annual average interest rate of 2.26%; UF3,000,000, in aggregate principal amount of AL3 bonds due 2024 with an annual average interest rate of 2.26%; UF3,000,000, in aggregate principal amount of AL4 bonds due 2028 with an annual average interest rate of 2.26%; and UF3,000,000, in aggregate principal amount of AL5 bonds due 2023 with an annual average interest rate of 2.26%.

The following table sets forth, at the dates indicated, our issued subordinated bonds. The bonds are denominated principally in UF and are principally used to fund our general activities and are considered in our regulatory capital. The UF-denominated subordinated bonds bore an annual average interest rate of 4.7%, 4.6% and 4.5% at December 31, 2014, 2015 and 2016, respectively.

	As of December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Subordinated bonds denominated in UF	773,888	885,955	898,378

The maturities of these bonds are as follows:

	At December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Due within 1 year	24,104	16,295	13,463
Due after 1 year but within 2 years	15,229	13,033	14,218
Due after 2 years but within 3 years	12,180	13,764	11,699
Due after 3 years but within 4 years	12,863	11,325	12,328
Due after 4 years but within 5 years	10,584	11,933	12,991
Due after 5 years	698,928	819,605	833,679
Total subordinated bonds	773,888	885,955	898,378

Borrowings from domestic institutions

The following table sets forth, at the dates indicated, our borrowings from domestic institutions. These borrowings are denominated principally in UF, are all due within one year of the date hereof and are principally used to fund our general activities. The UF-denominated borrowings bore an annual average interest rate of 3.3%, 2.7% and 2.8% at December 31, 2014, 2015 and 2016, respectively. The maturities of these borrowings are as follows.

	At December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Due within 1 year	418,329	579,739	620,952
Due after 1 year but within 2 years	—	—	—
Due after 2 years but within 3 years	—	—	—
Due after 3 years but within 4 years	—	—	—
Due after 4 years but within 5 years	—	—	—
Due after 5 years	—	—	—
Total borrowings from domestic institutions	418,329	579,739	620,952

Borrowings from foreign institutions

These are short-term and long-term borrowings from foreign banks used to fund our foreign trade business. The maturities of these borrowings are as follows.

	At December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Due within 1 year	1,027,634	681,345	767,449
Due after 1 year but within 2 years	9,101	254,795	258,404
Due after 2 years but within 3 years	218,430	159,244	—
Due after 3 years but within 4 years	—	113,235	—
Due after 4 years but within 5 years	—	—	—
Due after 5 years	—	—	—
Total borrowings from foreign institutions	1,255,165	1,208,619	1,025,853

The foreign borrowings are denominated principally in U.S. dollars, are principally used to fund our foreign trade loans, and bore an annual average nominal interest rate of 1.1%, 0.4% and 1.6% at December 31, 2014 and 2015 and 2016, respectively.

Commercial paper program

On August 3, 2012, we established a U.S. commercial paper program for up to an aggregate maximum amount of US$1,000,000,000. As of December 31, 2016, the outstanding balance of the issued notes under this program was US$381,500,000.

International Bond Offerings

On September 13, 2012, we placed notes pursuant to Rule 144A and Regulation S of the Securities Act of 1933 for up to an aggregate maximum amount of US$600,000,000. As of December 31, 2016, the outstanding balance of the issued notes was US$604,127,154.

On February 11, 2013, we placed notes pursuant to Rule 144A and Regulation S of the Securities Act of 1933 for up to an aggregate maximum amount of US$500,000,000. As of December 31, 2016, the outstanding balance of the issued notes was US$503,157,330.

On June 26, 2014, we placed notes in the Swiss market for up to an aggregate maximum amount of CHF 150,000,000. As of December 31, 2016, the outstanding balance of the issued notes was CHF 150,114,684.

On November 25, 2014, we placed notes in the Swiss market for up to an aggregate maximum amount of CHF 150,000,000 As of December 31, 2016, the outstanding balance of the issued notes was CHF 149,482,943.

On December 4, 2014, we placed 0.70% Bonds due 2017 in the Japanese market for up to an aggregate maximum amount of YEN 4,900,000,000. As of December 31, 2016, the outstanding balance of the issued notes was YEN 4,888,163,230.

On December 4, 2014, we placed 0.81% Bonds due 2019 in the Japanese market for up to an aggregate maximum amount of YEN 10,100,000,000. As of December 31, 2016, the outstanding balance of the issued notes was YEN 10,044,621,936.

On December 4, 2014, we placed floating rate bonds in the Japanese market for up to an aggregate maximum amount of YEN 1,500,000,000. As of December 31, 2016, the outstanding balance of the issued notes was YEN 1,496,180,471.

On June 27, 2015, we placed notes in the Swiss market for up to an aggregate maximum amount of CHF 150,000,000. As of December 31, 2016, the outstanding balance of the issued notes was CHF 149,643,447.

On September 23, 2016, we issued notes under the Program in aggregate principal amount of EU$20,000,000. As of December 31, 2016, the outstanding balance of the issued notes was EU$19,732,095.

On November 17, 2016, we placed notes in the Swiss market for up to an aggregate maximum amount of CHF 90,000,000. As of December 31, 2016, the outstanding balance of the issued notes was CHF 88,909,434.

Off-Balance Sheet Arrangements and Commitments

We are party to transactions with off-balance sheet risk in the normal course of our business. These transactions expose us to credit risk in addition to amounts recognized in the consolidated financial statements.

Contingent loans and commitments consist of guarantees granted by us in Chilean pesos, UF and foreign currencies (principally U.S. dollars), as well as open and unused letters of credit, among others. The total amount held off-balance sheet as of December 31, 2014 2015 and 2016, were Ch$4,672,683 million, Ch$5,396,064 million and Ch$6,396,575 million respectively. Contingent loans are considered in the calculation of risk weighted- assets and capital requirements as well as for credit risk reserve requirements.

Other off-balance sheet arrangements include commitments to extend credit such as overdraft protection and credit card lines of credit. Such commitments are agreements to lend to a customer at a future date, subject to the customer compliance with the contractual terms. The aggregate amount of these commitments was Ch$7,235,289 million as of December 31, 2016, which will be financed with our deposit base. Since a substantial portion of these commitments is expected to expire without being drawn upon, the total amount of commitments does not necessarily represent our actual future cash requirements. We use the same credit policies in making commitments to extend credit as we do for granting loans. In the opinion of our management, our outstanding commitments do not represent an unusual credit risk.

From time to time, we enter into agreements to securitize certain assets by selling those assets to unconsolidated and unaffiliated entities, which then sell debt securities secured by those assets. These sales are non-recourse to us. However, in the past, we have occasionally purchased a subordinated bond issued by one of these unconsolidated entities. At December 31, 2016, we did not hold any of these subordinated bonds in our investment portfolio.

Asset and Liability Management

See "Quantitative and Qualitative Disclosures about Market Risk—Asset and Liability Management" regarding our policies with respect to asset and liability management.

Dividends

Under the current General Banking Law, a Chilean bank may only pay a single dividend per year and interim dividends are not permitted. Our annual dividend is proposed by our board of directors and is approved by our shareholders at the annual ordinary shareholders' meeting held the year following that in which the dividend is generated. For example, our 2015 dividend must be proposed and approved during the first four months of 2016. Following shareholder approval, the proposed dividend is declared and paid. Historically, the dividend for a particular year has been declared and paid no later than two months following the shareholders' meeting. Dividends are paid to shareholders of record on the fifth day preceding the date set for payment of the dividend.

Under the General Banking Law, a bank must distribute cash dividends in respect of any fiscal year in an amount equal to at least 30% of its net income for that year, provided the dividend may not result in the infringement of minimum capital requirements. The balance of our distributable net income is generally retained for use in our business (including for the maintenance of any required legal reserves). Although our board of directors currently intends to pay regular annual dividends, the amount of dividend payments will depend upon, among other factors, our then-current level of earnings, capital and legal reserve requirements, and market conditions, and there can be no assurance as to the amount or timing of future dividends.

The following table presents dividends declared and paid by us in nominal terms in the periods indicated:

Year Paid	Outstanding common shares	Dividend (in millions of Ch$)	Per share Ch$/share	% of Earnings[1]
2011	104,331,470	73,032	700	32.9%
2012	105,855,267	87,331	825	33.4%
2013	107,174,450	91,565	865	33.8%
2014	108,701,164	135,039	1,260	39.4%
2015	110,806,999	108,702	1,000	32.9%
2016	123,564,219	110,803	1,000	32.6%

(a) Calculated by dividing dividend paid in the year by net income for the previous year.

Capital Expenditures

The following table reflects capital expenditures in each of the fiscal periods indicated:

	Year ended December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Land and buildings	14,035	1,433	1,694
Machinery and equipment	3,693	9,849	6,532
Other	9,370	7,576	1,418
Subtotal	27,098	18,858	9,644
Intangible assets	28,311	46,708	24,134
Total	55,409	65,566	33,778

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

This section describes the market risks to which we are exposed in our business activities. Additionally, an explanation is included of the internal tools and regulatory methods used to control these risks, portfolios over which these tools and methods are applied, and quantitative disclosures that demonstrate the level of exposure to financial risk we have assumed.

The principal types of inherent risk in our business are market, liquidity, operational and credit risk. The effectiveness with which we are able to manage the balance between risk and reward is a significant factor in our ability to generate long-term stable earnings growth. Our senior management places great emphasis on risk management.

Market Risk

Market risk is the risk of losses due to unexpected changes in interest rates, inflation, foreign exchange rates and prices in general, including risk premiums associated with credit, counterparty and liquidity risks inherent in different financial instruments.

Our market risk analysis focuses on managing risk exposure relating to (i) the interest rate risk inherent in our fixed income portfolio (comprised of a “trading” portfolio and “an available-for-sale” portfolio), which contains mainly Chilean government bonds, corporate bonds, mortgage finance bonds issued by third parties and interest rate derivatives and U.S. treasury bonds as part of the CNB portfolio; (ii) the interest rate risk relating to asset and liability positions; (iii) liquidity risk; and (iv) our net foreign currency position, which includes all of our assets and liabilities in foreign currencies (mainly U.S. dollars), including derivatives that hedge certain foreign currency mismatches that arise between investments and the funding thereof.

We are exposed to market risk mainly as a result of the following activities:

- trading in financial instruments, which exposes us to interest rate risk and foreign exchange rate risk,
- engaging in banking activities, which subjects us to interest rate risk, since a change in interest rates affects gross interest income, gross interest expense and customer behavior;
- engaging in banking activities, which exposes us to inflation rate risk, since a variation in the Chilean consumer price index or expected inflation affects gross interest income, gross interest expense and customer behavior;
- trading in the local equity market, which subjects us to potential losses caused by fluctuations of the stock market; and
- investing in assets or funding with liabilities whose returns or accounts are denominated in currencies other than the peso, which subjects us to foreign exchange risk between the peso and such other currencies.

Interest Rate Sensitivity

A key component of our asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest revenue due to the maturity or reprice characteristics of interest earning assets and interest bearing liabilities. For any given period, the pricing structure is matched when an equal amount of such assets or liabilities mature or repricing in that period. Any mismatch of interest earning assets and interest bearing liabilities is known as a gap position. A positive gap denotes asset sensitivity and normally means that an increase in interest rates would have a positive effect on net interest revenue, while a decrease in interest rates would have a negative effect on net interest revenue.

Our interest rate sensitivity strategy takes into account not only the rates of return and the underlying degree of risk, but also liquidity requirements, including minimum regulatory cash reserves, mandatory liquidity ratios, withdrawal and maturity of deposits, capital costs and additional demand for funds. We monitor our maturity mismatches and positions and we manage them within established limits.

Exchange Rate Sensitivity

Our operating income is affected from fluctuations in the exchange rate of the Chilean peso with foreign currencies, mainly the U.S. dollar, and with the UF, the local inflation-linked unit. Although we may record foreign currency-related gain or losses, our current policy is to attempt to avoid significant impact on our results from fluctuations in the exchange rates between the Chilean peso and the U.S. dollar or any other foreign currency. Chilean banking regulation limits the maximum net foreign currency exposure that a bank is allowed to hold to 20% of its regulatory capital plus reserves. As of December 31, 2016, our net exposure was Ch$227,195 million (US$339 million), or 6.79% of our regulatory capital plus reserves. See "Asset and Liability Management" and "Exchange Controls."

The rate of devaluation or revaluation of the peso against the U.S. dollar can be expected to have the following principal effects:

- if we maintain a net asset position in U.S. dollars and a devaluation of the peso against the U.S. dollar occurs, we would record a related gain, and if an appreciation of the peso occurs, we would record a related loss;

- if we maintain a net liability position in U.S. dollars and a devaluation of the peso against the dollar occurs, we would record a related loss, and if an appreciation of the peso occurs, we would record a related gain;

- if the inflation rate for a period exceeded the devaluation of the peso against the U.S. dollar during the same period, we would record a related gain if we had a net asset position in UFs that exceeded a net liability position in U.S. dollars, and we would record a related loss if we had a net liability position in U.S. dollars that exceeded a net asset position in UFs. The same effect would occur if there were an appreciation of the peso against the U.S. dollar; and

- if the inflation rate for a period is lower than the rate of devaluation of the peso against the U.S. dollar during the same period, we would record a related gain if we maintained a net asset position in U.S. that exceeds a net liability position in UFs and would record a related loss if we had a net liability position in U.S. dollars that exceeds a net asset position in UFs. The same effect would occur if there were an appreciation of the peso against the U.S. dollar.

Policies

Our asset and liability management policies are developed by our Assets and Liabilities Committee, following guidelines established by our board of directors. The Assets and Liabilities Committee includes the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Treasurer, and the Heads of Financial Risk Management, Sales and Trading Desks, Control & Planning and Retail and Commercial Banking Divisions. The role of the Assets and Liabilities Committee is to ensure that our treasury and international divisions' operations are consistently in compliance with our internal risk policies as well as applicable regulatory supervision and limits. The Assets and Liabilities Committee typically meets on a monthly basis. Senior members of our Risk and Treasury departments meet regularly in a Finance and Risk Committee to address specific topics of these areas such as market risk limits or counterparty exposure.

Our Treasury and International divisions manage the banking book and the trading portfolios following the guidelines set by the Assets and Liabilities Committee and the Market Risk and Credit Risk departments. The Market Risk department's main activities consist of (i) estimating and controlling the price risk of marked to market positions applying value-at-risk and other statistical techniques (as discussed below); (ii) estimating and controlling the interest rate and foreign currency risks of the banking book; (iii) setting minimum liquidity limits for the treasury asset and liability operations; (iv) setting the guidelines for the pricing of derivatives instruments and fixed income instruments when prices are not readily available.

Our policy on asset and liability management is to maximize net interest income and return on assets and equity in light of interest rate, liquidity and foreign exchange risks and within the limits of Chilean banking regulation. See "Regulation and Supervision."

As of December 31, 2016, maturity and currency analysis of our assets and liabilities, at the end of the period, were as follows:

	As of December 31, 2016 (in millions of Ch$, except percentages)				
Assets	**Ch$**	**UF**	**Currency**	**Total**	**Percentage**
Less than 1 year	8,171,804	3,831,611	6,072,766	18,076,181	51.02%
From 1 to 5 years	4,183,709	3,810,344	2,406,341	10,400,394	29.36%
From 5 to 10 years	1,047,259	2,569,311	1,181,559	4,798,129	13.54%
More than 10 years	27,023	1,911,780	216,156	2,154,959	6.08%
Total	13,429,795	12,123,046	9,876,822	35,429,663	100.00%
Percentage of total assets	37.91%	34.22%	27.88%		
Liabilities					
Less than 1 year	10,354,038	2,060,951	5,438,516	17,853,505	55.46%
From 1 to 5 years	3,501,342	3,045,726	3,561,334	10,108,402	31.4%'
From 5 to 10 years	53,000	2,280,892	544,904	2,878,796	8.94%
More than 10 years	—	1,297,351	52,122	1,349,473	4.19%
Total	13,908,380	8,684,920	9,596,876	32,190,176	100.00%
Percentage of total liabilities	43.21%	26.98%	29.81%		

Regulatory Method to Control Market Risk

On an unconsolidated basis, we must divide our balance sheet in two separate categories: (i) a trading portfolio (*Libro de Negociación*) and (ii) an unconsolidated non-trading, or structural, portfolio (*Libro de Banca*). The trading portfolio, as defined by the Superintendency of Banks, includes all instruments valued at market prices, free of any restrictions for their immediate sale, frequently traded by us and kept with the intention to be sold in the short-term in order to profit from short-term price variations. The non-trading portfolio is defined as all instruments in the balance sheet not considered in the trading portfolio.

We must also report the following absolute risk levels:

Trading Portfolio:

- Exposure to interest rate risk: the interest rate risk is calculated using sensitivity analysis to measure potential losses assuming an increase in nominal rate yield curves, real rates and foreign currency rates by 75 to 350 basis points.

- Exposure to foreign currency risk: the foreign currency risk is calculated using sensitivity factors linked to the credit risk rating of the issuing country.

- Market risk exposure of options: options risk is calculated using sensitivity factors called delta, gamma and vega that basically measure the sensitivity of the value of the options to changes in price of the underlying security and its volatility.

Non-trading Portfolio:

- Exposure to short-term interest rate risk: sensitivity analysis that is calculated for assets and liabilities with maturities of less than 1 year, assuming a 200 basis point parallel shift of the nominal yield curve, a 400 basis point parallel shift for real rates and a 200 basis point parallel shift for foreign interest rates.

- Exposure to inflation risk: sensitivity analysis that is calculated for our net position in assets and liabilities, comprised of UF-denominated instruments, assuming a 200 basis point adverse impact on the related yield curve.

- Exposure to long-term interest rate risk: sensitivity analysis that is calculated for assets and liabilities with maturities over one year, assuming a 200 basis point parallel shift of the nominal yield curve, a 400 basis point parallel shift for real rates and a 200 basis point parallel shift for foreign interest rates.

The Superintendency of Banks has defined various limits for these risks:

1. Limit on exposure to market risk of our trading portfolio. Our regulatory capital must be greater or equal to the sum of the exposure to market risk multiplied by the minimum capital adequacy ratio defined in the General Banking Law, as shown in the following formula:

$$RC - ((k * RWA) + EMR) \geq 0$$

Where:

RC: Regulatory capital as defined by the General Banking Law.
k: Minimum capital adequacy ratio. We are required to use a 8.0% minimum capital adequacy ratio.
RWA: Consolidated risk-weighted assets as defined by the General Banking Law.
EMR: Exposure to market risk. Our exposure to market risk is equal to the total market risk of our unconsolidated trading portfolio.

2. Limit on exposure to short-term interest rate and inflation risk of our non-trading portfolio. Our exposure to short term interest rate and inflation risk of the non-trading portfolio cannot exceed 25% of our unconsolidated net interest income plus fees sensitive to interest rate volatility.

3. Limit on exposure to long-term interest rate risk of our non-trading portfolio. Our exposure to long-term interest rate risk of the unconsolidated non-trading portfolio cannot exceed 20% of our regulatory capital.

The following is a description of the models adopted by local regulators for measuring each component of market risk.

Interest Rate Risk of Trading Portfolio (1)

The interest rate risk of the trading portfolio as defined by the Central Bank is equal to the sum of:

- Sensitivity analysis of the trading portfolio;
- Vertical adjustment factor; and
- Horizontal adjustment factor.

The sensitivity factor of the trading portfolio is calculated using the following formula:

$$\sum_{m}^{M} \left| \sum_{i-1}^{14} (a_{mt} \; x \; A_{mt} - a_{mt} \; x \; P_{mt}) \right|$$

Where:
Amt = Trading assets (pesos, inflation-linked and foreign currency)
Pmt = Liabilities funding trading positions (pesos, inflation-linked and foreign currency)

amt = Sensitivity factor to increase in interest rate
M = Highest currency value
m = Currency (pesos, inflation-linked and foreign currency)
t = Time period
∑ = Summation
| | = Absolute value

The vertical adjustment factor is calculated as follows:

$$\sum_{m}^{M}\sum_{i-1}^{14}\beta x Min(a_{mt}\ x\ A_{mt}; a_{mt}\ x\ P_{mt})$$

Where:
ß = Vertical adjustment factor, equal to 10%
Min = Compensated net position

A horizontal adjustment must be made following the vertical adjustment. To determine the horizontal adjustment the horizontal adjustment factor must be multiplied by the compensated net position for Zone 1, Zone 2, Zone 3; Zones 1 and 2; Zones 2 and 3; and Zones 1 through 3.

Horizontal adjustment = Adjusted net position

Compensated net position Zone 1, 2 or 3:	Min (adjusted net asset position; absolute value of adjusted net liability position in Zone 1, 2 or 3)
Compensated net position Zones 1 and 2:	Min (adjusted net asset position in Zones 1 and 2, absolute value of adjusted net liability position in Zones 1 and 2)
Compensated net position Zones 2 and 3:	Min (adjusted net asset position in Zone 3 and Zone 2 (deducting adjusted net asset position that have been compensated for with net liability positions in Zone 1), absolute value of adjusted net liability position in Zone 3 and Zone 2 (deducting adjusted net liability positions that have been compensated for with net liability positions in Zone 1)
Compensated net position Zones 1- 3:	Min (Adjusted net asset position in Zone 3 and Zone 1 (deducting adjusted net asset position that have been compensated for with net liability positions in Zone 2), absolute value of adjusted net liability position in Zone 3 and Zone 1 (deducting adjusted net liability positions that have been compensated for with net liability positions in Zone 2).

(1) In compliance with current regulations of the Central Bank ofChile and the Superintendency of Banks.

The following table illustrates the value of the different factors used for calculating the interest rate risk of the trading portfolio:

Zone		Period	Change in interest rate (bp)			Sensitivity factor			Vertical adjustment factor	Horizontal adjustment factor		
			Ch$	UF	FX	Ch$	UF	FX		Within the zones	Between adjacent zones	Between zones 1 and 3
Zone 1	1	Up to 30 days	125	350	125	0.0005	0.0014	0.0005	ß = 10%	λ1 = 40%	λ 12 = 40%	λ 13 = 100%
	2	31 days to 3 months	125	300	125	0.0019	0.0047	0.0020	ß = 10%	λ1 = 40%	λ 12 = 40%	λ 13 = 100%
	3	3 - 6 months	125	250	125	0.0042	0.0088	0.0044	ß = 10%	λ1 = 40%	λ 12 = 40%	λ 13 = 100%
	4	6 - 9 months	125	200	125	0.0069	0.0116	0.0072	ß = 10%	λ1 = 40%	λ 12 = 40%	λ 13 = 100%
	5	9 months - 1 year	125	175	125	0.0095	0.0140	0.0100	ß = 10%	λ1 = 40%	λ 12 = 40%	λ 13 = 100%
Zone 2	6	1 - 2 years	100	125	100	0.0124	0.0166	0.0133	ß = 10%	λ2 = 30%	λ 12 = 40%	λ 13 = 100%
	7	2 -3 years	100	100	100	0.0191	0.0211	0.0211	ß = 10%	λ2 = 30%	λ 12 = 40%	λ 13 = 100%
	8	3 – 4 years	100	100	100	0.0248	0.0281	0.0281	ß = 10%	λ2 = 30%	λ 23 = 40%	λ 13 = 100%
Zone 3	9	4 - 5 years	75	75	75	0.0221	0.0258	0.0258	ß = 10%	λ3 = 30%	λ 23 = 40%	λ 13 = 100%
	10	5 - 7 years	75	75	75	0.0263	0.0320	0.0320	ß = 10%	λ3 = 30%	λ 23 = 40%	λ 13 = 100%
	11	7 - 10 years	75	75	75	0.0307	0.0401	0.0401	ß = 10%	λ3 = 30%	λ 23 = 40%	λ 13 = 100%
	12	10 - 15 years	75	75	75	0.0332	0.0486	0.0486	ß = 10%	λ3 = 30%	λ 23 = 40%	λ 13 = 100%
	13	15-20 years	75	75	75	0.0317	0.0534	0.0534	ß = 10%	λ 3 = 30%	λ 23 = 40%	λ 13 = 100%
	14	> 20 years	75	75	75	0.0278	0.0539	0.0539	ß = 10%	λ 3 = 30%	λ 23 = 40%	λ 13 = 100%

Foreign Currency Risk

The foreign currency risk as defined by the Central Bank is equal to:

$$Max\left[\left\{\sum_{i} NAP_i \; x \; \sigma_i - \sum_{j} NAP_j \; x \; \sigma_j\right\}\left\{\left|\sum_{i} NLP_i \; x \; \sigma_i - \sum_{j} NLP_j \; x \; \sigma_j\right|\right\}\right] + \left|NP_{gold} \; x \; \sigma_i\right|$$

Where:

NAP = Net asset position.

NLP = Net liabilities position.

NPgold = Net gold position.

i = Foreign currency of countries with AAA sovereign rating

j = Foreign currency of countries with sovereign rating lower that AAA

σi = Sensitivity factor for i (8%).

σj = Sensitivity factor for j (35%).

∑ = Summation

| | = Absolute value

Max = Maximum value

Interest Rate and Inflation Risk of Non-trading Portfolio

The short-term interest rate risk and inflation risk of non-trading portfolio as defined by Central bank is equal to:

$$\sum_{m}^{M}\left|\sum_{i-1}^{5}(A_m \; x \; P_m) x U_i\right| + |PN_{UR} \; x \; \tau| + |\Delta\emptyset|$$

The long-term interest rate risk of the non-trading portfolio is calculated according to the following formula:

$$\sum_{m}^{M}\left|\sum_{t-1}^{14}(A_m \; x \; P_m) \; x \; \rho_m\right|$$

Where:

Amt = Non-trading assets (Ch$, inflation linked and foreign currency).

Pmt = Non-trading liabilities (Ch$, inflation linked and foreign currency).

µt = Sensitivity factor associated with interest rate movement.

NPur = Net position in inflation linked instruments, including those subject to price level restatement.

t = Inflation index sensitivity factor. This factor is equal to 2%.

Δϕ = Effect on fees from shifts in interest rate and assumes a 200 basis point movement.

ρ = Sensitive factor to increase in interest rates

t = Time period

m = Currency (pesos, inflation linked and foreign currency).

∑ = Summation

| | = Absolute value

The following table illustrates the value of the different factors used for calculating the interest rate risk and inflation risk of the non-trading portfolio:

	Period	Change in interest rate (bp)			Sensitivity factor short-term	Sensitivity factor long-term (mt)(1)		
		Ch$	UF	FX	(t)	Ch$	UF	FX
1	Up to 30 days	200	400	200	0.0192	0.0008	0.0016	0.0008
2	31 days to 3 months	200	400	200	0.0167	0.0030	0.0063	0.0031
3	3 - 6 months	200	400	200	0.0125	0.0067	0.0140	0.0070
4	6 -9 months	200	400	200	0.0075	0.0110	0.0231	0.0116
5	9 months - 1 year	200	400	200	0.0025	0.0152	0.0320	0.0160
6	1 - 2 years	200	300	200	—	0.0248	0.0399	0.0266
7	2 - 3 years	200	200	200	—	0.0382	0.0422	0.0422
8	3 - years	200	200	200	—	0.0496	0.0563	0.0563
9	4 - 5 years	200	200	200	—	0.0591	0.0690	0.0690
10	5 - 7 years	200	200	200	—	0.0702	0.0856	0.0856
11	7 -10 years	200	200	200	—	0.0823	0.1076	0.1076
12	10 - 15 years	200	200	200	—	0.0894	0.1309	0.1309
13	15 - 20 years	200	200	200	—	0.0860	0.1450	0.1450
14	> 20 years	200	200	200	—	0.0762	0.1480	0.1480

(1) Currency positions over time.

As of December 31, 2016, our interest rate risk gap for short-term assets and liabilities of the non-trading portfolio, measured according to the methodology described above, was 16.74% of our gross margin. Our interest rate risk gap for long-term assets and liabilities was 6.81% of our regulatory capital. In each case, the interest rate risk gaps were in compliance with current Chilean regulations.

Options Risk

The exposure to market risk of options is calculated using sensitivity factors delta, gamma and vega.

Delta

Delta of a derivative financial instrument is the rate of change of its price relative to the price of the underlying asset. It is the first derivative of the curve that relates the price of such derivative to the price of the underlying security. When delta is high, the price of the derivative financial instrument is sensitive to small changes in the price of the underlying security.

Gamma

Gamma of a derivative financial instrument is the rate of change of delta relative to the price of the underlying asset. It is the second derivative of the option price relative to the security price. When gamma is low, the change in delta is low. The gamma impact is calculated using the following formula:

Gamma impact = *Gamma* * (Variation of underlying security)^2 / 2

Vega

Vega is one of the factor sensitivities used to measure sensitivity to the implied volatilities of the underlying security. Vega is the rate of change in the price of a derivative financial instrument relative to the volatility of the underlying security. When vega is high, the derivative financial instrument is sensitive to small changes in volatility. In general, a long option position will benefit from rising implied volatilities and suffer from declining implied volatilities. Short option positions display opposite behavior. As defined by the Central Bank, the Vega Risk is the sum in absolute value of the vega impacts for each option held by a bank. These impacts will be calculated assuming a change of 25% in the volatility rate.

Assumptions and Limitations of Scenario Simulations/Sensitivity Analysis

Our scenario simulation methodology should be interpreted in light of the limitations of our models, which include:

- The scenario simulation assumes that the volumes remain on balance sheet and that they are always renewed at maturity, omitting the fact that credit risk considerations and prepayments may affect the maturity of certain positions.

- This model assumes set shifts in interest rates (*movimientos paralelos de tasa*) and sensitivity factors for different time periods and does not take into consideration any other scenario for each time period or other sensitivity factors.

- The model does not take into consideration the sensitivity of volumes to these shifts in interest rates.

- The model does not take into consideration our subsidiaries which are subject to market risks.

Quantitative Disclosures about Market Risk

The following table illustrates our market risk exposure as of December 31, 2014, 2015 and 2016, calculated according to the Chilean regulatory method. Our maximum exposure to long-term interest rate fluctuations is set at 20% of regulatory capital and is approved by our board of directors.

	As of December 31,		
	2014	**2015**	**2016**
		(in millions of Ch$)	
Market risk of trading portfolio	103,330	115,868	91,686
8% x risk weighted assets	1,459,000	1,839,423	1,915,760
Subtotal	1,562,330	1,955,291	2,007,446
Limit = regulatory capital	2,491,065	2,826,460	3,337,921
Available margin	928,735	871,169	1,330,475
Market risk of short-term non-trading portfolio	112,518	120,561	130,218
Limit = 27% of (net interest revenue + net interest income sensitive to interest rates)	222,190	224,572	209,982
Available margin	109,672	104,012	79,764
Market risk of long-term non-trading portfolio	177,076	244,791	227,195
Limit = 20% of regulatory capital	496,842	569,206	667,584
Available margin	319,766	324,415	440,389

Internal Methods to Control Market Risk

Below is a quantitative and qualitative description of our markets risks tools according to our internal guidelines. Our policies establish a set of tools to monitor market risks using both statistical and non-parametric approaches. The main tools are Value-at-Risk (VaR) for the trading portfolios and sensitivity analysis for the loan portfolio. We complement both tools with a series of stress tests using historical, parametric and non-parametric scenarios.

VaR Methodology

General

We use value-at-risk methodology to measure and control the price risk of our trading portfolio. We also use this tool for other securities and portfolios subject to mark to market valuation, mainly bond holdings available for sale. Variation in VaR is generally a result of interest rate and foreign exchange rates fluctuations, portfolio rebalancing, or both.

VaR is an estimate of the expected loss in the market value of a portfolio over a 10-day horizon at one-tailed 99% confidence interval. Given our accounting currency, VaR is measured in Chilean pesos. VaR is calculated daily, after the end of the trading session. We perform one day profits and losses forecasts relying on historical simulation of relevant risk factors. We use almost four years of daily data and perform volatility updating to account for volatility clusters. We scale our forecast to a 10-day regulatory window with the square root rule.

VaR Limits

VaR limits are revaluated periodically at the Asset Liability Committee or other senior committee. Although there is not an explicit rule for its calculation, we use 1% of equity as a benchmark.

Assumptions and Limitations of VaR Model

Whereas value-at-risk provides a valuable tool for managing market risk, our management recognizes its limitations. The pros and cons of the different VaR approaches had been widely documented in the risk management literature. But regardless of the methodology chosen, it is dangerous to rely in the VaR as the sole market risk barometer. Amongst the main limitations of our historic simulation model, we can name the following:

- Historic simulation methodology assumes the past is the best forecast for future VaR.
- Risk factors dependencies not realized in history will remain as model risk.
- Fat tails may be only partially captured. Fat tail is a cumulative density distribution in which extreme events are more likely to occur than, for example, a standard normal distribution.
- Our portfolio value-at-risk changes during the trading session are not accounted.

Stress Tests and Scenario Analysis

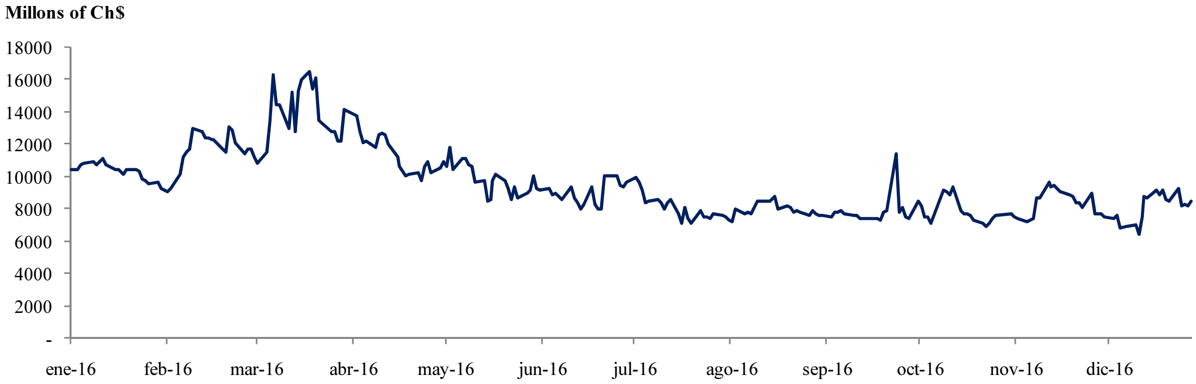
Given the limitations of these models, we perform different stress analysis as a complement to VaR calculations:

- Normative (internal) variations in risk factors (i.e. shifts to the IR (interest rates) term structure; foreign exchange shocks).
- Stress Test (Expected Shortfall, Worst Case, Stressed VaR, VaR without volatility scaling).
- Model sensibilities (variations to the historical data window and/or to model parameters)

Other Limits

We have also set position limits for certain portfolios like foreign exchange exposure and options portfolio. Profit and Loss (PnL) limits are also in place to preserve capital from unexpected losses.

We also include descriptive statistics for both, trading and non-trading portfolios during 2014 and 2015. The following chart shows the evolution of our 10-day VaR. The following chart shows the evolution of our 10-day VaR measure during 2016.



The following table shows descriptive statistics for our trading and non-trading portfolios during the years ended as of December 31, 2015 and 2016.

	As of December 31, 2015			
	Average	Maximum	Minimum	Year End
	(in millions of Ch$)			
Trading Portfolio VaR				
Fx risk	2,037	8,210	(1,435)	1,278
Interest rate risk	4,911	6,820	973	5,004
Var total	5,465	8,372	3,150	4,701
Fx risk	1,645	7,527	(134)	1,242
Interest rate risk	2,076	3,279	79	2,040
Var total	2,776	6,252	643	2,297

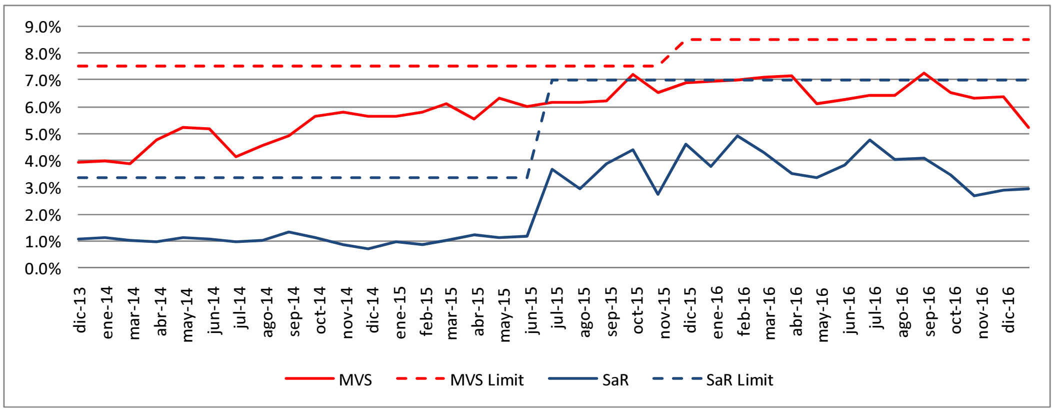
	As of December 31, 2016			
	Average	Maximum	Minimum	Year End
	(in millions of Ch$)			
Trading Portfolio VaR				
Foreign exchange risk	1,551	5,339	73	129
Interest rate risk	4,720	7,983	2,780	4,904
Total VaR	4,963	8,664	3,340	4,929
Foreign exchange risk	1,952	7,080	379	1,066
Interest rate risk	1,688	3,685	594	1,510
Total VaR	2,369	6,874	1,338	1,673

Asset and Liability Management

Sensitivity Analysis

We perform sensitivity analysis by monitoring the changes in the present value of our assets and liabilities associated with changes in the reference yield of 100 basis points. We perform this analysis for the whole banking book through our Market Value Sensitivity (MVS) model, and for the short-term portion of our balance sheet through our Spreads-at-Risk (SaR) Model. As of December 31, 2016 our overall MVS limit was set at 8.5% of our regulatory capital, whereas the overall SaR limit was set at 7.0% of our net interest income. We perform these analyses for pesos, UF and foreign currency denominated assets and liabilities.

The following chart compares our actual MVS and SaR indicators in 2014, 2015 and 2016, against their respective limits.



The table below sets forth our detailed MVS analysis as of December 31, 2016.

	Up to 3 months	3 months – 1 year	1 year to 5 years	5 years to 10 years	Over 10 years	Total
	(in millions of Ch$ as of December 31 2016)					
Cash and due from banks	28	–	–	–	–	28
Commercial loans	877	14,811	52,957	45,203	95,097	208,945
Consumer loans	341	2,276	30,839	7,425	9,145	50,026
Mortgages	29	1,889	41,098	52,503	177,529	273,048
Securities purchased under resale agreements	–	–	–	–	–	–
Investments instruments	8	263	14,334	7,963	12,756	35,324
Financial derivative instruments	783	5,283	37,364	37,794	28,333	109,557
Other assets	705	345	376	1	2,080	3,507
Total assets	2,771	24,867	176,968	150,889	324,940	680,435
Total (%)	0.4%	3.7%	26.0%	22.2%	47.8%	100.0%
Deposits and other liabilities payable on demand	(890)	(94)	(7)	(118,036)	–	(119,027)
Savings account and time deposits	(1,389)	(11,943)	(11,037)	–	–	(24,369)
Securities sold under repurchase agreements	–	–	–	–	–	–
Liabilities with domestic creditors	(93)	(7)	(616)	(134)	(31)	(881)
Liabilities with foreign creditors	(8)	(1,400)	(6,048)	–	–	(7,456)
Bonds	(1)	(3,703)	(35,422)	(66,796)	(137,928)	(243,850)
Financial derivative instruments	(793)	(3,458)	(40,477)	(32,961)	(65,448)	(143,137)
Other liabilities	(319)	(248)	–	–	–	(567)
Total liabilities	(3,493)	(20,853)	(93,607)	(217,927)	(203,407)	(539,287)
Total (%)	0.6%	3.9%	17.4%	40.4%	37.7%	100.0%
Total	(722)	4,014	83,361	(67,038)	121,533	141,148
Total (%)	(0.5)%	2.8%	59.1%	(47.5)%	86.1%	100.0%

Stress Test and Scenario Analysis

In addition to the sensitivity analysis described above, we perform stress testing of our balance sheet to account for extreme scenarios. We develop historic scenarios for interest rate risk, currency risk and inflation risk of our loan portfolio. The results of the stress tests are presented quarterly to the Asset Liability Committee.

Disclosures Regarding Derivative Financial Instruments

We enter into transactions involving derivative financial instruments, particularly foreign exchange forward contracts and interest rates swaps, as part of our asset and liability management and as part of our dealer activities in response to our clients' needs.

Derivative financial instruments are carried at fair value at market price on the balance sheet and the net unrealized gain (loss) on them is classified as a separate line item on the income statement. Banks operating in Chile generally must mark to market their derivative financial instruments. Derivative financial instruments that are classified as being held for trading purposes must be marked to market and the unrealized gain or loss must then be recognized in the income statement. With respect to our derivative financial instruments held for hedging purposes, changes in book value of hedged items are included in the mark-to-market and trading line items, except to the extent set forth below.

The Superintendency of Banks recognizes three kinds of hedge accounting: (i) cash flow hedges, (ii) fair value hedges and (iii) hedging of foreign investments:

- When a cash flow hedge exists, the fair value movements on the part of the hedging instrument that is effective are recognized in equity. Any ineffective portion of the fair value movement on the hedging instrument is recognized in the income statement.

- When a fair value hedge exists, the fair value movements on the hedging instrument and the corresponding fair value movements on the hedged item are recognized in the income statement. Hedged items in the balance sheet are presented at their market value.

- When a hedge of foreign investment exposure exists (i.e. investment in a foreign branch), the fair value movements on the part of the hedging instrument that is effective are recognized in equity. Any ineffective portion of the fair value movement on the hedging instrument is recognized in the income statement.

Although we classify some of our derivative financial instruments as being held for trading, in accordance with the guidelines set forth by the Superintendency of Banks, only a minor portion of our derivative financial instruments are actually used for speculative purposes or trading.

Foreign exchange forward contracts involve an agreement to exchange payments denominated in a certain currency for payments denominated in another currency at an agreed-upon price and settlement date. These contracts are generally standardized contracts, normally for periods between one and 180 days and are not traded in a secondary market; however, in the normal course of business and with the agreement of the original counterparty, they may be terminated or assigned to other counterparties.

When we enter into a foreign exchange forward contract, we analyze and approve the credit risk (the risk that the counterparty might default on its obligations). Subsequently, on an ongoing basis, we monitor the possible losses involved in each contract. To manage the level of credit risk, we deal with counterparties of good credit standing, enter into master netting agreements whenever possible and, when appropriate, obtain collateral.

The Central Bank requires that foreign exchange forward contracts be made only in U.S. dollars and other major foreign currencies. Most of our forward contracts are made in U.S. dollars and pesos or UFs. In September 1997, the Central Bank changed its regulations with respect to foreign currency forward contracts, allowing Chilean companies to enter into foreign currency forward contracts with companies organized and located outside of Chile, including foreign subsidiaries of Chilean companies.

Interest rate swaps allows our treasury to manage our loan portfolio risk adjusting gaps along the interest rate curve by swapping fixed rate for floating rate payments or vice versa. Conversely, cross currency swaps are used when either funding or loans are denominated in a foreign currency.

In addition, our trading desk routinely enters into derivative financial instruments for purposes of both covering sales desk transactions and proprietary trading.

The following table summarizes our derivative financial instruments portfolio as of December 31, 2015 and 2016:

Type of derivative	Fair value amounts as of December 31, 2015		
	Up to 3 months	From 3 to 12 months	More than 12 months
		(in millions of Ch$)	
Foreign currency forwards (includes UF)	(53,467)	49,937	(1,326)
Cross currency swaps	(21,908)	(19,560)	40,152
Interest rate forwards / futures	50	0	0
Interest rate swaps	(6,189)	(13,830)	(11,627)

Type of derivative	Fair value amounts as of December 31, 2016		
	Up to 3 months	From 3 to 12 months	More than 12 months
		(in millions of Ch$)	
Foreign currency forwards (includes UF)	660	2,058	571
Cross currency swaps	8,194	(52,792)	(22,359)
Interest rate forwards / futures	137	0	0
Interest rate swaps	1,741	(4,065)	6,016

Liquidity Risk

Liquidity risk arises in connection with the funding of our financing, trading and investment activities. It includes the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, the risk of being unable to liquidate a position in a timely manner at a reasonable price and the risk that we will be required to repay liabilities earlier than anticipated. Our general policy is to maintain sufficient liquidity to ensure our ability to honor withdrawals of deposits, make repayments of other liabilities at maturity, extend loans and meet our working capital needs.

Since the early stages of the global financial crisis initiated in 2007, our board of directors has resolved to maintain a countercyclical liquidity policy, in line with the amendment proposals to Basel II. We implement this policy by owning a certain amount of liquid assets, like Chilean treasury bonds or short-term commercial paper. As of December 31, 2016 this liquidity buffer accounted for over Ch$1,100 billion.

Regulatory Compliance

Our minimum liquidity position is determined by the reserve requirements set by the Central Bank. These reserve requirements are currently 9.0% of demand deposits and 3.6% of time deposits. We are currently in compliance with these requirements. In addition, we are subject to a technical requirement applicable to Chilean banks, pursuant to which we must hold certain amount of assets in cash or in highly liquid instruments if the aggregate amount of the following liabilities exceeds 2.5 times the amount of our net capital base:

- deposits in checking accounts;
- other demand deposits or obligations payable on demand and incurred in the ordinary course of business;
- other deposits unconditionally payable immediately or within a term of less than 30 days; and
- time deposits payable within ten days.

Furthermore, under Chilean regulations a bank’s gaps between assets and liabilities maturing within 30 days may not exceed the bank’s net capital base, and a bank’s gaps between assets and liabilities maturing within 90 days may not exceed twice the bank’s net capital base.

The following table sets forth an overview of our regulatory liquidity indicators, presented as the ratio of the respective gap between assets and liabilities to our net capital base, from December 31, 2015 to December 31, 2016, all of which comply with a limit of 100%:

	December 31, 2016			
	Average	**Maximum**	**Minimum**	**Month End**
Peso-denominated assets and liabilities				
Up to 30 days	40.4%	65.5%	11.2%	38.4%
Foreign currency denominated assets and liabilities				
Up to 30 days	11.6%	35.0%	(19.8)%	17.7%
Total assets and liabilities				
Up to 30 days	52.1%	80.5%	20.6%	56.1%
Up to 90 days	62.4%	78.7%	44.6%	55.5%

THE CHILEAN BANKING INDUSTRY

Overview

As of December 31, 2016, the Chilean banking system was comprised of one public-sector bank and 22 private-sector banks (of which 17 were Chilean banks and five were Chilean branches of foreign banks). The seven largest banks (in terms of total net loans outstanding), of which we are the fourth largest with a 15.06% market share, together accounted 89.96% of all outstanding loans by Chilean financial institutions as of December 31, 2016. As of the same date, Chilean banks and the Chilean branches of foreign banks accounted for 85.87% and 0.12% of all outstanding loans (including interbank loans) in the Chilean financial system, respectively, according to information published by the Superintendency of Banks. Unless otherwise indicated, we obtained the statistical information included in this section from the Superintendency of Banks.

The Chilean financial services market consists of a variety of distinct sectors. The most important, the commercial banking sector, includes private-sector banks and one public-sector bank, Banco del Estado de Chile (which operates within the same legal and regulatory framework as the private-sector banks).

The Chilean banking industry has experienced increased competition in recent years which has led to, among other things, consolidation in the industry. Further consolidation may occur, and it is possible that the Chilean regulatory authorities may be more open to allowing new market entrants. In addition, increased competition may result in new banks being approved or created under the recently amended General Banking Law. See “Risk Factors—Risks Relating to our Business.”

Market for Banking Services in Chile

Historically, leading Chilean banks focused upon servicing the leading corporations and higher net worth individuals. As a result of the generally sustained period of growth enjoyed by the Chilean economy since the mid-1980s, demand surged for banking services from both corporate and consumer clients. Gross domestic product per capita (current prices) increased from US$9,473 in 2006 to US$12,909 in 2016, with a contraction since 2014, according to data provided by the International Monetary Fund. This growth of the economy and per capita income has brought about parallel growth in the banking industry.

Competition

As a major commercial bank, offering a full range of services to all types of businesses and individual customers, we face a variety of competitors as to different aspects of its business, ranging from the other large private-sector commercial banks to more specialized entities like “niche” banks. The principal private-sector commercial banks in Chile, other than us, include Banco Santander Chile, Banco de Chile, BBVA, Itaú Corpbanca and Scotiabank. Commercial banks also face increasing competition from other financial intermediaries that can provide larger companies with access to the international and domestic capital markets as an alternative to bank loans. To the extent permitted by the General Banking Law, we seek to maintain a competitive position in domestic capital markets through the investment banking activities of our subsidiaries.

In the retail banking business, we compete with other private-sector Chilean banks and Banco del Estado. As of November 30, 2016 we held 14.37% of the total number of checking accounts in the Chilean banking system. Among private-sector Chilean banks, we believe that our strongest competitors in the consumer retail market are Banco Santander Chile, Banco de Chile, BBVA and Itaú Corpbanca, as each of these banks has also developed business strategies that focus on the lower-middle to middle income segments of the Chilean population and small- and medium-sized corporate segment. Due primarily to general economic growth in Chile, consumer lending in the Chilean banking system increased 11.8% in 2012, 14.2% in 2013, 9.1% in 2014, 11.25% in 2015 and 6.72% in 2016, according to information published by the Superintendency of Banks. Our consumer lending increased approximately 15.7% in 2012, 8.9% in 2013, 12.6% in 2014, 15.42% in 2015 and 10.52% in 2016. Commercial banks in Chile compete in the retail market with retail companies such as supermarkets and department stores that offer limited financial services like credit cards and consumer loans. The financial services provided by retail companies are regulated and overseen by the Superintendency of Banks.

The following table sets forth certain statistics on the Chilean commercial banking system as of December 31, 2016:

	As of December 31, 2016							
	Assets		Net Loans[(1)]		Deposits[(2)]		Shareholders' Equity	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
	(in millions of Ch$, except percentages)							
Domestic private-sector banks	176,062,116	83.17%	126,784,708	85.87%	91,477,262	79.57%	15,780,368	88.64%
Foreign-owned banks	836,824	0.40%	173,440	0.12%	170,618	0.15%	449,730	2.53%
Private-sector total	176,898,940	83.57%	126,958,148	85.99%	91,647,880	79.72%	16,230,098	91.17%
Banco del Estado	34,787,632	16.43%	20,689,300	14.01%	23,311,632	20.28%	1,572,861	8.83%
Chilean banking system	211,686,572	100%	147,647,448	100%	114,959,512	100%	17,802,959	100.00%

Source: Superintendency of Banks.

(1) Includes loans and receivables to banks.
(2) Excludes the investment of CorpBanca in Colombia and our investment in City National Bank of Florida.

Net Loans

The following table sets forth the market shares in terms of net loans in the Chilean financial system (comprising all commercial banks) for the seven largest banks in terms of total assets in Chile as of the dates indicated:

	As of December 31					
	2014		2015		2016	
	Amount	Share	Amount	Share	Amount	Share
	(in millions of Ch$, except percentages)					
Banco Santander Chile	22,179,938	18.06%	24,535,201	17.71%	26,113,485	17.91%
Banco de Chile	21,348,033	17.39%	23,956,275	17.29%	24,775,543	17.00%
Bci[(1)]	**15,430,932**	**12.57%**	**19,770,529**	**14.27%**	**21,954,346**	**15.06%**
Itaú CorpBanca	—	—	—	—	20,449,754	14.03%
Banco del Estado	16,164,190	13.16%	18,539,161	13.38%	20,118,494	13.80%
CorpBanca	13,891,904	11.31%	14,454,357	10.43%	—	—
BBVA	8,202,108	6.68%	8,873,086	6.40%	9,114,663	6.25%
Scotiabank	6,151,513	5.01%	8,032,259	5.80%	8,617,253	5.91%
Total for seven banks	103,368,618	84.19%	118,156,532	82.28%	131,143,538	89.96%
Chilean banking system	122,784,704	100.00%	138,556,761	100.00%	145,779,665	100.00%

Source: Superintendency of Banks.

(1) Starting from October 17, 2015, the information includes City National Bank of Florida.

Total Assets

The following table sets forth the total asset amounts and market shares for the seven largest banks in terms of total assets in Chile as of the dates indicated:

	As of December 31,					
	2014		2015		2016	
	Amount	Share	Amount	Share	Amount	Share
	(in millions of Ch$, except percentages)					
Banco Santander Chile	30,534,176	16.88%	34,654,105	17.02%	37,006,645	17.48%
Banco del Estado	28,116,204	15.54%	32,549,582	15.99%	34,787,632	16.43%
Banco de Chile	27,645,828	15.28%	31,292,944	15.37%	31,558,000	14.91%
Bci[(1)]	**23,868,494**	**13.20%**	**28,772,766**	**14.13%**	**30,935,232**	**14.61%**
Itaú CorpBanca	—	—	—	—	29,133,024	13.76%
CorpBanca	20,359,826	11.26%	20,896,631	10.26%	—	—
BBVA	12,088,831	6.68%	13,228,602	6.50%	13,843,574	6.54%
Scotiabank	8,431,700	4.66%	10,799,780	5.30%	11403324	5.39%
Total for seven banks	151,045,059	83.51%	172,194,410	84.57%	188,667,431	89.13%
Chilean banking system	180,881,039	100.00%	203,609,345	100.00%	211,686,572	100.00%

Source: Superintendency of Banks.

(1) Starting from October 17, 2015, the information includes City National Bank of Florida.

Risk Index

The following table sets forth the risk index, calculated as allowances for loan losses as a percentage of total loans, for the seven largest banks in Chile in terms of total assets and the financial system as a whole as of the dates indicated:

	As of December 31,		
	2014	**2015**	**2016**
BBVA	1.63	1.43	1.49
Bci[(1)]	**2.13**	**1.80**	**1.64**
Banco de Chile	2.35	2.41	2.36
Scotiabank	2.09	2.33	2.52
Itaú CorpBanca	—	—	2.83
CorpBanca	2.22	2.38	—
Banco del Estado	2.65	2.73	2.94
Banco Santander Chile	3.06	2.98	3.02
Chilean banking system	2.42	2.38	2.50

Source: Superintendency of Banks.

(1) Starting from October 17, 2015, the information includes City National Bank of Florida.

Asset Quality

The following table sets forth the ratio of past due loans to total loans for the seven largest banks in Chile in terms of total assets as of the dates indicated:

	As of December 31,[(1)]		
	2014	**2015**	**2016**
Banco de Chile	1.21	1.20	1.12
BBVA	1.58	1.41	1.30
Bci[(2)]	**2.24**	**1.48**	**1.42**
Itaú CorpBanca	—	—	1.66
CorpBanca	1.48	1.32	—
Banco Santander Chile	2.81	2.54	2.07
Scotiabank	2.72	2.45	2.46
Banco del Estado	3.44	3.00	3.34
Chilean banking system	2.10	1.86	1.91

Source: Superintendency of Banks.

(1) According to the Superintendency of Banks, the asset quality ratio equals to past due loans divided by total loans.

(2) Starting from October 17, 2015, the information includes City National Bank of Florida.

Deposits

We had deposits (which is defined as current account and demand deposit plus term deposits and saving accounts in our financial statements) of Ch$18,151,951 million (US$27,114 million) as of December 31, 2016. We were the fourth-largest bank in terms of deposits, with 14.70% of the market for deposits, including borrowings from domestic financial institutions. The following table sets forth the deposits market share for the seven largest banks in Chile in terms of total assets as of the dates indicated:

	As of December 31,					
	2014		2015		2016	
	Amount	Share	Amount	Share	Amount	Share
Banco del Estado	19,295,095	18.29%	22,286,194	18.64%	23,311,632	18.87%
Banco Santander Chile	16,894,437	16.02%	19,538,888	16.34%	20,691,024	16.75%
Banco de Chile	16,655,619	15.79%	18,234,740	15.25%	18,874,049	15.28%
Bci[1]	**12,821,049**	**12.15%**	**17,349,184**	**14.51%**	**18,151,951**	**14.70%**
Itaú Corpbanca	—	—	—	—	16,033,088	12.98%
Corpbanca	12,031,914	11.41%	12,927,222	10.81%	—	—
BBVA	6,316,699	5.99%	6,689,730	5.59%	6,876,369	5.57%
Scotiabank	3,804,363	3.61%	5,204,251	4.35%	6,144,361	4.97%
Total for seven banks	87,819,176	83.25%	102,230,209	85.50%	110,082,474	89.13%
Chilean banking system	105,483,169	100.00%	119,567,445	100.00%	123,511,802	100.00%

Source: Superintendency of Banks.

(1) Starting from October 17, 2015, the information includes City National Bank of Florida.

Checking Accounts

As of December 31, 2016, we had the third highest number of current accounts (checking accounts) among Chilean banks. The following table sets forth the number of checking accounts for the seven largest banks in Chile in terms of total assets as of the dates indicated:

	As of December 31,					
	2014		2015		2016	
	Amount	Share	Amount	Share	Amount	Share
Banco Santander Chile	819,379	22.69%	864,539	22.20%	901,433	21.58%
Banco de Chile	777,348	21.53%	817,058	20.98%	871,816	20.87%
Bci[1]	**541,372**	**14.99%**	**570,470**	**14.65%**	**599,006**	**14.34%**
Banco del Estado	468,774	12.98%	526,546	13.52%	572,497	13.71%
Itaú CorpBanca[2]	—	—	—	—	303,469	7.26%
CorpBanca[2]	129,636	3.59%	142,274	3.65%	—	—
BBVA	203,549	5.64%	220,774	5.67%	238,724	5.71%
Scotiabank	149,318	4.14%	160,121	4.11%	173,424	4.15%
Total for seven banks	3,089,376	85.57%	3,301,782	84.77%	3,660,369	87.63%
Chilean banking system	3,610,450	100.00%	3,894,846	100.00%	4,177,253	100.00%

Source: Superintendency of Banks.

(1) Information excludes City National Bank of Florida.

(2) Information excludes Itaú CorpBanca's business in Colombia.

Capital and Reserves

As of December 31, 2016, we had Ch$2,276,929 million (US$3,401million) in capital and reserves, which made us the third-largest commercial bank in Chile in terms of capital and reserves. The following table sets forth the level of capital and reserves for the seven largest banks in Chile in terms of total assets as of the dates indicated:

	As of December 31,					
	2014		2015		2016	
	Amount	Share	Amount	Share	Amount	Share
	(in millions of Ch$, except percentages)					
Banco de Chile	2,208,178	18.82%	2,431,789	18.74%	2,624,255	17.23%
Banco Santander Chile	2,199,064	18.75%	2,419,196	18.65%	2,531,415	16.62%
Bci[(1)]	**1,547,126**	**13.19%**	**1,781,505**	**13.73%**	**2,276,929**	**14.95%**
Itaú CorpBanca	—	—	—	—	3,156,934	20.73%
CorpBanca	1,297,177	11.06%	1,297,177	10.00%	—	—
Banco del Estado	1,228,251	10.47%	1,461,608	11.27%	1,516,929	9.96%
BBVA	656,145	5.59%	707,458	5.45%	769,800	5.05%
Scotiabank	446,348	3.80%	446,348	3.44%	446,348	2.93%
Total for seven banks	9,582,289	81.68%	10,545,081	81.28%	13,322,610	87.48%
Chilean banking system	11,730,990	100.00%	12,973,657	100.00%	15,228,565	100.00%

Source: Superintendency of Banks.

(1) Starting from October 17, 2015, the information includes City National Bank of Florida.

Shareholders' Equity

As of December 31, 2016 we had Ch$2,518,677 million (US$3,762 million) in shareholders' equity, which made us the fourth-largest commercial bank in Chile in terms of shareholders' equity. The following table sets forth the level of shareholders' equity for the seven largest banks in Chile in terms of total assets as of the dates indicated:

	As of December 31,					
	2014		2015		2016	
	Amount	Share	Amount	Share	Amount	Share
	(in millions of Ch$, except percentages)					
Banco Santander Chile	2,642,979	18.33%	2,764,880	17.94%	2,898,047	16.28%
Banco de Chile	2,535,156	17.59%	2,740,087	17.78%	2,887,411	16.22%
Itaú CorpBanca	—	—	—	—	3,404,296	19.12%
CorpBanca	1,767,740	12.26%	1,497,579	9.72%	—	—
Bci[(1)]	**1,800,964**	**12.49%**	**2,000,525**	**12.98%**	**2,518,677**	**14.15%**
Banco del Estado	1,242,499	8.62%	1,493,967	9.69%	1,572,861	8.83%
Scotiabank	723,457	5.02%	840,424	5.45%	912,844	5.13%
BBVA	715,544	4.96%	766,384	4.97%	829,494	4.66%
Total for seven banks	11,428,339	79.28%	12,103,846	78.53%	15,023,630	84.39%
Chilean banking system	14,415,422	100.00%	15,412,496	100.00%	17,802,959	100.00%

Source: Superintendency of Banks.

(1) Starting from October 17, 2015, the information includes City National Bank of Florida.

Return on Capital and Reserves

The following table sets forth the return on capital and reserves for the seven largest banks in Chile in terms of total assets as of the dates indicated for the dates indicated:

	For the year ended December 31,		
	2014	2015	2016
Scotiabank	22.73%	17.87%	25.75%
Banco de Chile	26.77%	22.99%	21.04%
Banco Santander Chile	25.30%	18.69%	18.75%
Bci[(1)]	**22.17%**	**18.57%**	**14.94%**
Banco del Estado[(2)]	14.27%	8.41%	10.55%
BBVA	11.18%	12.60%	10.46%
Itaú CorpBanca	—	—	(0.09)%
CorpBanca	20.40%	17.34%	—
Average of seven banks	21.97%	17.63%	12.91%
Chilean banking system	21.15%	16.86%	12.90%

Source: Superintendency of Banks.

(1) Starting from October 17, 2015, the information includes City National Bank of Florida.

(2) This bank is subject to a different tax regime.

Efficiency

The table below sets forth the efficiency ratios (operating expenses to gross operating income) of the seven largest banks in Chile in terms of total assets for the periods indicated:

	For the year ended December 31,		
	2014	2015	2016
Banco Santander Chile	36.28%	40.49%	39.88%
Banco de Chile	41.77%	42.66%	44.59%
Bci[(1)]	**43.84%**	**46.92%**	**50.11%**
Scotiabank	49.17%	54.87%	50.48%
BBVA	60.05%	49.58%	55.89%
Banco del Estado	49.66%	58.07%	58.50%
Itaú CorpBanca	—	—	67.98%
CorpBanca	55.18%	48.29%	—
Average of seven banks	46.94%	47.15%	50.17%
Chilean banking system	46.28%	47.90%	50.39%

Source: Superintendency of Banks.

(1) Starting from October 17, 2015, the information includes City National Bank of Florida.

Branch Networks

As of December 31, 2016, we had the fourth largest branch network among Chilean banks with 325 branches. The following table sets forth the number of full service branch offices for the seven largest banks in Chile in terms of total assets as of the dates indicated:

	As of December 31,					
	2014		2015		2016	
	Amount	Share	Amount	Share	Amount	Share
	(in units, except percentages)					
Banco Santander Chile	472	19.98%	463	20.17%	427	18.73%
Banco de Chile	430	18.20%	419	18.26%	423	18.55%
Banco del Estado	363	15.37%	380	16.56%	392	17.19%
Bci[1]	**320**	**13.55%**	**320**	**13.94%**	**325**	**14.25%**
Itaú CorpBanca[2]	—	—	—	—	207	9.08%
CorpBanca[2]	110	4.66%	110	4.79%	—	—
BBVA	152	6.44%	137	5.97%	131	5.75%
Scotiabank	129	5.46%	107	4.66%	106	4.65%
Chilean banking system	2,362	100.00%	2,295	100.00%	2,280	100.00%

Source: Superintendency of Banks.

(1) The information presented by the Superintendency of Banks does not include all of our "points of contact," some of which are not considered branches by the Superintendency of Banks. Points of contact include multiservice branches, cash agencies, point of sale branches, premier branches, private banking commercial platforms and automated branches. As of December 31, 2014, 2015 and 2016, we had 361, 387 and 356 points of contact, respectively. Information as of December 31, 2015 does not include City National Bank of Florida.

(2) Information excludes Itaú CorpBanca's branches in Colombia.

Credit Cards

As of December 31, 2016, we had the fifth highest number of credit cards outstanding among Chilean banks, representing 7.21% of the Chilean banking system. The following table sets forth the number of credit cards for the seven largest banks in Chile in terms of total assets as of the dates indicated:

	As of December 31,					
	2014		2015		2016	
	Amount	Share	Amount	Share	Amount	Share
	(in units, except percentages)					
Scotiabank[1]	152,224	1.52%	2,652,916	21.02%	2,528,158	19.45%
Banco Santander Chile	1,877,589	18.75%	1,936,697	15.34%	2,001,574	15.40%
Banco de Chile	1,654,986	16.53%	1,687,320	13.37%	1,766,348	13.59%
Banco del Estado	1,038,863	10.38%	1,087,770	8.62%	1,084,824	8.35%
Bci[2]	**899,738**	**8.99%**	**907,775**	**7.19%**	**937,448**	**7.21%**
BBVA	450,531	4.50%	482,282	3.82%	506,808	3.90%
Itaú CorpBanca[3]	—	—	—	—	391,495	3.01%
CorpBanca[3]	177,349	1.77%	194,305	1.54%	—	—
Total for seven banks	6,251,280	62.44%	8,949,065	70.90%	9,216,655	70.92%
Chilean banking system	10,012,086	100.00%	12,622,251	100.00%	12,994,934	100.00%

Source: Superintendency of Banks.

(1) Starting from April 2015, Scotiabank and Chilean banking system includes Cencosud Administradora de Tarjetas credit card business.

(2) Information excludes City National Bank in Florida.

(3) Information excludes CorpBanca's business in Colombia.

Net Income

As of December 31, 2016, our net income Ch$340,165 million (US$508 million) was the third highest among Chilean banks. The following table sets forth the amounts of net income and the corresponding market shares for the seven largest Chilean banks in terms of total assets as of the dates indicated:

	As of and for the year ended December 31,					
	2014		2015		2016	
	Amount	Share	Amount	Share	Amount	Share
	(in millions of Ch$, except percentages)					
Banco de Chile	591,081	23.82%	558,997	25.56%	552,249	28.11%
Banco Santander Chile	556,311	22.42%	452,141	20.67%	474,716	24.16%
Bci (1)	**342,972**	**13.82%**	**330,823**	**15.13%**	**340,165**	**17.31%**
Banco del Estado	175,263	7.06%	122,915	5.62%	159,977	8.14%
Scotiabank	101,471	4.09%	79,751	3.65%	114,915	5.85%
BBVA	73,325	2.95%	89,126	4.08%	80,504	4.10%
Itaú CorpBanca	—	—	—	—	(2,908)	(0.15)%
CorpBanca	264,637	10.66%	224,873	10.28%	—	—
Total for seven banks	2,105,060	84.83%	1,858,626	84.98%	1,719,618	87.52%
Chilean banking system	2,481,525	100.00%	2,187,130	100.00%	1,964,924	100.00%

Source: Superintendency of Banks.

(1) Starting from October 17, 2015, the information includes City National Bank of Florida.

BUSINESS

Overview

We are the fourth largest commercial bank in Chile in terms of total assets and deposits and the third largest bank in terms of net loans, according to information published and calculated by the Superintendency of Banks, with total assets of Ch$30,849,904 million, deposits of Ch$18,151,951 million and net loans of Ch$21,954,346 million as of December 31, 2016. Our market share of total assets, deposits and net loans in the Chilean banking system was 14.6%, 14.7% and 15.1%, respectively, as of December 31, 2016, in each case according to the Superintendency of Banks and taking into consideration Itaú CorpBanca's investment in Colombia and our acquisition of City National Bank of Florida. Our risk index, calculated as allowances for loan losses as a percentage of our total loans, was 1.6%, as of December 31, 2016, compared to a weighted average of 2.5% for the Chilean banking system as a whole on such date, according to the Superintendency of Banks.

Since our founding in 1937, we have emphasized a target market segment of small to medium-sized companies, while progressively increasing our focus on the retail banking segment. In addition to traditional banking products such as lending and deposit taking, our banking services for our approximately 87,543 active commercial checking account customers (not including individual clients in the retail segment) include working capital financing, lines of credit, foreign trade financing, mortgage loans, foreign exchange and non-credit services such as cash management, payroll and payment services, and a wide range of treasury and risk management products.

We provide our approximately 479,912 active retail checking account customers with deposit services such as checking and savings accounts and also offer residential mortgage and consumer loans, lines of credit, credit cards and diversified products such as mutual funds, stock brokerage services, financial advisory services, insurance brokerage, and private and public investment fund management services. We serve our retail customers through a nationwide network of 356 points of contact, which include multiservice branches, cash agencies, point of sale branches, private banking commercial platforms and automated branches, and 1,104 ATMs. We have made significant investments in alternate distribution channels, including online banking, telephonic banking and other electronic financial services, to facilitate implementation of our market segmentation strategy and strengthen our competitive position in electronic payment transfers.

We offer international banking services through our branch in Miami, our representative offices in Lima, São Paulo, Mexico City, Bogotá and Shanghai, an alliance with Banco Popular in Madrid and a worldwide network of correspondent banks. As part of our international expansion strategy, in October 2015 we acquired 100% of CM Florida Holdings Inc., a registered U.S. bank holding company which owns 99.9% of City National Bank of Florida, in a transaction valued at US$946.9 million. Established in 1946 and headquartered in Miami, City National Bank of Florida is a local commercial bank focused on mid-sized (middle market) and small companies, real estate business and high net worth and affluent clients, particularly professionals and company owners. City National Bank of Florida offers a range of financial products, including real estate, commercial and consumer banking, to over 23,000 clients. With 26 branches and over 500 employees located in four counties in Florida, City National Bank of Florida has historically emphasized a target market segment of small to medium-sized companies. See "Our Acquisition of City National Bank of Florida."

At December 31, 2016, we had total shareholders' equity of Ch$2,518,677 million and a regulatory capital ratio of 13.41% (Basel I Tier 2), computed in accordance with guidelines promulgated by the Superintendency of Banks. For the year ended December 31, 2016, we had consolidated net income of Ch$340,165 million.

We are registered and headquartered in Santiago, Chile and had 11,007 employees as of December 31, 2016. We are a public company whose common shares are listed on the Santiago Stock Exchange (Bolsa de Comercio de Santiago). At December 31, 2016 approximately 63.26% of our outstanding shares were beneficially owned by the Yarur family in Chile.

Corporate Strategy

Our ultimate goal is to be the best bank for our customers and become their overall "bank of choice." We intend to pursue that goal through the following strategic priorities:

- ***Our commitment to enhance customer experience, including through digital innovation.*** We believe that we differentiate ourselves from our principal competitors because of our customer-driven, rather than product-driven, focus, combined with a world class customer experience. We value loyal customers that are a source of stable, recurring revenues, and we seek to establish long-term relationships by providing banking and financial products tailored to our customers' specific needs, coupled with high-quality service. We seek to further enhance our customers' experience by (i) focusing on and investing in digital innovation and data-driven decision-making, particularly in our retail and SMEs operating segments, using new technologies and data-analytics (such as software for credit scoring and fraud detection) to achieve better insights and expand the digitalization of our customers' multi-channel experience that we strive to make as seamless as possible, (ii) combining our diversified, full service model with our capacity to adapt to customer needs and our local experience, to provide superior service and deepen our relationship with our corporate and investment banking clients, (iii) expanding our client coverage and enhancing our payments and cash management services through state-of-the-art technology by offering new services such as payments to suppliers and employees, (iv) implementing our strong commitment to mobile banking, focusing on the development of mobile services to improve our customer experience, and (v) responding to the evolving needs of our customers. In addition, we believe that our focus on digital innovation will also continue to help us improve our operating efficiency.

- ***Pursue consistent growth and profitability while maintaining our conservative risk management.*** We intend to continue pursuing growth and profitability by (i) expanding penetration of our market segments and increasing cross-selling of our products and services with a particular focus on customer-targeted offerings, (ii) continuing to strengthen our capital position to support growth, with the goal of achieving and maintaining a tier 1 capital ratio of at least 10%, and (iii) seeking to optimize our technology infrastructure to reduce costs and create value for our customers through simpler and more flexible processes and develop greater in-source capabilities. Furthermore, we intend to pursue growth and profitability while maintaining our focus on conservative risk management. We have a dedicated risk management team that focuses on monitoring risks across all areas of our business, and we have implemented an algorithmic model to monitor and manage our exposure to market risk. In 2012, we hired a top-tier consulting firm to review our risk tolerance levels and help us find ways to improve on maximizing our risk-reward approach in furtherance of our strategy of achieving growth while maintaining a solid risk management. From 2013 to 2016, we were able to improve our risk index relative to the weighted average risk index of the industry.

- ***Continue to promote and enhance our culture of leadership, collaboration and innovation.*** We seek to promote a culture of leadership and collaboration through a set of best practices with a particular focus on customer centricity and disciplined execution. In addition, we focus on creating an environment that fosters innovation over marginal improvement through our award-based innovation framework. We obtained the Best Place to Innovate (Financial Sector) award given by the University of Chile in 2013 and 2014, and the Most Innovative Company (Banking Sector) in Chile given by the ESE Business School in 2014, 2015 and 2016. Furthermore, because we believe that employee talent, motivation and satisfaction are key to our business and success, we strive to attract the best talent, promote their embrace of our core cultural values and keep our high employee satisfaction levels. In 2015 and 2016, we were named as one of the best companies to work for in Chile by the Great Place to Work Institute and as one of the best companies for working parents by the Chile Unido Foundation. We intend to continue to concentrate on the development of talented and motivated employees who are committed to our mission and institutional values of leadership, collaboration and innovation.

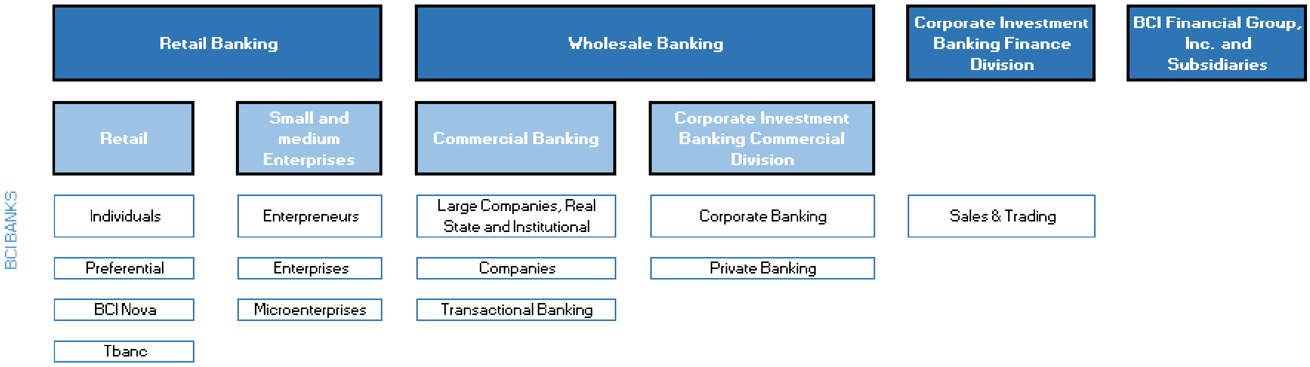
- ***Pursue our international strategy.*** We expect to continue to evaluate and selectively pursue growth opportunities outside Chile that complement our existing operations. This strategy is focused on (i) generating new sources of revenue, (ii) geographic diversification allowing us to diversify risk as well as providing existing clients with regional solutions and access to new markets, and (iii) enhancing our pre-existing regional platform. In addition, we intend to consolidate the integration with City National Bank of Florida, and expect to increase our international revenues significantly as a result of the growth upside expected from scaling up an established banking platform in the strategic Florida market. We believe that the Florida market offers attractive prospects for growth outside of Chile as it is the fourth largest state in the United States in terms of GDP (according to the Bureau of Economic Activity) and financial assets (deposits) (according to

FDIC), as well as the third largest in terms of population, according to the US Census Bureau. We believe that the state of Florida has favorable demographics with strong population and personal income growth. In addition, it has an attractive and fragmented banking system which we believe offers growth opportunities both organically and inorganically. Florida has a deep-rooted cultural and economic connection with Latin America, as evidenced by the high levels of trade and investment flow to and from the region. We expect to benefit from City National Bank of Florida's established banking platform to drive future growth in this strategic market and to continue its focus primarily on its core segments, which are mid-sized (middle market) and small companies, real estate business and high net worth individuals, by offering a range of financial products, including real estate, commercial and consumer banking. See "Our Acquisition of City National Bank of Florida."

Principal Business Activities

We offer a wide range of credit and non-credit products and services to our corporate and retail customers. In addition, we have integrated non-banking financial products, such as factoring, financial leasing, insurance brokerage, securitization, investment funds management and securities brokerage services, to maximize the value represented by our branch network and other distribution channels.

The following chart sets forth our principal reporting segments:



The following tables set forth income statement data for the year ended 2016 allocated among our principal reporting segments (with further breakdown by operating segments):

	Year ended December 31, 2016							
	Retail Banking		Wholesale Banking					
	Retail	Small and Medium Enterprise	Commercial Banking	Corporate and Investment Banking Commercial Division	Corporate and Investment Banking Finance Division	Bci Financial Group, Inc.	Others[3]	Total Consolidated
	(in millions of Ch$)							
Net interest income	380,335	132,408	156,226	99,934	32,896	136,703	(33,449)	905,053
Net fee and commission income	139,448	38,107	39,119	26,644	11,631	18,434	(1,754)	271,629
Other operating income[1]	30,748	7,675	26,260	31,444	(3,470)	10,994	4,989	108,640
Total operating income	550,531	178,190	221,605	158,022	41,057	166,131	(30,214)	1,285,322
Provision for loan losses	(112,844)	(35,433)	(16,754)	(2,489)	(8,517)	(4,894)	(2,481)	(183,412)
Net operating income	437,687	142,757	204,851	155,533	32,540	161,237	(32,695)	1,101,910
Total operating expenses	(323,597)	(79,750)	(104,287)	(60,230)	(33,489)	(78,617)	(16,187)	(696,157)
Total net operating income by Segment[2]	114,090	63,007	100,564	95,303	(949)	82,620	(48,882)	405,753

(1) Includes trading and investment income, net and foreign exchange loss, net.

(2) The breakdown of consolidated total net income shown is used for internal reporting, planning and marketing purposes and is based on, among other things, our estimated funding cost and direct and indirect cost allocations. This breakdown may differ in some respects from breakdowns of our operating income for financial and regulatory purposes. See "Non-Banking Financial Services" for additional information with respect to the operations, assets, liabilities and income of our financial service subsidiaries.

(3) Includes expenses and/or income which, by their nature, are not directly identifiable within the reporting segment and therefore are not assigned to a particular reporting segment.

Wholesale Banking Segment

Commercial Banking Operating Segment

As of December 31, 2016, we had approximately 11,708 checking account customers in our commercial banking operating segment. As of December 31, 2016, loans in this business unit represented approximately 26.2% of our total loans (including 4.8% in commercial leasing contracts), and our commercial banking customers accounted for 17.3% of our consolidated net interest revenue and 14.4% of our consolidated fee income. 0.6% of our commercial banking loans were past due, accounting for 19.3% of our total past due loans at such date. At December 31, 2016, the risk index, calculated as our allowances for loan losses as a percentage of our total loans, for our loans to commercial banking customers was 1.8%.

We offer our corporate customers a broad menu of banking products and services, including short- and long-term commercial loans, state-guaranteed loans, working capital financing, lines of credit, foreign trade financing, mortgage loans, savings accounts, time-deposits and checking accounts in domestic and foreign currency, and transactional banking (cash management including electronic payroll payment and payment services for accounts payable). In addition, we cross-sell to them our non-banking financial products and services, such as broker-dealer services, insurance, factoring, fund and asset management, and financial advisory services.

In order to enhance the offer and marketing of our products and services by better tailor them to our customers' different profiles and needs, we divide our commercial banking operating segment into the following lines of business:

Large Companies, Real Estate & Institutional

This line of business includes companies with annual net sales between UF200,000 (approximately Ch$5,270 million or US$7.9 million) and UF1,500,000 (approximately Ch$39,522 million or US$59.0 million) and real estate and institutional, classifying them according to their respective levels of annual revenues. As of December 31, 2016, we had 6,728 checking account customers and loans in this line of business represented 17.9% of our total loans.

Companies

This line of business includes companies with annual net sales between UF80,000 (approximately Ch$2,108 million or US$3.15 million) and UF200,000 (approximately Ch$5,270 million or US$7.9 million). As of December 31, 2016, we had 4,980 checking account customers in our companies line of business. At December 31, 2016, loans in this line of business represented 3.5% of our total loans.

Transactional banking

This line of business offers transactional banking products across our segments, serving clients from Small and Medium Enterprises, Commercial Banking and Corporate and Investment Banking. The two main lines of business are Trade Finance and Cash management.

Trade finance encourages the development, sale and promotion of products and services directed at companies engaging in international trade. As of December 31, 2016, we had foreign loans amounting to Ch$2,295,327 million or US$3,429 million, which represented 12.3% of our total loan portfolio.

Cash Management gives solutions and advice to companies from Small and Medium Enterprises to large corporations related to treasury management and transactional products. As of December 31, 2016, we had an accumulated volume of payments totaling Ch$32,497,029 million or US$48,541 million from our 8,248 clients, which represent 9.42% of our business clients (not including individual clients in the retail segment).

Corporate and Investment Banking Commercial Division Operating Segment

For the period ended December 31, 2015 and 2016, our corporate and investment banking commercial division segment accounted for 19.0% and 23.5%, respectively, of our net operating income. This operating segment covers our asset management and funding transactions.

Corporate Banking

This line of business covers customers with annual net sales higher than UF 1,500,000 (approximately Ch$39,522 million or US$59.0 million) and specifically focuses on international subsidiaries of certain of our large corporate customers and other large corporations which are more sophisticated in terms of the products and services they require. We offer certain products and services exclusively to these customers, including foreign exchange insurance and forwards, electronic factoring, interest rate and cross- currency swaps, structured finance and liability management. As of December 31, 2016, we had 1,211 checking accounts customers in our Corporate Banking line of business, and loans in this line of business represented 16.3% of our total loans.

Private Banking

In 2008 we incorporated the private banking line of business, which was designed to meet the needs of high net worth individuals for which we keep assets under management of more than US$0.5 million. We offer personalized services to the customers in this line of business through a "one-stop shop" relationship model. Through this line of business, we intend to cover all the credit and investment needs of these customers, coordinating the support of product specialists.

Retail Banking Segment

Retail Operating Segment

Although our traditional focus has been on the commercial banking market, we have expanded our strategic focus to grow our retail banking business as well and we intend to continue to do so. As of December 31, 2016, we had approximately 479,912 checking account customers in our retail banking operating segment. During the year ended December 31, 2016, loans in this operating segment represented approximately 39.4% of our total loans, and our retail banking customers accounted for 42.0% of our consolidated net interest income and 51.3% of our consolidated fee income. At December 31, 2016, 0.8% of the loans in our retail banking business unit were past due, accounting for 39.5% of our total past due loans at such date. At December 31, 2016, the risk index for our loans to retail banking customers was 2.3%.

The following table sets forth, as of each of the dates indicated, the number of accounts in our retail banking segment:

	As of December 31,		
	2014	2015	2016
Checking accounts	443,509	468,488	486,236
Demand accounts	937,737	1,027,403	1,093,873
Savings accounts	168,661	177,410	196,894
Credit card accounts	602,237	630,277	656,151
Risk index(1)	2.1%	2.3%	2.3%

(1) Percentage risk index for the loan portfolio to retail clients at such date.

We offer our retail banking customers a broad range of products and services, including consumer loans, credit cards, auto loans, commercial loans, residential mortgage loans, checking accounts, savings products, broker-dealer services, mutual funds and insurance brokerage.

We divide our retail banking operating segment into the following lines of business in order to tailor our products and services to our customers' different profiles and needs:

Bci Nova

To expand our loan portfolio, market share and profits, in 2004 we acquired Banco Conosur, a bank with a strong franchise in the lower-income retail segment. In July 2005, we rebranded Banco Conosur as Bci Nova, a division that focuses on developing and marketing innovative, targeted products to satisfy the needs of our lower- and lower middle-income customers through a specialized network of 55 Bci Nova branches throughout the country. In 2008, Bci Nova created its "Emerging Banking" sub-division that targets segments of the Chilean population that typically have not had access to banking products and services.

This line of business includes those individuals who have monthly income between Ch$400,000 (approximately US$563) and Ch$550,000 (approximately US$774). As of December 31, 2016, we had 5.7% of our outstanding retail loans classified as loans to these lower- and lower middle-income individuals, representing 2.2% of our total loans as of such date.

As of December 31, 2016, Bci Nova had outstanding loans to approximately 145,992 customers, including approximately 117,715 consumer credit loans.

Individuals and Preferential

We have historically targeted the middle-income segment of the Chilean population, which has been rapidly growing both in terms of size and purchasing power. The personal banking line of business includes those middle-income individuals who have monthly income between Ch$335,072 (approximately US$500) and Ch$4 million (approximately US$5,975) and upper-income individuals who have monthly income higher than Ch$4 million (approximately US$5,975). As of December 31, 2016, we had 83.9% of our outstanding retail loans classified as loans to middle-income individuals (of which 68.2% corresponded to mortgage loans), representing 33.1% of our total loans as of such date.

TBanc

Through our TBanc brand, we provide our retail customers the ability to access many of our products and services online and via telephone 24 hours a day and seven days a week. As of December 31, 2016 there are 17,479 checking account customers and loans represent 2.26% of the loans in the retail operating segment.

Retail Products

We offer the following products and services, among others, to our retail customers:

Checking Accounts and Other Deposit Products. We offer checking accounts denominated in Chilean pesos and U.S. dollars and, as of November 30, 2016, were the fourth biggest provider of checking accounts in the retail market in Chile according to Superintendency of Banks, with approximately 479,912 retail checking accounts customers as of December 31, 2016. In Chile, checking accounts have been historically non-interest bearing accounts and therefore have provided us with an important source of low-cost funding. Since June 1, 2002 the Central Bank has allowed banks to pay interest on checking accounts and, currently, there are no applicable restrictions on the interest paid on checking accounts. However, we currently pay interest on a small portion of our checking accounts. As of December 31, 2016, deposits in non-interest bearing checking accounts represented 5.5% of our total liabilities.

We offer our customers interest bearing deposits, including time deposits and savings accounts. Time deposits are offered in Chilean pesos, UF and U.S. dollars, bear interest at a fixed rate and have terms of 30 to 360 days. Savings accounts are generally denominated in UF and bear interest at a fixed rate. As of December 31, 2016, we had time deposits and savings accounts in the retail operating segment of Ch$1,574,215 million, representing 5.5% of our total liabilities at such date.

Residential Mortgage Loans. As of December 31, 2016, we had outstanding residential mortgage loans of Ch$4,808,568 million, representing 65.3% of our retail loans to individuals and 25.7% of our total loans at such date. Our residential mortgage loans are denominated in UF, bear interest at a fixed rate (which is at a fixed spread above the mortgage finance bonds referred to below) and have maturities between five and 30 years. As of December 31, 2016, the average life of our residential mortgage loans was approximately 10.6 years, reflecting an expansion of available maturities in recent years in the Chilean market. Although from time to time we use other sources of financing to fund our residential mortgage loans, we generally fund these loans through the issuance of mortgage finance bonds, which are recourse obligations with payment terms generally matched to the related mortgage loans and bearing interest at a rate below such loans.

Consumer Loans and Lines of Credit. As of December 31, 2016, we had outstanding consumer loans and lines of credit (including overdraft lines) of Ch$2,032,991 million, representing 27.6% of our retail loans and 10.9% of our total loans at such date. Lines of credit are generally provided on a revolving basis up to an approved credit limit. Consumer loans are generally repayable in installments over terms of up to 36 months. Consumer loans include loans for purchases of automobiles, home furnishings and other durable consumer items. For such items (particularly automobiles), we generally obtain a lien on the purchased item to securer payment.

Credit Cards. As November 30, 2016, we had 932,573 credit cards outstanding under our logo according to the Superintendency of Banks which represented 7.2% of all credit cards in the Chilean banking system at such date. As of December 31, 2016, the total outstanding balances on our retail customer's credit cards was Ch$412,896 million, representing 5.6% of our retail loans and 2.2% of our total loans at such date. Total credit card purchase volume (including cash advances and charges for contracted services) on our credit cards issued to retail customers was Ch$291,517 million as of December 31, 2016.

We have non-exclusive agreements with Visa International Inc. and MasterCard Inc. under which we issue Visa and MasterCard credit cards under the Bci brand. We earn interest revenue on outstanding credit card balances, transaction commissions from merchants, late fees on overdue payments and annual fees from cardholders. Interest on credit card balances is charged at monthly variable nominal rates which for the year ended December 31, 2016 averaged approximately 1.67% per month. As of December 31, 2016, 69.0% of our credit card-related revenue was derived from interest spreads and the remainder was derived from fees.

Other Products. In addition, we market mutual funds, insurance products and other financial services offered through subsidiaries. See "—Non-Banking Financial Services"

Small and Medium Enterprises Operating Segment

As of December 31, 2016, we had approximately 69,557 checking account customers in our Small and Medium Enterprises operating segment. During the year ended December 31, 2016, loans in this operating segment represented approximately 9.3% of our total loans, and our customers accounted for 14.6% of our consolidated net interest income and 14.0% of our consolidated fee income. At December 31, 2016, 3.5% of the loans in this operating segment were past due, accounting for 39.3% of our total past due loans at such date. At December 31, 2016, the risk index for our loans to SME customers was 3.0%

Microenterprises

This line of business includes businesses with annual net sales up to UF 2,400 (approximately Ch$61.51 million or US$86,614) and we offer our products and services to both the small businesses and their owners individually. As of December 31, 2016, 3.53% of our outstanding loans in our Small and Medium Enterprises operating segment were classified as loans to microenterprises, representing 0.33% of our total loans as of such date.

Entrepreneurs

This line of business includes businesses with annual net sales between UF2,400 (approximately Ch$63.24 million or US$94,456) and UF12,000 (approximately Ch$316 million or US$472,278), and we offer our products and services to both the small businesses and their owners individually. As of December 31, 2016, 24.2% of our outstanding loans in our Small and Medium Enterprises operating segment were classified as loans to entrepreneurs, representing 2.26% of our total loans as of such date.

Enterprises

This line of business includes businesses with annual net sales between UF12,000 (approximately Ch$316 million or US$472,278) and UF80,000 (approximately Ch$2,108 million or US$3.15 million), and we offer our products and services to both the small businesses and their owners individually. As of December 31, 2016, 72.3% of our outstanding loans in our Small and Medium Enterprises operating segment were classified as loans to enterprises, representing 6.75% of our total loans as of such date.

We have two programs specifically designed for customers in the small businesses line of business, whose characteristics are unique in the Chilean market: (i) the Nace program which is designed to assist and support entrepreneurial projects from a financing and business perspective, which initially consisted of a Ch$10,000 million fund and could have a maximum exposure of Ch$50 million per customer; currently, the fund is boundless and there is no limit of exposure, and (ii) the Renace program, tailored to provide financing and business support to entrepreneurs who need a second chance after experiencing failures with prior entrepreneurial projects, consists of a Ch$10,000 million fund, without a maximum limit of exposure per customer.

Corporate and Investment Banking Finance Division Segment

For the period ended December 31, 2015 and 2016, our corporate and investment banking financial division segment accounted for 7.4% and -0.2%, respectively, of our net operating income. This segment covers our money market, investments and trading. Our activities are subject to guidelines set out by our board of directors, the Central Bank and the Superintendency of Banks. We enter into transactions involving fixed-income instruments and related repurchase agreements, foreign currencies (in the spot and forward markets), negotiable mortgage instruments, derivative financial agreements and other securities traded in secondary markets.

Sales and Trading

Our securities portfolio as of December 31, 2016 amounted to Ch$1,882,091 million, of which 37.0% consisted of securities issued by the Central Bank and the Chilean government, 13.7% consisted of securities issued by foreign issuers, 48.5% consisted of securities issued by local financial institutions and 0.8% consisted of securities issued by Chilean corporate issuers. Our investment strategy is designed to supplement our expected profitability, risks and economic variable projections. Our investment strategy is kept within regulatory limits as well as internal limits defined by our board of directors. As of December 31, 2016, our securities portfolio represented approximately 10.1% of our total loans.

Non-Banking Financial Services

Non-banking financial services are an important component of our strategy of maximizing the value of our distribution network and customer base by cross-selling financial products and services. Our subsidiaries that provide these services are organized and included under the segment of our business that best aligns with their respective business strategies. Due primarily to Chilean banking regulations, we have structured these business lines through separate operating subsidiaries.

Bci Financial Group, Inc. and Subsidiaries Segment

As part of our international expansion strategy, in October 2015 we acquired 100% of Bci Financial Group, Inc., formerly known as CM Florida Holdings, Inc., a U.S. bank holding company which owns 99.9% of City National Bank of Florida, in a transaction valued at US$947 million. Established in 1946 and headquartered in Miami, Florida, City National Bank of Florida is a local commercial bank focused on mid-sized (middle market) and small companies, real estate business and high net worth and affluent clients, particularly professionals and company owners. City National Bank of Florida offers financial products, including real estate, commercial and consumer banking, to over 23,000 clients through 26 banking centers strategically located in four counties in Florida. City National Bank of Florida has more than 534 employees.

As a result of the banking crisis in the United States in 2007-2008, City National Bank of Florida's non-performing loans increased significantly, particularly with respect to real estate loans, and it incurred significant net losses in 2009 and 2010. City National Bank of Florida's previous owner, the Spanish bank Bankia S.A., injected additional capital into City National Bank of Florida in 2010 but was later required to sell City National Bank of Florida as a result of financial assistance Bankia received from the European Union. Since 2010, City National Bank of Florida has improved its results of operations and its asset quality, benefitting from the rapid economic recovery in South Florida. On May 24, 2013 we signed a Share Purchase Agreement with Bankia S.A. Bci received approval from the Federal Reserve on September 21, 2015 and closed the transaction on October 16, 2015.

At December 31, 2016, 74.2% of City National Bank of Florida's loans had mortgage collateral, 24.9% were commercial and other business loans and leases and 0.9% were consumer loans. At December 31, 2016, City National Bank of Florida had total assets of approximately US$8.2 billion, deposits and borrowings of US$7.2 billion (US$5.6 billion in deposits), shareholders' equity of US$1 billion and a risk based Tier 1 regulatory capital ratio of 15%, computed in accordance with guidelines promulgated by the FDIC, the OCC and the Federal Reserve. For the years ended December 31, 2014, 2015 and 2016, City National Bank of Florida had consolidated net income, US$42,948 million, US$47,379 million (of which US$10,389 million was attributable to the period starting when we closed our acquisition of City National Bank of Florida), and US$70,227 million respectively. The financial information of City National Bank of Florida presented in this section is in accordance with US GAAP.

We believe that the market for banking services in Florida offers attractive prospects for growth due to its favorable characteristics such as a large depositary base. The counties in which City National Bank of Florida operates account for a substantial portion of the state's GDP, and the Miami metropolitan area (including Ft. Lauderdale and Palm Beach) accounts for approximately 40% of Florida´s commercial bank deposits, according to the FDIC. As a result of our acquisition of City National Bank of Florida, we expect to increase our international revenues by combining our experience and capabilities in Chile with an established and scalable banking platform that is managed by an experienced and strong management team in the strategic Florida market, where we have operated an international branch for over 16 years. However, we cannot assure you that we will be able to realize all of the anticipated benefits that we seek. See "Our Acquisition of City National Bank of Florida."

Distribution Channels and Electronic Banking

Chile

Our distribution network provides integrated financial services and products to our customers through a wide range of channels. This network includes ATMs, branches, on-line banking and phone-banking devices. Our 1,104 ATMs (that form part 20.4% of Redbanc's ATM system, which is the largest ATM network in Chile and is collectively owned by the principal Chilean banks, including us) allow our customers to conduct self-service banking transactions during banking and non-banking hours.

As of December 31, 2016, we had a network of 356 points of contact throughout Chile, which serve as a distribution network for all of the products and services we offer to our customers. Our full-service branches accept deposits, disburse cash, offer the full range of our retail banking products such as consumer loans, automobile financing, credit cards, mortgage loans and checking accounts and provide information to current and potential customers.

We offer electronic banking services to our commercial customers 24 hours a day through our internet website, which has homepages that are segmented by market. Our corporate homepage offers services including our office banking service which enables our corporate customers to perform most of their banking transactions from their offices. We offer electronic banking services to our retail customers through TBanc which provides them with online access to a broad range of products and services. Our retail website offers a broad range of services, including the payment of bills, electronic fund transfers, stop payment and non-charge orders, as well as a wide variety of account inquiries. Both websites offer our customers the sale of third-party products with exclusive benefits. We also have a website designed for our investor customers through which they can perform transactions such as stock trading, time deposit taking and opening savings accounts.

Our foreign trade customers can rely on our international business website which enables them to inquire about the status of their foreign trade transactions and perform transactions such as opening letters of credit, recording import collection and hedging on instructions and letters of credit.

In 2015, approximately 472,541 individual and corporate customers performed close to 10,520,760 transactions per month on our website, of which approximately 5,919,959 were monetary transactions. In 2016, approximately 466,240 individual and corporate customers performed close to 10,263,154 transactions per month on our website, of which approximately 6,511,878 were monetary transactions.

International

We have historically maintained a network of international banking relationships, including alliances and commercial relationships with more than 1,000 correspondent banks in North America, Europe, Asia and South America, a foreign branch and several representation offices in strategic cities abroad. We have formalized commercial alliances with several banks, including Wells Fargo (USA), Intesa Sanpaolo (Italy), Banco Popular (Spain), Banco de Crédito del Perú (Perú), Bicsa (Costa Rica), Banco Credicoop (Argentina) and Export Import Bank of China (China). Our alliances generally include exchange of personnel and business channeling through our correspondent banks in their respective countries. We have representation offices in Lima, São Paulo, México City and Bogotá and a business desk at Banco Popular in Madrid.

Our international relationships provide an additional source of interbank funding and offer opportunities for short-term loans. More importantly, our international network facilitates the offer of products and services to our clients pursuing cross-border business activities. These products include foreign trade financing, letters of credit and foreign exchange transactions.

Miami Branch. Our Miami branch was established in 1999 and offers a range of general banking products and services in the United States to our clients. As of December 31, 2016, our Miami branch had total assets of US$2,008 million, including a loan portfolio of US$1,408 million, representing 4.4% of our total assets at such date. Of our Miami branch's loans, US$899 million were commercial loans, mostly to large Chilean corporations. The remaining US$508 million were primarily foreign trade loans and off- balance contingent loans (letters of credit and stand-by letters of credit). In December 31, 2016, our Miami branch had a net profit of US$36 million.

Investments in bonds and foreign securities by our Miami branch aggregated US$109 million at December 31, 2016, most of which consisted of private sector bonds. As of December 31, 2016, our Miami branch had US$9.8 million in allowances for loan losses. Although our Miami branch manages its assets and liabilities locally, it follows the same credit processes that we follow in Santiago, and all credit decisions are made by our account officers and credit committees in Santiago.

Funding sources for our Miami branch include demand deposit accounts, money market accounts and other deposits of US$177 million, time deposits of US$1,181 million, and foreign borrowings of US$391 million. The following table sets forth, as of December 31, 2016, the composition of our portfolio of loans originated through our Miami branch:

	As of December 31, 2016
	(in US$)
Foreign trade loans	297,379,687
Commercial loans	899,302,861
Loans and receivables to banks	43,000,000
Consumer loans	—
Contingent loans	167,866,178
Past due loans	—
Total	1,407,548,726

The following table sets forth, as of December 31, 2016, the sources of funding for our Miami branch:

	As of December 31, 2016	
	(in US$, except for percentages)	
Current accounts	176,501,845	8.97%
Certificates of deposits and time deposits	1,180,868,446	60.04%
Other demand deposits	232,475	0.02%
Contingent liabilities	167,866,178	8.53%
Foreign borrowings	390,969,603	19.88%
Other liabilities	50,389,188	2.56%
Total	1,966,827,735	100.00%

Competition

Chile

The Chilean market for financial services is highly competitive. In the commercial banking segments, we face competition from larger Chilean banks in terms of assets, some of which have substantially greater resources, and major international banking institutions. Our principal private-sector competitors include Banco Santander-Chile, Banco de Chile, BBVA, Scotiabank and CorpBanca, as well as Banco del Estado, which is government owned. In addition, we are subject to competition in other segments of our business from market participants such as broker-dealers, insurance companies and other specialized providers of non-banking financial services, including department stores and larger supermarket chains. See “The Chilean Banking Industry—Competition.”

We believe that the consolidation experienced in the Chilean banking system during the last 15 years is likely to continue and result in a further reduction in the number of private-sector banks currently active in Chile. See “Risk Factors—Increased competition and industry consolidation may adversely affect our results of operations” and “The Chilean Banking Industry” for a more extensive discussion of the competitive environment and comparative financial and operating information for the principal banking institutions.

United States

Our markets are highly competitive. Our markets contain not only a large number of community and regional banks, but also a significant presence of the country’s largest commercial banks. We compete with other state, national and international financial institutions located in our market areas as well as savings associations, savings banks and credit unions for deposits and loans. In addition, we compete with financial intermediaries such as consumer finance companies, mortgage banking companies, insurance companies, securities firms, mutual funds and several government agencies as well as major retailers, all actively engaged in providing various types of loans and other financial services. Our largest banking competitors in the Florida market include Bank of America, JPMorgan Chase, Sabadell, SunTrust Banks, Bank United, Stonegate Bank, TD Bank and Wells Fargo among others.

Employees

As of December 31, 2016, we had 11,007 employees. For 2016, we invested approximately Ch$347,400 per employee in employee training for approximately 35.4 training hours per employee during the year and for 2018 we expect to maintain this level of investment. We also have a scholarship program that promotes the completion of basic and specialized studies. During the year ended December 31, 2016, we had a 1.3% monthly turnover rate. Our current employees have been with us for 8 years on average. As of December 31, 2016, 785 of our employees were affiliated with 3 unions. Bci has three collective bargaining agreements: (1) with National Union of Workers Banco de Crédito y Inversiones (North), which is scheduled to expire in August of 2018, (2) with Telecanal, which is scheduled to expire in April of 2019 and (3) with Union of Financial Services Corporation Bci (Santiago), which is scheduled to expire in November of 2019.

Properties

Our headquarters are located in Chile in a building we own at El Golf 125, Las Condes, Santiago. As of December 31, 2016, we owned 26.4% of the locations on which our full-service branches were located and leased the remaining branch locations. Our branches are located in all fifteen of Chile's regions. In determining whether to expand into a new location, we conduct extensive analysis and market studies, prepare business plans and consult with existing clients in the proposed new location to determine the appropriateness of opening such branch. Although we believe that our existing physical facilities are adequate for our current needs, we regularly evaluate the profitability of each of our branches to make decisions concerning the expansion, relocation or closing of branches.

City National Bank of Florida's headquarters are located in Miami, Florida, with 26 branches located in four counties in Florida.

Legal Proceedings

We are a party to certain legal proceedings in Chile and the United States arising in the normal course of our business. We do not believe that these proceedings are likely to have a material adverse effect on our financial condition or results of operations.

Capital Stock

As of December 31, 2016, our paid-in capital is represented by 123,564,219 ordinary shares, fully paid and distributed.

Our ordinary shares have no par value and full voting rights. There are no legal restrictions on the payment of dividends from our net income, except that we may pay only a single dividend per year (i.e., interim dividends are not permitted). Under the Chilean Corporations Law and regulations issued thereunder, Chilean public corporations are generally required to distribute at least 30% of their consolidated annual earnings as dividends, except to the extent they have no accumulated losses. Previously, a bank was permitted to distribute less than such minimum amount in any given year with approval of the holders of at least two-thirds of the bank's outstanding stock. In 2006, however, this possibility was eliminated by law. Under the General Banking Law, a Chilean bank may pay dividends upon approval of its shareholders from (i) net earnings of previous fiscal years (i.e., interim dividends are not permitted), (ii) the reserve kept for that purpose or (iii) other funds permitted under Chilean law. Banks cannot pay dividends if part of their capital has been lost and such loss has not been recovered, additionally, banks cannot pay dividends from net earnings or reserves kept for that purpose, if as a consequence of such payment, the bank is in contravention of the financial ratios established under article 66 of the General Banking Law.

SELECTED STATISTICAL INFORMATION

The following information presents our selected statistical information as of and for the years ended December 31, 2014, 2015 and 2016, in accordance with Chilean GAAP, and is included for analytical purposes. This information should be read in connection with, and is qualified in its entirety by reference to, our Audited Consolidated Financial Statements and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Prospectus. The financial data in the following tables have been stated in nominal Chilean pesos.

Average Balance Sheets and Interest Rate Data

Average balances for interest earning assets, interest bearing liabilities, non-interest earning assets and non-interest bearing liabilities for the years ended December 31, 2014, 2015 and 2016 have been calculated on the basis of monthly balances of Bci and our subsidiaries and derived from our financial information presented under Chilean GAAP. Data computed using more frequent balances could be significantly different. In each case, such average balances are presented in Chilean pesos, UF and foreign currencies (principally U.S. dollars). The UF is a unit of account which is linked to, and which changes daily to reflect changes in, the Chilean consumer price index published by the Chilean National Institute of Statistics over the close of the previous month.

The nominal interest rate has been calculated by dividing the amount of interest and principal readjustment gain or loss during the period by the related average balance. The nominal rates calculated for each period have been converted into real rates using the following formulas:

$$Rp = \frac{1+ Np}{1+I} - 1 \qquad\qquad Rd = \frac{(1+ Nd)\,(1+ D)}{1+I} - 1$$

Where:

Rp = real average rate for peso-denominated assets and liabilities (in Ch$ and UF) for the period;
Rd = real average rate for foreign currency-denominated assets and liabilities for the period;
Np = nominal average rate for peso-denominated assets and liabilities for the period;
Nd = nominal average rate for foreign currency-denominated assets and liabilities for the period;
D = devaluation rate of the Chilean peso to the dollar for the period; and
I = inflation rate in Chile for the period (based on the variation of the Chilean consumer price index).

The real interest rate can be negative for a portfolio of peso-denominated loans when the inflation rate for the period is higher than the average nominal rate of the loan portfolio for the same period. A similar effect could occur for a portfolio of foreign currency-denominated loans when the inflation rate for the period is higher than the sum of the devaluation rate for the period and the corresponding average nominal rate of the portfolio.

The formula for the average real rate for foreign currency-denominated assets and liabilities (Rd) reflects a gain or loss in purchasing power caused by the difference between the devaluation rate of the peso and the inflation rate in Chile during the period.

The following example illustrates the calculation of the real interest rate for a U.S. dollar-denominated asset earning a nominal annual interest rate of 10% (Nd = 0.10), assuming a 5% annual devaluation rate (D = 0.05) and a 12% annual inflation rate (I = 0.12):

$$Rd = \frac{(1 + 0.10)\,(1+ 0.05)}{1 + 0.12} - 1 = 3.125\% \text{ per year}$$

In the example, since the inflation rate was higher than the devaluation rate, the real rate is lower than the nominal rate in dollars. For example, if the annual devaluation rate were 15%, provided the rest of the numbers used in the example above remain the same, the real rate in Chilean pesos would be 12.9%, which is higher than the nominal rate in dollars. In the same example, if the annual inflation rate were greater than 15.5%, the real rate would be negative.

Average balances (assets or liabilities) do not include contingent loans, because they are off-balance sheet. The foreign exchange gains or losses on foreign currency-denominated assets and liabilities have not been included in interest income or expense. Similarly, interest on investments does not include trading gains or losses on these investments.

Loans that are not yet 90 days or more overdue, as well as restructured loans, have been included in each of the various categories of loans and therefore affect the various averages. Loans that are 90 days or more overdue are shown as a separate category of loans ("past due loans"). Interest and/or indexation readjustments received on all loans during the periods are included as interest income. Loans with respect to which we have certain evidence indicating that the borrower will not perform its payment obligations in accordance with the terms and conditions of the loan are presented as a different category of loans ("impaired loans"). See "Presentation of Financial and Other Information—Loans."

Included in interbank deposits are current accounts maintained in the Central Bank and overseas banks. Such assets have a distorting effect on the average interest rate earned on total interest earning assets because (i) balances maintained in the Central Bank only receive interest on the amounts which are legally required to be held for liquidity purposes, and (ii) balances maintained in overseas banks earn interest only for certain accounts in certain countries. Consequently, the average interest income on such assets is comparatively low. We maintain deposits in these accounts to comply with statutory requirements and to facilitate international business, rather than to earn income.

The monetary gain or loss on interest earning assets and interest bearing liabilities is not included as a component of interest income or interest expense because inflation effects are taken into account in the calculation of real interest rates.

The following tables show, by currency of denomination, average balances and, where applicable, interest amounts earned and paid, and average nominal rates for our interest earning assets and interest bearing liabilities for the years ended December 31, 2014, 2015 and 2016. Except where otherwise specified, all amounts stated in this section are before deduction of allowance for loan losses. See "—Allocation of Allowance for Loan Losses."

	As of and for the year ended December 31,											
	2014				2015				2016			
	Average balance	Interest income	Average nominal rate	Average real rate	Average balance	Interest income	Average nominal rate	Average real rate	Average balance	Interest income	Average nominal rate	Average real rate
	(in millions of Ch$, except for rate data)											
INTEREST EARNING ASSETS												
Commercial loans												
General commercial loans												
Ch$	3,419,699	240,302	7.0%	2.3%	3,570,952	234,412	6.6%	2.1%	4,048,658	270,146	6.7%	3.9%
UF	2,548,836	243,171	9.5%	4.7%	2,665,118	206,524	7.7%	3.2%	2,912,850	185,882	6.4%	3.6%
Foreign currency	1,423,358	44,268	3.1%	14%	2,104,445	75,759	3.6%	16.1%	3,165,593	60,189	1.9%	(6.4)%
Total	7,391,893	527,741	7.1%	5.4%	8,340,515	516,695	6.2%	6.0%	10,127,101	516,217	5.1%	0.5%
CNB commercial loans	—	—	—	—	181,048	1,782	1.0%	(3.3)%	972,660	116,112	11.9%	9.0%
Foreign trade loans												
Ch$	26,948	1,694	6.3%	1.6%	33,305	1,924	5.8%	1.3%	51,434	2,813	5.5%	2.7%
UF	3,014	300	10.0%	5.1%	2,346	209	8.9%	4.3%	2,127	168	7.9%	5.1%
Foreign currency	1,064,805	24,830	2.3%	13.1%	926,173	23,115	2.6%	15.0%	775,643	21,792	2.8%	(5.6)%
Total	1,094,767	26,824	2.5%	12.8%	961,824	25,248	2.6%	14.5%	829,204	24,773	3.0%	(5.1)%
Checking accounts												
Ch$	120,343	23,904	19.9%	14.6%	134,559	23,013	17.1%	12.2%	139,462	25,054	18.0%	14.9%
UF	—											
Foreign currency	—											
Total	120,343	23,904	19.9%	14.6%	134,559	23,013	17.1%	12.2%	139,462	25,054	18.0%	14.9%
Loans to college students(1)												
Ch$	—	—	—	—	—	—	—	—	7,893	33	0.4%	(2.2)%
UF	—	—	—	—	—	—	—	—	180,078	15,251	8.5%	5.6%
Foreign currency	—	—	—	—	—	—	—	—				
Total	—	—	—	—	—	—	—	—	187,971	15,284	8.1%	5.3%
Factoring operations												
Ch$	359,634	44,208	12.3%	7.4%	357,940	39,623	11.1%	6.4%	392,732	40,934	10.4%	7.5%
UF	52,547	4,067	7.7%	3.0%	35,754	4,241	11.9%	7.1%	44,541	196	0.4%	(2.2)%
Foreign currency	84,085	264	0.3%	10.9%	165,849	(69)	-	12.1%	152,731	1,291	0.8%	(7.4)%
Total	496,266	48,539	9.8%	7.5%	559,543	43,795	7.8%	8.1%	590,004	42,421	7.2%	2.9%
Leasing transactions												
Ch$	271,273	21,477	7.9%	3.2%	301,386	21,910	7.3%	2.7%	326,224	24,817	7.6%	4.8%
UF	485,273	53,319	11.0%	6.1%	519,228	50,977	9.8%	5.2%	548,326	41,469	7.6%	4.7%
Foreign currency	-	-							-		-	-
Total	756,546	74,796	9.9%	5.1%	820,614	72,887	8.9%	4.3%	874,550	66,286	7.6%	4.8%
Other loans and receivables												
Ch$	22,726	4,242	18.7%	13.4%	67,279	3,890	5.8%	1.3%	25,880	4,289	16.6%	13.5%
UF	167,476	19,014	11.4%	6.5%	176,030	16,373	9.3%	4.7%	607	290	47.8%	43.9%
Foreign currency	2,948	1,584	53.7%	70.0%	2,427	803	33.1%	49.2%	3,347	33	1.0%	(7.3)%
Total	193,150	24,840	12.9%	8.3%	245,736	21,066	8.6%	4.2%	29,834	4,612	15.5%	11.8%
Mortgage loans												
Mortgage loans												
Ch$	15,946	1,185	7.4%	2.7%	17,044	1,216	7.1%	2.6%	17,613	1,260	7.2%	4.3%
UF	3,057,713	296,020	9.7%	4.9%	3,643,308	181,649	5.0%	0.6%	2,620,911	272,646	10.4%	7.5%
Foreign currency	—	—	—	—	93,501	—	0.0%	0.0%		—	0.0%	0.0%
Total	3,073,659	297,205	9.7%	4.8%	3,753,853	182,865	4.9%	0.5%	2,638,524	273,906	5.9%	4.2%
CNB residential mortgage loans	—	—	—	—	46,750	—	—	—	2,038,910	—	—	—
Consumer loans												
Consumer loans in installment												
Ch$	1,431,066	208,635	14.6%	9.5%	1,640,593	224,370	13.7%	8.9%	1,844,253	243,482	13.2%	10.2%
UF	40,692	4,709	11.6%	6.7%	32,087	3,146	9.8%	5.2%	27,103	2,173	8.0%	5.2%
Foreign currency	—	—	—	—	18,118	1,190	6.6%	19.5%	-		-	—
Total	1,471,758	213,344	14.5%	9.5%	1,690,798	228,706	13.4%	8.9%	1,871,356	245,655	13.1%	10.2%
CNB consumer loans	—	—	—	—	10,614	104	1.0%	(3.3)%	145,552	5,509	5.1%	2.3%
Checking accounts												
Ch$	90,476	37,004	40.9%	34.7%	101,173	34,908	34.5%	28.8%	112,044	36,379	32.5%	29.0%
UF	—				—				—			
Foreign currency	—				—				—			
Total	90,476	37,004	40.9%	34.7%	101,173	34,908	34.5%	28.8%	112,044	36,379	32.5%	29.0%
Credit card borrowers												
Ch$	268,031	57,083	21.3%	16.0%	336,143	56,344	16.8%	11.8%	384,397	58,994	15.3%	12.3%
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	—	—	—	—	—	—	—	—	—	—	—	—
Total	268,031	57,083	21.3%	16.0%	336,143	56,344	16.8%	11.8%	384,397	58,994	15.3%	12.3%
Consumer leasing transactions												
Ch$	491	42	8.6%	3.8%	1,633	109	6.7%	2.2%	2,546	185	7.3%	4.4%
UF	239	32	13.4%	8.4%	231	27	11.7%		723	(339)	(46.9)%	(48.3)%
Foreign currency	—				—				—			
Total	730	74	10.1%	5.3%	1,864	136	7.3%	1.9%	3,269	(154)	(4.7)%	(7.2)%
Other loans and receivables												
Ch$	9,039	888	9.8%	5.0%	9,213	342	3.7%	(0.7)%	952	226	23.7%	20.5%
UF	—				—	—	—	—	—			
Foreign currency	—	—	—	—	1,244	—	—	—	—	—	—	-
Total	9,039	888	9.8%	5.0%	10,457	342	3.3%	(0.6)%	952	226	23.7%	20.5%
Interbank loans												
Ch$	21,640	503	2.3%	(2.2)%	12,217	281	2.3%	(2.0)%	1,906	115	6.0%	3.2%
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	173,131	2,500	1.4%	12.2%	233,409	3,118	1.3%	13.6%	206,369	4,716	2.3%	(6.1)%
Total	194,771	3,003	1.5%	10.6%	245,626	3,399	1.4%	12.8%	208,275	4,831	2.3%	(6.0)%
Investments												
Ch$	883,438	61,177	6.9%	2.2%	1,078,464	43,958	4.1%	(0.3)%	1,213,782	53,034	4.4%	1.6%
UF	214,898	(79,328)	(36.9)%	(39.7)%	168,086	57,135	34.0%	28.3%	175,002	(22,689)	(13.0)%	(15.3)%
Foreign currency	380,592	5,531	1.5%	12.2%	657,797	15,816	2.4%	14.8%	947,944	14,108	1.5%	(6.8)%
CNB investments	—	—	—	—	3,800	397	10.4%	5.8%	22	26,742	121554.5%	118356.2%
Total	1,478,928	(12,620)	(0.9)%	(1.3)%	1,908,147	117,306	6.1%	7.4%	2,336,750	71,195	3.0%	(1.9)%
Other assets												
Ch$	121,748	2,222	1.8%	(2.7)%	61,144	15,806	25.9%	20.5%	81,448	4,756	5.8%	3.1%
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	167,624	134	0.1%	10.7%	333,230	440	0.1%	12.3%	331,476	1,283	0.4%	(7.8)%
CNB	—	—	—	—	—	—	—	—	—	—	—	—
Total	289,372	2,356	0.8%	5.1%	394,374	16,246	4.1%	13.5%	412,924	6,039	1.5%	(5.7)%

Total interest earning assets												
Ch$	7,062,498	704,566	10.0%	5.1%	7,723,045	702,106	9.1%	4.5%	8,651,224	766,517	8.9%	6.0%
UF	6,570,688	541,304	8.2%	3.5%	7,242,188	520,281	7.2%	2.7%	6,512,268	495,047	7.6%	4.8%
Foreign currency	3,296,543	79,112	2.4%	13.2%	4,536,193	120,172	2.6%	15.1%	5,583,103	103,412	1.9%	(6.5)%
CNB	—	—	—	—	242,212	2,283	0.9%	(3.3)%	3,157,144	148,363	4.7%	1.9%
Total	16,929,729	1,324,982	7.8%	6.1%	19,743,638	1,344,842	6.8%	6.2%	23,903,739	1,513,339	6.3%	2.2%

(1) In 2014 and 2015, loans to college students were included under “other loans and receivables.” In 2016, we began to classify loans to college students separately, in accordance with new SBIF regulatory requirements.

	As of and for the year ended December 31,											
	2014				2015				2016			
	Average balance	Interest income	Average nominal rate	Average real rate	Average balance	Interest income	Average nominal rate	Average real rate	Average balance	Interest income	Average nominal rate	Average real rate
	(in millions of Ch$, except for rate data)											
NON-INTEREST EARNING ASSETS												
Cash and due from banks												
Ch$	685,179	—	—	—	678,740	—	—	—	569,942	—	—	—
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	1,342,411	—	—	—	1,145,513	—	—	—	904,080	—	—	—
CNB	—	—	—	—	9,026	—	—	—	175,576	—	—	—
Total	2,027,590	—	—	—	1,833,279	—	—	—	1,649,598	—	—	—
Allowance for loan losses												
Ch$	(347,957)	—	—	—	(327,603)	—	—	—	(342,082)	—	—	—
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	(6,757)	—	—	—	(10,554)	—	—	—	(11,449)	—	—	—
CNB	—	—	—	—	(2,059)	—	—	—	(25,744)	—	—	—
Total	(354,714)	—	—	—	(340,216)	—	—	—	(379,275)	—	—	—
Financial derivative instruments												
Ch$	1,831,247	—	—	—	1,678,136	—	—	—	1,380,580	—	—	—
UF	123,558	—	—	—	143,843	—	—	—	120,530	—	—	—
Foreign currency	46,636	—	—	—	9,824	—	—	—	8,415	—	—	—
CNB	—	—	—	—	156	—	—	—	5,131	—	—	—
Total	2,001,441	—	—	—	1,831,959	—	—	—	1,514,656	—	—	—
Property, plant and equipment												
Ch$	230,377	—	—	—	225,200	—	—	—	227,242	—	—	—
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	1,119	—	—	—	10,459	—	—	—	1,118	—	—	—
CNB	—	—	—	—	4,532	—	—	—	52,225	—	—	—
Total	231,496	—	—	—	240,191	—	—	—	280,585	—	—	—
Investments												
Ch$	327,190	—	—	—	277,148	—	—	—	384,905	—	—	—
UF	722,016	—	—	—	925,049	—	—	—	355,824	—	—	—
Foreign currency	5,977	—	—	—	50,531	—	—	—		—	—	—
CNB	—	—	—	—	93,007	—	—	—	1,241,424	—	—	—
Total	1,055,183	—	—	—	1,345,735	—	—	—	1,982,153	—	—	—
Other assets												
Ch$	333,187	—	—	—	536,204	—	—	—	637,153	—	—	—
UF	186	—	—	—	126	—	—	—	159	—	—	—
Foreign currency	3,472	—	—	—	45,808	—	—	—	63,860	—	—	—
CNB	—	—	—	—	16,534	—	—	—	260,186	—	—	—
Total	336,845	—	—	—	598,672	—	—	—	961,358	—	—	—
Total non-interest earning assets												
Ch$	3,059,223	—	—	—	3,067,825	—	—	—	2,857,740	—	—	—
UF	845,760	—	—	—	1,069,018	—	—	—	476,513	—	—	—
Foreign currency	1,392,858	—	—	—	1,251,581	—	—	—	966,024	—	—	—
CNB	—	—	—	—	121,196	—	—	—	1,708,798	—	—	—
Total	5,297,841	—	—	—	5,509,620	—	—	—	6,009,075	—	—	—
Total assets[(1)]												
Ch$	10,121,721	704,566	—	—	10,790,870	702,106	—	—	11,508,964	766,517	—	—
UF	7,416,448	541,304	—	—	8,301,206	520,281	—	—	6,988,781	495,047	—	—
Foreign currency	4,689,401	79,112	—	—	5,787,774	120,172	—	—	6,549,127	103,412	—	—
CNB	—	—	—	—	363,408	2,283	—	—	4,865,942	148,363	—	—
Total	22,227,570	1,324,982	—	—	25,243,258	1,344,842	—	—	29,912,814	1,513,339	—	—

(1) Total assets represent total interest earning assets and non-interest earning assets.

	As of and for the year ended December 31,											
	2014				2015				2016			
	Average balance	Interest expense	Average nominal rate	Average real rate	Average balance	Interest expense	Average nominal rate	Average real rate	Average balance	Interest expense	Average nominal rate	Average real rate
	(in millions of Ch$, except for rate data)											
INTEREST BEARING LIABILITIES												
Time deposits and other borrowings												
Time deposits												
Ch$	5,609,782	250,624	4.5%	(0.1)%	5,702,585	216,894	3.8%	(0.6)%	6,610,861	282,597	4.3%	1.5%
UF	800,677	59,127	7.4%	2.7%	1,031,083	55,975	5.4%	1.0%	1,055,094	42,286	4.0%	1.3%
Foreign currency	2,117,704	7,190	0.3%	11.0%	2,759,257	8,909	0.3%	12.5%	2,687,983	12,652	0.5%	(7.7)%
CNB	—	—	—	—	22,763	105	0.5%	(3.8)%	446,682	7,675	1.7%	(1.0)%
Total	8,528,163	316,941	3.7%	2.9%	9,515,688	281,883	3.0%	3.4%	10,800,620	345,210	3.2%	(0.9)%
Savings accounts												
Ch$	—	—	—	—	—	—	—	—	—	—	—	—
UF	48,531	2,595	5.3%	0.7%	49,529	1,974	4.0%	(0.4)%	50,190	1,377	2.7%	(0.0)%
Foreign currency	—	—	—	—	—	—	—	—	—	—	—	—
CNB	—	—	—	—	—	—	—	—	—	—	—	—
Total	48,531	2,595	5.3%	0.7%	49,529	1,974	4.0%	(0.4)%	50,190	1,377	2.7%	(0.0)%
Central Bank borrowings												
Ch$	979	3	0.3%	(4.1)%	—	—	—	—	—	—	—	—
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	—	—	—	—	—	—	—	—	—	—	—	—
CNB	—	—	—	—	—	—	—	—	—	—	—	—
Total	979	3	0.3%	(4.1)%	—	—	—	—	—	—	—	—
Securities sold under repurchase agreements												
Ch$	303,819	11,930	3.9%	(0.6)%	293,832	8,972	3.1%	(1.3)%	442,909	10,806	2.4%	(0.3)%
UF	39,537	3,265	8.3%	3.5%	35,266	3,710	10.5%	5.9%	9,128	(430)	(4.7)%	(7.2)%
Foreign currency	18,436	96	0.5%	11.2%	44,114	189	0.4%	12.6%	—	—	—	—
CNB	—	—	—	—	—	—	—	—	147,735	3,983	2.7%	0.0%
Total	361,792	15,291	4.2%	0.4%	373,212	12,871	3.4%	1.0%	599,772	14,359	2.4%	(0.3)%
Bonds												
Mortgage finance bonds												
Ch$	—	—	—	—	—	—	—	—	—	—	—	—
UF	41,327	4,239	10.3%	5.4%	32,934	2,882	8.8%	4.2%	25,782	2,075	8.0%	5.2%
Foreign currency	—	—	—	—	—	—	—	—	—	—	—	—
CNB	—	—	—	—	—	—	—	—	—	—	—	—
Total	41,327	4,239	10.3%	5.4%	32,934	2,882	8.8%	4.2%	25,782	2,075	8.0%	5.2%
Other bonds												
Ch$	101,613	5,470	5.4%	0.7%	213,175	12,788	6.0%	1.5%	284,091	15,266	5.4%	2.6%
UF	2,008,265	192,265	9.6%	4.8%	2,134,781	173,196	8.1%	3.6%	2,430,144	153,780	6.3%	3.5%
Foreign currency	947,696	27,294	2.9%	13.8%	1,296,248	32,208	2.5%	14.9%	1,258,045	31,723	2.5%	(5.9)%
CNB	—	—	—	—	—	—	—	—	—	—	—	—
Total	3,057,574	225,029	7.4%	7.4%	3,644,204	218,192	6.0%	7.5%	3,972,280	200,769	5.1%	0.5%
Other interest bearing liabilities												
Ch$	55,491	(12,003)	(21.6)%	(25.1)%	73,681	10,406	14.1%	9.3%	128,700	18,124	14.1%	11.1%
UF	15,713	6,037	38.4%	32.3%	4,231	59	1.4%	(2.9)%	11,656	7,522	64.5%	60.2%
Foreign currency	1,380,515	(1,123)	(0.1)%	10.5%	1,501,848	16,047	1.1%	13.3%	2,059,603	18,850	0.9%	(7.3)%
CNB	—	—	—	—	39,166	22	0.1%	(4.2)%	-	-	-	-
Total	1,451,719	(7.089)	(0.5)%	9.4%	1,618,926	26,534	1.6%	12.6%	2,199,959	44,496	2.0%	(5.9)%
Total interest bearing liabilities												
Ch$	6,071,684	256,018	4.2%	(0.4)%	6,283,273	249,060	4.0%	(0.4)%	7,466,561	326,793	4.4%	1.6%
UF’	2,954,050	267,528	9.1%	4.3%	3,287,824	237,796	7.2%	2.7%	3,581,994	206,610	5.8%	3.0%
Foreign currency	4,464,351	33,457	0.7%	11.4%	5,601,467	57,353	1.0%	18.2%	6,005,631	63,225	1.1%	(7.2)%
CNB	—	—	—	—	61,929	127	0.2%	(4.0)%	594,417	11,658	2.0%	(0.7)%
Total	13,490,085	557,003	4.1%	4.6%	15,234,493	544,336	3.6%	5.3%	17,648,603	608,286	3.4%	(1.2)%

	As of and for the year ended December 31,											
	2014				2015				2016			
	Average balance	Interest expense	Average nominal rate	Average real rate	Average balance	Interest expense	Average nominal rate	Average real rate	Average balance	Interest expense	Average nominal rate	Average real rate
	(in millions of Ch$, except for rate data)											
NON-INTEREST BEARING LIABILITIES												
Deposits and other liabilities payable on demand												
Non-interest bearing demand deposits												
Ch$	423,825	—	—	—	419,588	—	—	—	391,874	—	—	—
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	763,291	—	—	—	573,528	—	—	—	269,145	—	—	—
CNB	—	—	—	—	1,418	—	—	—	112,459	—	—	—
Total	1,187,116	—	—	—	994,534	—	—	—	773,478	—	—	—
Checking accounts												
Ch$	3,210,750	—	—	—	3,651,002	—	—	—	3,844,210	—	—	—
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	—	—	—	—	486,097	—	—	—	81,826	—	—	—
CNB	—	—	—	—	243,048	—	—	—	2,788,319	—	—	—
Total	3,210,750	—	—	—	4,380,147	—	—	—	6,714,355	—	—	—
Financial derivative instruments												
Ch$	1,411,242	—	—	—	1,376,729	—	—	—	1,273,959	—	—	—
UF	565,721	—	—	—	482,368	—	—	—	260,328	—	—	—
Foreign currency	57,200	—	—	—	3,053	—	—	—	2,105	—	—	—
CNB	—	—	—	—	161	—	—	—	5,240	—	—	—
Total	2,034,163	—	—	—	1,862,311	—	—	—	1,541,632	—	—	—
Other non-interest bearing liabilities												
Ch$	495,301	—	—	—	645,478	—	—	—	100,447	—	—	—
UF	7,281	—	—	—	114,983	—	—	—	—	—	—	—
Foreign currency	129,950	—	—	—	58,354	—	—	—	—	—	—	—
CNB	—	—	—	—	8,167	—	—	—	789,521	—	—	—
Total	632,532	—	—	—	826,982	—	—	—	889,968	—	—	—
Total non-interest bearing liabilities												
Ch$	5,541,118	—	—	—	6,092,797	—	—	—	5,610,490	—	—	—
UF	573,002	—	—	—	597,351	—	—	—	260,328	—	—	—
Foreign currency	950,441	—	—	—	1,121,032	—	—	—	353,076	—	—	—
CNB	—	—	—	—	252,794	—	—	—	3,695,539	—	—	—
Total	7,064,561	—	—	—	8,063,974	—	—	—	9,919,433	—	—	—
Shareholders' equity												
Ch$	1,672,924	—	—	—	1,896,728	—	—	—	1,768,808	—	—	—
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	—	—	—	—	—	—	—	—	—	—	—	—
CNB	—	—	—	—	48,063	—	—	—	575,970	—	—	—
Total	1,672,924	—	—	—	1,944,791	—	—	—	2,344,778	—	—	—
Total shareholders' equity and liabilities												
Ch$	13,285,726	256,018	—	—	14,272,798	249,060	—	—	14,845,859	326,793	—	—
UF	3,527,052	267,528	—	—	3,885,175	237,796	—	—	3,842,322	206,610	—	—
Foreign currency	5,414,792	33,457	—	—	6,722,499	57,353	—	—	6,358,707	63,225	—	—
CNB	—	—	—	—	362,786	127	—	—	4,865,926	11,658	—	—
Total	22,227,570	557,003	—	—	25,243,258	544,336	—	—	29,912,814	608,286	—	—

Interest Earning Assets - Net Interest Margin

The following table analyzes, by currency of denomination, our levels of average interest earning assets and net interest, and illustrates the comparative margins realized, for each of the periods indicated:

	As of and for the year ended December 31,		
	2014	2015	2016
Total average interest earning assets			
Ch$	7,062,499	7,732,742	8,614,305
UF	6,570,687	7,232,320	6,512,268
Foreign currency	3,296,543	4,536,364	5,620,022
CNB	—	242,212	3,157,144
Total	16,929,729	19,743,638	23,903,739
Net interest income(1)			
Ch$	448,547	457,287	438,609
UF	273,776	278,243	288,438
Foreign currency	45,656	62,820	41,301
CNB	—	2,156	136,705
Total	767,979	800,506	905,053
Net interest margin(2), nominal basis			
Ch$	6.4%	5.9%	5.1%
UF	4.2%	3.8%	4.4%
Foreign currency	1.4%	1.4%	0.7%
CNB	—	0.9%	4.3%
Total	4.5%	4.1%	3.8%

(1) Interest income less interest expense.
(2) Net interest income as a percentage of average interest earning assets.

Changes in Net Interest Income and Interest Expense - Volume and Rate Analysis

The following tables allocate, by currency of denomination, changes in our net interest income and interest expense between changes in the average volume of interest earning assets and interest bearing liabilities and changes in their respective nominal interest rates for 2014 compared to 2015 and for 2015 compared to 2016. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest earning assets and average interest bearing liabilities.

	Increase (decrease) from 2014 to 2015		Net change from 2014 to 2015
	Volume	Rate	
		(in millions of Ch$)	
INTEREST EARNING ASSETS			
Commercial loans			
General commercial loans			
Ch$	10,629	(16,519)	(5,890)
UF	11,094	(47,741)	(36,647)
Foreign currency	21,183	10,308	31,491
Total	42,906	(53,952)	(11,046)
CNB commercial loans	—	1,782	1,782
Foreign trade loans			
Ch$	400	(170)	230
UF	(66)	(25)	(91)
Foreign currency	(3,233)	1,518	(1,715)
Total	(2,899)	1,323	(1,576)
Checking accounts			
Ch$	2,824	(3,715)	(891)
UF	—	—	—
Foreign currency	—	—	—
Total	2,824	(3,715)	(891)
Loans to college students(1)			
Ch$	—	—	—
UF	—	—	—
Foreign currency	—	—	—
Total	—	—	—
Factoring operations			
Ch$	(208)	(4,377)	(4,585)
UF	(1,300)	1,474	174
Foreign currency	257	(590)	(333)
Total	(1,251)	(3,493)	(4,744)
Leasing transactions			
Ch$	2,384	(1,951)	433
UF	3,731	(6,073)	(2,342)
Foreign currency	—	—	—
Total	6,115	(8,024)	(1,909)
Other loans and receivables			
Ch$	8,316	(8,668)	(352)
UF	971	(3,612)	(2,641)
Foreign currency	(280)	(501)	(781)
Total	9,007	(12,781)	(3,774)
Mortgage loans			
Mortgage loans			
Ch$	82	(51)	31
UF	56,692	(171,063)	(114,371)
Foreign currency	—	—	—
Total	56,774	(171,114)	(114,340)
CNB residential mortgage loans	—	—	—
Consumer loans			
Consumer loans in installment			
Ch$	30,547	(14,812)	15,735
UF	(996)	(567)	(1,563)
Foreign currency	—	1,190	1,190
Total	29,551	(14,189)	15,362

	Increase (decrease) from 2014 to 2015		Net change from 2014 to 2015
	Volume	Rate	
	(in millions of Ch$)		
CNB consumer loans			
Ch$	—	—	—
UF	—	—	—
Foreign currency	—	104	104
Total	—	104	104
Checking accounts	—	—	—
Ch$	4,375	(6,471)	(2,096)
UF	—	—	—
Foreign currency	—	—	—
Total	4,375	(6,471)	(2,096)
Credit card borrowers			
Ch$	14,506	(15,245)	(739)
UF	—	—	—
Foreign currency	—	—	—
Total	14,506	(15,245)	(739)
Other loans and receivables			
Ch$	17	(563)	(546)
UF	—	—	—
Foreign currency	—	—	—
Total	17	(563)	(546)
Interbank loans			
Ch$	(219)	(3)	(222)
UF	—	—	—
Foreign currency	870	(252)	618
Total	651	(255)	396
Investments			
Ch$	13,505	(30,724)	(17,219)
UF	17,280	119,183	136,463
Foreign currency	4,029	6,256	10,285
CNB	—	397	397
Total	34,814	95,112	129,926
Other interest bearing assets			
Ch$	(1,106)	14,690	13,584
UF	—	—	—
Foreign currency	132	174	306
CNB	—	—	—
Total	(974)	14,864	13,890
Consumer leasing transactions			
Ch$	98	(31)	67
UF	(1)	(4)	(5)
Foreign currency	—	—	—
Total	97	(35)	62
Total interest earning assets			
Ch$	86,150	(88,610)	(2,460)
UF	87,405	(108,428)	(21,023)
Foreign currency	22,958	18,103	41,061
CNB	—	2,283	2,283
Total	196,513	(176,652)	19,861

(1) In 2014 and 2015, loans to college students were included under “other loans and receivables.” In 2016, we began to classify loans to college students separately, in accordance with new SBIF regulatory requirements.

	Increase (decrease) from 2014 to 2015		Net change Increase (decrease) from 2014 to 2015
	Volume	Rate	
		(in millions of Ch$)	
INTEREST BEARING LIABILITIES			
Time deposits and other borrowings			
Time deposits			
Ch$	6,498	(40,228)	(33,730)
UF	26,659	(31,768)	(5,109)
Foreign currency	3,414	(1,695)	1,719
CNB	105	—	105
Total	36,676	(73,691)	(37,015)
Savings accounts			
Ch$	—	—	—
UF	53	(674)	(621)
Foreign currency	—	—	—
CNB	—	—	—
Total	53	(674)	(621)
Central Bank borrowings			
Ch$	(3)	—	(3)
UF	—	—	—
Foreign currency	—	—	—
CNB	—	—	—
Total	(3)	—	(3)
Securities sold under repurchase agreements			
Ch$	310	(3,268)	(2,958)
UF	279	166	445
Foreign currency	(106)	199	93
CNB	—	—	—
Total	483	(2,903)	(2,420)
Bonds			
Mortgage finance bonds			
Ch$	—	—	—
UF	(1,349)	(8)	(1,357)
Foreign currency	—	—	—
CNB	—	—	—
Total	(1,349)	(8)	(1,357)
Other bonds			
Ch$	9,413	(2,095)	7,318
UF	18,983	(38,052)	(19,069)
Foreign currency	15,733	(10,819)	4,914
CNB	—	—	—
Total	44,129	(50,966)	(6,837)
Other interest bearing liabilities			
Ch$	(379)	22,788	22,409
UF	(425)	(3,596)	(4,021)
Foreign currency	(10)	17,180	17,170
CNB	22	—	22
Total	(792)	36,372	35,580
Total interest bearing liabilities			
Ch$	15,845	(22,803)	(6,958)
UF	44,200	(73,932)	(29,732)
Foreign currency	19,031	4,865	23,896
CNB	127	—	127
Total	79,203	(91,870)	(12,667)

	Increase (decrease) from 2015 to 2016		Net change from 2015 to 2016
	Volume	Rate	
		(in millions of Ch$)	
INTEREST EARNING ASSETS			
Commercial loans			
General commercial loans			
Ch$	31,875	3,859	35,734
UF	15,809	(36,451)	(20,642)
Foreign currency	20,176	(35,746)	(15,570
Total	67,860	(68,338)	(478)
CNB commercial loans	94,499	19,831	114,330
Foreign trade loans			
Ch$	992	(103)	889
UF	(17)	(24)	(41)
Foreign currency	(4,229)	2,906	(1,323)
Total	(3,255)	1,976	(475)
Checking accounts			
Ch$	881	1,160	2,041
UF	—	—	—
Foreign currency	—	—	—
Total	881	1,160	2,041
Loans to college students(1)			
Ch$	—	33	33
UF	—	15,251	15,251
Foreign currency	—	—	—
Total	—	15,284	15,284
Factoring operations			
Ch$	3,626	(2,315)	1,311
UF	39	(4,084)	(4,045)
Foreign currency	(111)	1,471	1,360
Total	3,554	(4,928)	(1,374)
Leasing transactions			
Ch$	1,890	1,017	2,907
UF	2,201	(11,709)	(9,508)
Foreign currency	—	—	—
Total	4,090	(10,691)	(6,601)
Other loans and receivables			
Ch$	(6,861)	7,260	399
UF	(83,810)	67,727	(16,083)
Foreign currency	9	(779)	(770)
Total	(90,662)	74,208	(16,454)
Mortgage loans			
Mortgage loans			
Ch$	41	3	44
UF	(106,357)	197,354	90,997
Foreign currency	—	—	—
Total	(106,316)	197,357	91,041
CNB residential mortgage loans	—	—	—
Consumer loans			
Consumer loans in installment			
Ch$	26,888	(7,776)	19,112
UF	(400)	(573)	(973)
Foreign currency	—	(1,190)	(1,190)
Total	26,488	(9,539)	16,949
CNB consumer loans	4,971	434	5,405
Checking accounts			
Ch$	3,530	(2,059)	1,471
UF	—	—	—
Foreign currency	—	—	—
Total	3,530	(2,059)	1,471
Credit card borrowers			
Ch$	7,406	(4,756)	2,650
UF	—	—	—
Foreign currency	—	—	—

	Increase (decrease) from 2015 to 2016		Net change from 2015 to 2016
	Volume	Rate	
		(in millions of Ch$)	
Total	7,046	(4,756)	2,650
Other loans and receivables			
Ch$	(1,961)	1,845	(116)
UF	—	—	—
Foreign currency	—	—	—
Total	(1,961)	1,845	(116)
Interbank loans			
Ch$	(622)	456	(166)
UF	—	—	—
Foreign currency	(618)	2,216	1,598
Total	(1,240)	2,672	1,432
Investments			
Ch$	5,912	3,164	9,076
UF	(897)	(78,927)	(79,824)
Foreign currency	4,318	(6,026)	(1,708)
CNB	(4,592,331)	4,618,676	26,345
Total	(4,582,997)	4,536,886	(46,111)
Other interest bearing assets			
Ch$	1,186	(12,236)	(11,050)
UF	—	—	—
Foreign currency	(7)	850	843
CNB	—	—	—
Total	1,179	(11,386)	(10,207)
Consumer leading transactions			
Ch$	66	10	76
UF	(231)	(135)	(366)
Foreign currency	—	—	—
Total	(164)	(126)	(290)
Total interest earning assets			
Ch$	82,239	(17,828	64,411
UF	(55,487)	30,253	(25,234)
Foreign currency	19,391	(36,151)	(16,760)
CNB	136,981	9,099	146,080
Total	183,124	(14,627)	168,497

(1) In 2014 and 2015, loans to college students were included under "other loans and receivables." In 2016, we began to classify loans to college students separately, in accordance with new SBIF regulatory requirements.

	Increase (decrease) from 2015 to 2016		Net change Increase (decrease) from 2015 to 2016
	Volume	Rate	
	(in millions of Ch$)		
INTEREST BEARING LIABILITIES			
Time deposits and other borrowings			
Time deposits			
Ch$	38,826	26,877	65,703
UF	962	(14,651)	(13,689)
Foreign currency	(335)	4,078	3,743
CNB	7,284	286	7,570
Total	46,737	16,590	63,327
Savings accounts			
Ch$	—	—	—
UF	18	(615)	(597)
Foreign currency	—	—	—
CNB	—	—	—
Total	18	(615)	(597)
Central Bank borrowings			
Ch$	—	—	—
UF	—	—	—
Foreign currency	—	—	—
CNB	—	—	—
Total	—	—	—
Securities sold under repurchase agreements			
Ch$	3,637	(1,803)	1,834
UF	1,231	(5,371)	(4,140)
Foreign currency	—	(189)	(189)
CNB	3,983	—	3,983
Total	8,851	(7,363)	1,488
Bonds			
Mortgage finance bonds			
Ch$	—	—	—
UF	(576)	(231)	(807)
Foreign currency	—	—	—
CNB	—	—	—
Total	(576)	(231)	(807)
Other bonds			
Ch$	3,811	(1,333)	2,478
UF	18,691	(38,107)	(19,416)
Foreign currency	(963)	478	(485)
CNB	—	—	—
Total	21,538	(38,961)	(17,423)
Other interest bearing liabilities			
Ch$	7,748	(30)	7,718
UF	4,792	2,671	7,463
Foreign currency	5,105	(2,302)	2,803
CNB	—	(22)	(22)
Total	17,644	318	17,962
Total interest bearing liabilities			
Ch$	51,790	25,943	77,733
UF	16,968	(48,154)	(31,186)
Foreign currency	4,255	1,617	5,872
CNB	10,443	1,088	11,531
Total	83,456	(19,506)	63,950

Return on Equity and Assets

The following table presents our selected financial ratios for the periods indicated:

	As of and for the year ended December 31,		
	2014	2015	2016
	(in millions of Ch$, except percentages)		
Average total assets	22,227,570	25,243,258	29,912,814
Average shareholder's equity	1,672,924	1,944,791	2,344,778
Net income as a percentage of:			
Average total assets	6.2%	5.2%	4.5%
Average shareholder's equity	82.0%	68.0%	58.0%
Average shareholder's equity as a percentage of average total assets	7.5%	7.7%	7.8%

Investment Portfolio

The following table sets forth our investments in Chilean government and corporate securities and certain other financial investments as of the dates indicated. Financial investments that have a secondary market and an original maturity of more than one year are carried at market value. All other financial investments are carried at acquisition cost, plus accrued interest and UF indexation adjustments, as applicable. In accordance with rules of the Superintendency of Banks, we do not hold any equity securities.

	As of December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Held-for-Trading			
Central Bank and government securities:			
Bonds of the Central Bank of Chile	781,129	888,726	488,903
Promissory notes of the Central Bank of Chile	2,300	245	99
Other instruments of the government and Central Bank of Chile	4,601	14,918	181,073
Subtotal	788,030	903,889	670,075
Other Chilean institutions securities:			
Bonds	40,121	18,080	70,910
Promissory notes	—	—	—
Other instruments	337,289	334,979	467,194
Subtotal	377,410	353,059	538,104
Instruments of other foreign institutions:			
Bonds	—	—	—
Promissory notes	—	—	—
Other instruments	12	156	1,311
Subtotal	12	156	1,311
Mutual funds investments:			
Funds administered by related entities	60,921	16,768	45,048
Funds administered by third parties	1,434	14,471	960
Subtotal	62,355	31,239	46,008
CNB:			
Funds administered by third parties	—	9,788	12,481
Subtotal	—	9,788	12,481
Total	1,227,807	1,298,131	1,267,979
Available-for-Sale			
Central Bank and government securities:			
Bonds of the Central Bank of Chile(1)	236,264	292,132	218,189
Chilean treasury bonds	132,944	321,142	516,271
Other government securities	16,312	14,145	11,757
Subtotal	385,520	627,419	746,217
Other securities issued locally:			
Securities of other local banks(2)	177,545	121,308	254,201
Company trade bonds and consequences	34,157	24,783	20,407
Other securities issued locally	25	2,477	1,901
Subtotal	211,727	148,568	276,509

	As of December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Other securities issued abroad:			
Foreign central bank securities(3)	—	—	—
Other securities issued abroad	261,938	422,894	236,240
Other	—	—	—
Subtotal	261,938	422,894	236,240
CNB:			
Foreign central bank securities(3)	—	565,433	634,697
Other securities issued abroad	—	643,568	630,837
Subtotal	—	1,209,001	1,265,534
Total	859,185	2,407,882	2,524,500
Held-for-Maturity			
Instruments issued abroad	—	—	—
Instruments of foreign governments or central banks	—	—	—
Other Instruments issued abroad	—	—	—
CNB	—	708	872
Total	—	708	872
Total financial investments	2,086,992	3,706,721	3,793,351

(1) Includes primarily bonds.
(2) Includes primarily mortgage notes in other banks.
(3) Includes primarily bonds issued by private entities.

The following table sets forth an analysis of our investments, by time remaining to maturity and the weighted average nominal rates of such investments, as of December 31, 2016:

	Within 1 year	Weighted average yield rate(1)(2)	After 1 year but within 5 years	Weighted average yield rate(1)(2)	After 5 years but within 10 years	Weighted average yield rate(1)(2)	After 10 years	Weighted average yield rate(1)(2)	Total
				(in millions of Ch$, except percentages)					
Held-for-Trading (1)									
Central Bank and government securities:									
Bonds of the Central Bank of Chile	488,903	—	—	—	—	—	—	—	488,903
Chilean treasury bonds	99	—	—	—	—	—	—	—	99
Other Central Bank and government securities	181,073	—	—	—	—	—	—	—	181,073
Subtotal	670,075		—	—	—	—	—	—	670,075
Other local institutions securities:									
Bonds	70,910	—	—	—	—	—	—	—	70,910
Promissory notes	—	—	—	—	—	—	—	—	—
Other instruments	467,194	—	—	—	—	—	—	—	467,194
Subtotal	538,104		—	—	—	—	—	—	538,104
Other foreign institutions securities:									
Bonds	—	—	—	—	—	—	—	—	—
Promissory notes	—	—	—	—	—	—	—	—	—
Other instruments	1,311	—	—	—	—	—	—	—	1,311
Subtotal	1,311	—	—	—	—	—	—	—	1,311
Mutual funds investments:									
Funds administered by related entities	45,048	—	—	—	—	—	—	—	45,048
Funds administered by third parties	960	—	—	—	—	—	—	—	960
Subtotal	46,008	—	—	—	—	—	—	—	46,008
CNB									
Funds administered by third parties	12,481	—	—	—	—	—	—	—	12,481
Subtotal	12,481	—	—	—	—	—	—	—	12,481
Total	1,267,979	—	—	—	—	—	—	—	1,267,979
Available-for-Sale (2)									
Central Bank and government securities:									

	Within 1 year	Weighted average yield rate(1)(2)	After 1 year but within 5 years	Weighted average yield rate(1)(2)	After 5 years but within 10 years	Weighted average yield rate(1)(2)	After 10 years	Weighted average yield rate(1)(2)	Total
	(in millions of Ch$, except percentages)								
Bonds of the Central Bank of Chile	2,103	—	216,086	3.90%	—	—	—	—	218,189
Chilean treasury bonds	-	—	346,507	3.12%	169,764	2.07%	—	—	516,271
Other government securities	3,287	3.74%	2,669	4.98%	661	3.64%	5,140	3.95%	11,757
Subtotal	5,390		565,262		170,425		5,140		746,217
Other securities issued locally:									
Securities of other local banks	93,736	4.08%	107,817	4.75%	20,751	4.13%	31,897	4.07%	254,201
Company trade bonds and consequences	5,501	7.09%	8,295	4.39%	6,140	4.98%	471	4.85%	20,407
Other securities issued locally	—	—	—	—	—	—	1,901	—	1,901
Subtotal	99,237		116,112		26,891		34,269		276,509
Other securities issued abroad:									
Foreign central bank securities	—	—	—	—	—	—	—	—	—
Other securities issued abroad	—	—	162,360	3.67%	69,560	6.99%	4,320	3.30%	236,240
Subtotal	—		162,360		69,560		4,320		236,240
CNB									
Foreign central bank securities	1,177	0.41%	527,488	3.72%	106,032	8.81%	—	—	634,697
Other securities issued abroad	1,985	3.02%	528,074	3.59%	100,778	9.18%	—	—	630,837
Subtotal	3,162		1,055,562		206,810		—		1,265,534
Total	107,789		1,899,296		473,686		43,729		2,524,500
Held-for-Maturity									
Instruments issued abroad									
Instruments of foreign governments or central banks	—	—	—	—	—	—	—	—	—
Other Instruments issued abroad	—	—	—	—	—	—	—	—	—
CNB									
Instruments of foreign governments or central banks	—	—	872	2.10%	—	—	—	—	872
Total	—		872		—		—		872
Total investments	1,375,768		1,900,168		473,686		43,729		3,793,351

(1) No rates have been included for the trading portfolio due to the fact that the classification of this portfolio as trading defines it as acquired principally for sale in the near term regardless of maturity date.

(2) The rates noted above for the available for sale portfolio are based on the weighted average yield for the times remaining to maturity on the existing portfolio as of December 31, 2016. Due to our management of our exposure to liquidity risk as described in Note 36 to our audited consolidated financial statements included herein, actual rates may vary.

Loan Portfolio

The following table analyzes our loans by type of loan net of allowances for loan losses. See "Allocation of Allowance Loan Losses." Total loans reflect our loan portfolio, including past due amounts (but excluding contingent loans because they are off-balance sheet).

	As of December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Commercial loans			
General commercial loans	7,594,290	8,111,340	8,609,653
CNB commercial loans	—	2,200,054	2,880,544
Foreign trade loans	959,139	842,309	717,005
Checking accounts	145,230	102,087	142,931
Loans to college students(1)	—	—	847.834
Factoring operations	563,373	684,885	178,695
Leasing transactions	784,011	855,844	1,052,695
Other loans and receivables	186,215	197,875	30,338
Subtotal	10,232,258	12,994,394	14,459,695
Mortgage loans			
Mortgage loans	3,302,280	3,895,143	4,370,995
CNB residential mortgage loans	—	567,356	596,167
Subtotal	3,302,280	4,462,499	4,967,162
Consumer loans			
Consumer loans in installments	1,481,699	1,694,417	1,856,312
CNB consumer loans	—	120,926	109,283
Checking accounts	91,901	101,879	100,913
Credit card borrowers	314,039	378,479	434,784
Consumer leasing transactions	600	2,563	3,905
Other loans and receivables	8,155	15,372	22,292
Subtotal	1,896,394	2,313,636	2,527,489
Total loans	15,430,932	19,770,529	21,954,346

(1) In 2014 and 2015, loans to college students were included under "other loans and receivables." In 2016, we began to classify loans to college students separately, in accordance with new SBIF regulatory requirements.

The loan categories are as follows:

Commercial loans are comprised of the following:

General commercial loans. General commercial loans are long-term and short-term loans granted to Chilean corporations and individuals in pesos, UF or U.S. dollars on an adjustable or fixed rate basis, primarily to finance working capital or investments. Commercial loans represent the largest portion of our loan portfolio. Interest accrues daily on a 30-, 90-, 180- or 360-day basis. Loan payments are scheduled monthly, quarterly, semi-annually or yearly, depending on the terms of the loan. Although we have certain flexibility to determine the interest rate of these loans, it cannot exceed the maximum rate for commercial loans established by the Superintendency of Banks in accordance with Chilean law. General commercial loans do not include commercial loans made by CNB, which we separately presented under "CNB commercial loans."

CNB commercial loans. CNB commercial loans are loans to businesses or corporations without mortgage-based collateral.

Foreign trade loans. Foreign trade loans are short-term loans made in foreign currencies (principally US$) to finance imports and exports.

Checking accounts. Lines of credit and overdrafts are short-term operating commercial loans under which our customers can draw down loaned funds up to certain credit limits.

Loans to college students. Includes university financing loans, which are loans granted in accordance with Law Nr.20.027, CORFO guarantied or others.

Factoring operations. Factored receivables are derived from our factoring operations which consist of purchasing outstanding debt portfolios such as bills, notes, or contracts, advancing a payment representing the future cash flows from such assets, and then performing the related collection function. The receivables are sold with and without recourse in the event accounts prove uncollectible.

Leasing transactions. Leasing contracts are contracts whereby a lessor grants to a lessee a purchase option on certain leased assets.

Other loans and receivables. Other outstanding loans include other commercial loans that are not classified under any of the above categories, which are financed by our general borrowings.

Residential mortgage loans are comprised of the following:

Mortgage loans. Mortgage loans are inflation-indexed, fixed or variable rate, long-term loans with monthly payments of principal and interest secured by a mortgage over real property. These mortgage loans are generally financed with mortgage finance bonds, which are general obligations of us. At the time of approval, the principal amount of this type of mortgage loan cannot be higher than 90.0% of the lower of the purchase price and the appraised value of the mortgaged property; otherwise such loan will be classified as a commercial loan. Under the General Banking Law's liquidation procedures, if the issuer of a mortgage finance bond becomes insolvent, these mortgage loans and the related mortgage finance bonds shall be auctioned in block and the acquirer will continue to make payments under the mortgage finance bonds pursuant to the same terms and conditions as the original issuer.

Other loans and receivables. Other outstanding loans include other residential mortgage loans not included under any of the above categories above, which are financed by our general borrowings.

Consumer loans are comprised of the following:

Consumer loans in installments. Consumer loans in installments are loans to individuals, denominated in pesos, generally on a fixed rate basis, to finance the purchase of consumer goods or the payment of services. Interest accrues daily on a 30- or 360-day basis. Loan payments are scheduled monthly. Although we have certain flexibility to determine the interest rate of these loans, it cannot exceed the maximum rate for consumer loans established by the Superintendency of Banks in accordance with Chilean law.

CNB consumer loans. CNB consumer loans are to loans individuals.

Credit card loans. Credit card loans are credit card balances subject to interest charges. Interest accrues daily on a 30- or 360-day basis. Loan payments are scheduled monthly. Although we have certain flexibility to determine the interest rate of these credit card loans, this rate cannot exceed the maximum rate for consumer loans established by the Superintendency of Banks in accordance with Chilean law.

Checking Accounts. Lines of credit and overdrafts are short-term consumer loans under which our customers can draw down loaned funds up to certain credit limits.

Consumer leasing transactions. Leasing transactions are contracts whereby a lessor grants to a lessee a purchase option on certain leased assets.

Other loans and receivables. Other loans and receivables include other loans not classified under any of the above categories, which are financed by our general borrowings.

City National Bank of Florida loans are comprised of the following:

General commercial loans. Long-term and short-term loans granted to corporations and individuals in U.S. dollars on an adjustable or fixed rate basis, primarily to finance working capital or investments. Interest accrues daily on actual/365 basis, in most of the cases. Loan payments are scheduled monthly, quarterly, semi-annually or yearly, depending on the terms of the loan.

Residential mortgage loans. These loans include:

- Mortgage loans. Mortgage loans are fixed, variable, or adjustable rate long-term loans with monthly payments of principal and interest secured by a mortgage over 1-4 family residential properties. At the time of approval, the principal amount of this type of mortgage loan depends on the occupancy status, number of units, and loan amount, but cannot be higher than 80.0% of the appraised value of the mortgaged property.

- Home Equity Lines (HELOC). HELOCs are revolving, open-end lines of credit extended to a homeowner secured by, typically, a junior lien over 1-4 family residential property.

Commercial real estate loans. These loans include owner and non-owner occupied commercial real estate loans, which are adjustable or fixed rate loans used to purchase or refinance owner occupied or investment commercial real estate property. The owner occupancy should be greater or equal to 51% of the leasable space. Loan to value cannot be higher than 75%. The bank has a first lien position over the real estate property. Underwriting parameters include mandatory escrow for taxes and insurances, maximum vacancy, in case of non-owner occupied loans, minimum management fees and debt service coverages.

Consumer loans. These loans include:

- Personal line of credit: revolving variable rate line of credit targeted for personal use. Payback generally occurs within 24 months. These lines can be unsecured or secured by a CD.

- Unsecured term loans: Personal purpose fixed rate loan with relatively short time periods, with pay back generally occurring within 60 months.

- Automobile, boat, and airplane loans: Loans used to purchase or refinance these types of assets, secured by a first lien position on those assets.

Construction and land loans. These loans include the following:

- Construction loans: Fixed or variable rate loans made to construct commercial real estate or 1-4 Family Residences.

- Land loans: Fixed or variable rate Loans made for the purpose of acquiring land for the future construction of commercial real estate or 1-4 Family Residences.

For a more detailed description of City National Bank of Florida loans, see "Our Acquisition of City National Bank of Florida."

Risks of the Loan Portfolio

The risk index of our loan portfolio is calculated as allowances for loan losses as a percentage of total loans. Our risk index was 2.17% and 1.83% as of December 31, 2014 and 2015, respectively, and 1.66% as of December 31, 2016. Our risk index for our main loan categories is as follows:

Commercial loans.

Bci loans

The risk index of our commercial loans as of December 31, 2014, 2015 and 2016 was 2.27%, 2.02% and 1.87%, respectively. The improvement in our risk index in 2015 and 2016 reflects, in part, the results of our risk management transformation plan and allowed us to end 2016 with a risk index below the risk index of most of the seven largest banks in Chile in terms of total assets and below the industry average. The quality of our commercial loans depends on Chilean GDP growth, interest rates, regulatory changes, the general level of indebtedness and other economic conditions such as the conditions of each industry sector in which our borrowers are involved.

City National Bank of Florida loans

The risk index of our commercial loans as of December 31, 2015 and 2016 was 0.9%, 0.6%, respectively.

Residential Mortgage loans.

Bci loans

The risk index of our mortgage loans as of December 31, 2014, 2015 and 2016 was 0.45%, 0.43% and 0.61%, respectively. Despite its increase in 2016, the risk index of our mortgage loans has remained stable and low relative to the risk index of the main four banks in Chile in terms of mortgage loans volume (which are Banco Santander, Banco del Estado and Banco de Chile). Our mortgage loans risk index was impacted in the last months of 2015 due to the consolidation of City National Bank of Florida, which operates under different market conditions whereby City National Bank of Florida requires the borrower to have a maximum loan to value ratio, a minimum credit score, a survey, a property appraisal, an understanding of the borrowers source of income and source of down payment and the assessment of the borrower's ability to pay the debt. City National Bank of Florida's allowance model for residential mortgage loans includes behavior variables and other demographic factors that expand the scope of our risk assessment in connection with mortgage loans, making it more stringent than with respect to commercial loans.

City National Bank of Florida loans

The risk index of our mortgage loans as of December 31, 2015 and 2016 was 1.02%, 1.01%, respectively.

Consumer loans.

Bci loans

The risk index of our consumer loans as of December 31, 2014, 2015 and 2016 was 4.50%, 4.11% and 4.62%, respectively. The risk index of our consumer loans improved during the last three years and remains below the risk index of most of the seven largest banks in Chile in terms of total assets and below the industry average, even as we gained market share in consumer loans volume during 2015 and 2016. Part of the decreasing risk index of consumer loans can be attributed to our risk management transformation plan mentioned above.

City National Bank of Florida loans

The risk index of our consumer loans as of December 31, 2015 and 2016 was 3.13%, 1.94% respectively.

Maturity and Interest Rate Sensitivity of Loans

The following table sets forth an analysis of our loans (before allowances for loan losses; exclusive of interbank loans) as of December 31, 2016 by type of loan and time remaining to maturity:

	Due within 1 month	Due after 1 month but within 6 months	Due after 6 months but within 12 months	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years	Balance as of December 31, 2016
	(in millions of Ch$)						
Commercial loans							
General commercial loans..............	993,224	1,798,200	1,061,769	1,767,583	1,294,567	2,010,538	8,925,881
CNB commercial loans	47,411	84,006	224,640	1,521,453	849,035	—	2,726,545
Foreign trade loans..........................	147,515	481,697	44,916	33,734	22,687	4,605	735,154
Checking accounts...........................	12,371	43,740	90,180	1,772	—	—	148,063
Loans to college students	293,336	414,270	42,046	100,739	5,984	—	856,375
Factoring operations........................	10,553	4,344	8,916	35,132	21,016	102,993	182,954
Leasing transactions........................	25,816	109,243	138,608	416,424	194,557	185,880	1,070,528
Other loans and receivables	34,121	—	1	—	—	—	34,122
Subtotal	1,564,347	2,935,500	1,611,076	3,876,837	2,387,846	2,304,016	14,679,622
Mortgage loans							
Mortgage loans	33,464	89,771	109,429	444,601	442,608	3,277,791	4,397,664
CNB residential mortgage loans	1,187	167	1,631	50,353	548,915	—	602,253
Subtotal	34,651	89,938	111,060	494,954	991,523	3,277,791	4,999,917
Consumer loans							
Consumer loans in installments	68,272	264,614	297,406	908,538	400,104	41,055	1,979,989
CNB consumer loans.......................	6,969	2,311	7,461	42,768	51,931	—	111,440
Checking accounts..........................	10,568	40,998	53,607	1,634	—	—	106,807
Credit card borrowers......................	441,237	3	5	—	—	—	441,245
Consumer leasing transactions	115	602	741	1,852	468	172	3,950
Other loans and receivables	913	—	129	-	—	—	1,042
Subtotal	528,074	308,528	359,349	954,792	452,503	41,227	2,644,473
Total loans..................................	2,127,072	3,333,966	2,081,485	5,326,583	3,831,872	5,623,034	22,324,012

The following table sets forth an analysis of our loans (before allowances; exclusive of interbank loans) as of December 31, 2015 by type of loan and time remaining to maturity:

	Due within 1 month	Due after 1 month but within 6 months	Due after 6 months but within 12 months	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years	Balance as of December 31, 2015
	(in millions of Ch$)						
Commercial loans							
General commercial loans	838,076	1,544,502	996,758	1,392,660	1,714,824	1,805,279	8,292,099
CNB commercial loans	32,100	53,979	177,059	474,303	584,024	878,589	2,200,054
Foreign trade loans	209,654	494,568	62,825	54,829	33,653	8,227	863,756
Checking accounts	109,576	—	—	—	—	—	109,576
Factoring operations	360,839	313,872	15,585	2,371	—	—	692,667
Leasing transactions	32,393	102,051	108,563	292,006	154,338	181,027	870,378
Other loans and receivables(1)	46,828	1,028	4,185	30,898	29,266	95,948	208,153
Subtotal	1,629,466	2,510,000	1,364,975	2,247,067	2,516,105	2,969,070	13,236,683
Mortgage loans							
Mortgage loans	54,280	80,071	97,326	495,583	288,565	2,902,304	3,918,129
CNB residential mortgage loans	8,278	13,920	45,661	172,489	100,436	226,572	567,356
Subtotal	62,558	93,991	142,987	668,072	389,001	3,128,876	4,485,485
Consumer loans							
Consumer loans in installments	76,975	244,700	270,864	831,530	331,718	25,408	1,781,195
CNB consumer loans	1,764	2,967	9,732	42,568	15,603	48,292	120,926
Checking accounts	12,150	39,993	53,090	1,576	—	—	106,809
Credit card borrowers	385,551	—	—	2	4	1	385,558
Consumer leasing transactions	71	411	451	1,472	134	40	2,579
Other loans and receivables	1,910	819	6,967	3,310	—	2,740	15,746
Subtotal	478,421	288,890	341,104	880,458	347,459	76,481	2,412,813
Total loans	2,170,445	2,892,881	1,849,066	3,795,597	3,252,565	6,174,427	20,134,981

(1) Includes loans to college students. In 2016, we began to classify loans to college students separately, in accordance with new SBIF regulatory requirements.

The following tables present, as of December 31, 2015 and 2016, the amount of outstanding loans (exclusive of contingent loans) due after one year exposed to interest rate:

	As of December 31, 2015	As of December 31, 2016
Variable Rate:		
Ch$	1,824,705	2,008,717
UF	564,243	529,963
Ch$ indexed to US$	9,554	13,538
Foreign currency	18,583	22,907
US$	1,756,237	1,824,321
Subtotal	4,173,322	4,399,446
Fixed Rate:		
Ch$	5,065,084	5,751,712
UF	6,975,420	7,681,167
Ch$ indexed to US$	49,258	45,117
Foreign currency	2,900,634	3,624,767
US$	971,263	821,803
Subtotal	15,961,659	17,924,566
Total	20,134,981	22,324,012

Loans by Economic Activity

The following table sets forth an analysis of our loan portfolio (before allowances for loan losses) based on the borrower's principal economic activity, as of each of the indicated dates. Loans to individual for business purposes are allocated to their economic activity. The table does not reflect outstanding contingent loans.

	As of December 31,					
	2014		2015		2016	
	Loan portfolio	Percentage of loan portfolio	Loan portfolio	Percentage of loan portfolio	Loan portfolio	Percentage of loan portfolio
	(in millions of Ch$, except percentages)					
Agricultural, livestock, forestry and fishing						
Agriculture and livestock except fruit	275,033	1.7%	276,655	1.37%	378,151	1.69%
Fruit	80,318	0.5%	104,703	0.52%	140,294	0.63%
Forestry and wood extraction	121,616	0.8%	176,424	0.88%	179,950	0.81%
Fishing(1)	164,947	1.0%	129,105	0.64%	116,987	0.52%
Subtotal	641,914	4.1%	686,887	3.41%	815,382	3.65%
Manufacturing						
Food beverages and tobacco industry	282,723	1.8%	282,387	1.40%	332,115	1.49%
Textiles and leather industry	49,116	0.3%	67,339	0.33%	81,122	0.36%
Timber and furniture industry	37,297	0.2%	46,016	0.23%	46,640	0.21%
Paper, printing and publishing	32,952	0.2%	35,035	0.17%	45,933	0.21%
Chemical products derived from oil, coal, rubber and plastic	197,951	1.3%	186,741	0.93%	251,817	1.13%
Production of basic metal, non-minerals, machines and equipment	461,211	2.9%	456,483	2.27%	456,111	2.04%
Other manufacturing industries	98,815	0.6%	101,994	0.51%	164,146	0.74%
Subtotal	1,160,065	7.4%	1,175,995	5.84%	1,377,884	6.18%
Transport, storage and communications						
Transport and storage	570,175	3.6%	602,174	2.99%	577,653	2.59%
Communications	131,575	0.8%	117,592	0.58%	167,437	0.75%
Subtotal	701,750	4.4%	719,766	3.57%	745,090	3.34%
Construction	1,287,968	8.2%	1,432,421	7.11%	1,244,720	5.57%
Community, social and personal services	1,645,990	10.4%	2,843,743	14.12%	2,425,763	10.83%
Consumer credit	1,985,762	12.6%	2,412,813	11.98%	2,644,473	11.85%
Commerce	1,483,711	9.4%	1,652,121	8.21%	1,964,374	8.80%
Electricity, gas and water	411,705	2.6%	409,444	2.03%	581,858	2.61%
Residential mortgage loans	3,317,344	21.0%	4,485,485	22.28%	4,999,917	22.40%
Mining and petroleum	253,540	1.6%	335,673	1.67%	315,136	1.41%
Services	2,883,779	18.3%	3,980,633	19.78%	5,209,415	23.34%
Total	15,773,528	100.0%	20,134,981	100%	22,324,012	100%

(1) Includes the salmon industry. Our loans to borrowers in the salmon industry aggregated Ch$166,887 million, Ch$116,666 million and Ch$114,012 million as of December 31, 2013, 2014 and 2015, respectively, representing 1.15%, 0.74% and 0.57% of our total loan portfolio as of such dates, and our allowances for such loans to borrowers in the salmon industry represented 16.1%, 4.24% and 2.80% of our total allowances for loan losses at such dates.

Foreign Country Outstanding Loans

Our cross-border loans are principally trade-related. These include loans to foreign financial institutions. The table below lists our total amount of outstanding loans to borrowers in foreign countries as of December 31, 2014, 2015 and 2016. This table does not include foreign trade-related loans to Chilean borrowers.

	As of December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Country			
Afghanistan	—	—	—
Andorra	—	—	—
Argentina	4,956	6,461	10,957
Australia	7,466	7,001	1,263
Austria	5,276	6,500	5,485
Bahamas	—	—	—
Belgium	529	1,069	546
Bolivia	—	229	192
Brazil	242,157	87,645	69,232
Canada	12,211	62,689	38,700
Cayman Islands	33,004	12,523	—
China	4,201	34,571	3,547
Colombia	57,192	62,163	61,235
Costa Rica	18	46	5,563
Denmark	416	479	413
Ecuador	4,854	5,681	4,686
El Salvador	—	—	—
Finland	1,588	2,679	175
France	1,593	8,586	4,224
Gambia	—	—	—
Germany	81,461	91,350	87,791
Greece	—	—	—
Guatemala	—	2,130	6,602
India	37,598	12,677	12,397
Italy	9,974	25,060	55,457
Japan	2	—	950
Hong Kong	6,062	6,994	45
Mexico	57,509	49,879	30,700
Monaco	—	—	—-
Netherlands	46,168	41,293	33,789
New Zealand	—	—	—
Norway	24,994	28,081	6,382
Panama	44,427	34,217	54,036
Paraguay	1,777	1,562	2,091
Peru	288,998	214,136	169,037
Poland	—	—	—
Portugal	214	365	305
Puerto Rico	—	—	—
Russia	—	—	—
Luxembourg	12,128	—	—
Senegal	—	—	—
Singapore	1,214	—	13
South Africa	—	—	—
South Korea	3,198	3,999	1,803
Spain	76,109	74,257	54,327
Sweden	1,645	1,011	2,363
Switzerland	17,780	16,444	797
Taiwan	—	—	—

	As of December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Country			
Thailand	—	—	—
Turkey	29,520	13,602	12,304
United Kingdom	35,867	32,324	29,744
United States	430,921	478,115	323,061
Uruguay	256	337	300
Venezuela	—	—	—
Other	—	—	67
Israel	—	395	238
Dominican Republic	—	—	2,009
Total	1,583,283	1,426,550	1,092,826

We also maintain deposits abroad (primarily demand deposits) as needed to conduct our foreign trade transactions. The table below lists the amounts of foreign deposits by country as of December 31, 2014, 2015 and 2016:

	As of December 31,		
	2014	2015	2016
		(in millions of Ch$)	
Country			
Austria	—	—	—
Belgium	467	1,385	1,071
Canada	680	2,152	2,946
Denmark	49	50	67
Finland	—	—	—
France	—	—	—
Germany	15,035	21,433	16,797
Italy	692	746	1,674
Japan	1,638	781	2,142
Mexico	510	547	268
Netherlands	—	—	—
Norway	510	36	469
Spain	249	1,008	1,741
Sweden	103	135	134
Switzerland	1,480	1,711	1,339
United Kingdom	15,060	30,892	13,791
United States	114,360	326,929	307,153
Total	150,833	387,805	349,592

Credit Approval Process

We manage our credit risk by requiring loans to be approved in accordance with certain pre-determined procedures. Under our credit approval system, the approval of a transaction with a customer requires the participation of two or more executives, with at least one of them having the credit approval authority that would be necessary to cover our total risk exposure with respect to that customer.

Credit approval evaluation is made on the basis of the customer's total debt and the added risk involved in the proposed transaction. A borrower's total debt includes outstanding debt and any undrawn lines of credit. Our total risk exposure to any customer takes into account not only our direct exposure to this customer, but also any credit support or security and extensions of credit or undrawn lines of credit to related or affiliated borrowers.

Credit approval authority is established by our board of directors and/or the chairman of our board of directors upon the recommendation of our management. Transactions in which the total customer credit risk is more than Ch$12,000 million require the approval of the Executive Committee, which consists of our board of directors and the Chief Executive Officer, with a quorum of three members. Transactions in which a customer's total risk exposure is less than Ch$12,000 million may be approved by our other executives, depending on the amount involved, as follows:

	Unsecured		Secured(1)	
	Ch$	US$	Ch$	US$
	(in millions of Ch$)	(in millions of US$)	(in millions of Ch$)	(in millions of US$)
Board of Directors and Executive Committee	Legal limit	Legal limit	Legal limit	Legal limit
General Manager	1,500	1.77	5,000	5.92
Credit Committee(2)	5,000	5.92	5,000	5.92
Manager of Corporate Risk Area	900	0.89	3,000	2.96
Manager of Commercial Area and Finance	900	0.89	3,000	2.96
Managers of Banking	900	0.89	1,500	2.96
"B" Executives	150	0.47	750	1.58
"C" Executives	100	0.24	500	0.99
"D" Executives	46	0.09	230	0.45
"E" Executives	24	0.05	120	0.24
"F" Executives	12	0.02	60	0.12

(1) These limits include the respective unsecured limit.

(2) The Credit Committee is made up of at least three of the following officers: the General Manager, Manager of Corporate Risk Area, Manager of Loan Administration, Manager of Commercial Banking, and Manager of Business Banking.

We have a Corporate Risk Area which is independent of the Commercial Area, reporting directly to the Chief Executive Officer. Loans in which a customer's total risk exposure is less than Ch$500 million (Ch$120 million unsecured) may be approved by "C" Executives (either Regional Managers of Commercial Area or Regional Managers of Credit Risk). If transactions are approved by Regional Manager of Business Banking and also by Regional Manager of Credit Risk the limit of customer's total risk exposure that can be approved by both of them is increased to Ch$800 million (Ch$240 million secured or unsecured). If the transactions of Business Banking are not approved by a Manager of Credit Risk, they are not presented to a higher level of approval.

To evaluate a customer's credit risk, account executives use various computer information systems that provide information such as the customer's indebtedness to us, financial statements, monthly sales evaluations, profitability reports, debt to other banks and finance companies in the Chilean financial system and payment history with other creditors. For this purpose, information regarding a customer's indebtedness within the financial system is made available to banks by the Superintendency of Banks.

We have also developed specific lending policies and practices with respect to corporate, real estate and individual sectors of the banking market. Our corporate lending practices include analyzing and evaluating the strengths and weaknesses of a given industry as a whole in addition to analyzing specific corporate customers' financial condition. In 1995, we created a specialized construction finance department which has developed its own policies to evaluate and minimize credit risk in the real estate sector. We monitor the risks associated with construction loans through evaluation of technical studies of each proposed project as well as by conditioning loan advances upon our continuing review of the project's progress. For individual customers, a checklist is used to determine the customer's payment capacity through scoring systems that involve data in terms of income, education, family obligations, other financial obligations and other factors.

Our credit process is regulated by policies and standards established by our Risk Corporate Area and approved by our board of directors. The Risk Corporate Area performs various functions, including individual financial analysis of major clients. We have professional analysts who perform a report analysis for all the customers designated by the credit committee, and long-term credits of more than Ch$1,500 million or a 36-month period. These reports include the analysis of the amount of a loan, its purpose, terms, customer's financial position and markets in which the customer operates.

Our Risk Corporate Area, through its sub-area of Portfolio Control and Monitoring, is responsible for the risk classification analysis and monitoring of our entire commercial, leasing and factoring loan portfolio, as well as the determination of reserves for each type of loan.

Classification of Banks by the Superintendency of Banks

The Superintendency of Banks regularly examines and evaluates each financial institution's solvency and management ratings, including its compliance with the loan classification guidelines of the Superintendency of Banks, and on that basis classifies banks and other financial institutions into one of five categories, I, II, III, IV and V, as follows:

- Category I is reserved for financial institutions that have been rated level A in terms of solvency and management.

- Category II is reserved for financial institutions that have been rated (i) level A in terms of solvency and level B in terms of management, (ii) level B in terms of solvency and level A in terms of management, or (iii) level B in terms of solvency and level B in terms of management.

- Category III is reserved for financial institutions that have been rated (i) level B in terms of solvency and level B in terms of management for two or more consecutive review periods, (ii) level A in terms of solvency and level C in terms of management, or (iii) level B in terms of solvency and level C in terms of management.

- Category IV is reserved for financial institutions that are rated level A or B in terms of solvency and have been rated level C in terms of management for two or more consecutive review periods.

- Category V is reserved for financial institutions that have been rated level C in terms of solvency, irrespective of their rating level of management.

The solvency rating of a bank is determined by its ratio of regulatory capital (after deducting accumulated losses during the financial year) to risk-weighted assets. This ratio is equal to or greater than 10% for level A banks, equal to or greater than 8% and less than 10% for level B banks and less than 8% for level C banks.

The management rating of a bank is as follows: (i) level A banks are those that are not rated as level B or C, (ii) level B banks display some weakness in internal controls, information systems, response to risk, private risk rating or ability to manage contingency scenarios, and (iii) level C banks display significant deficiencies in internal controls, information systems, response to risk, private risk rating or ability to manage contingency scenarios.

Classification of Loan Portfolio

Chilean banks are required to classify their outstanding exposures on an ongoing basis for the purpose of determining the amount of allowances for loan losses. The guidelines used by Chilean banks for such classifications are established by the Superintendency of Banks, although banks are given some latitude in devising more stringent classification systems within such guidelines. For purposes of classification of our loan portfolio, loans are divided into consumer loans, residential mortgage loans and commercial loans.

Consumer Loans. These loans include financing arising from the use of credit cards, overdrafts on current accounts and loans granted to individuals. Their purpose is to finance the acquisition of consumer goods and payment of services, in an amount that generally does not exceed UF 550. Their repayment is generally made in equal and consecutive installments. See "—Loan Portfolio."

Residential Mortgage Loans. These include loans for residential purposes that are currently funded through the issuance by us of mortgage finance bonds. Generally, the purpose of these loans is to finance the acquisition, improvement, restoration or construction of a residential home. They are granted to the final user of the property and are entirely collateralized. All the remaining mortgages loans, in particular those granted for general purposes, are considered as commercial loans. See "—Loan Portfolio."

With respect to consumer loans and residential mortgage loans, allowances for loan losses are determined by mathematical models of expected loss applied to our loan portfolio as a whole. These models have been based on our data and delinquency and behavior classification which is determined by the extent to which payments are overdue.

Commercial Loans. Include all loans other than consumer loans and residential mortgage loans. See "—Loan Portfolio."

For a description of City National Bank of Florida loans, see "—Loan Portfolio."

For purposes of assessing our loan portfolio, we assess certain loans on an "individual" basis and other loans on a "collective" basis. We perform individual assessments of loans that we consider significant relative to our loan portfolio, based on the amount of the loan and its size, complexity and the credit profile of the borrower. Generally, we perform individual assessments of loans equal to or greater than UF18,000. We assess on a collective basis all of our loans that we do not assess individually, grouping them according to certain common characteristics such as the amount of the loan and the borrower's credit profile. Generally, we perform collective assessment of loans of less than UF18,000, and we use a mathematical model developed internally for our collective assessment of loans. See "Presentation of Financial and Other Information—Loans."

2010 Guidelines of the Superintendency of Banks

On August 12, 2010, the Superintendency of Banks published new guidelines for classifying and provisioning of loan portfolios that became mandatory as of January 1, 2011 (the "New Guidelines"). As a result, the models and methods used to classify our loan portfolio and establish allowances for loan losses follow the guiding principles set forth below, which have been established by the Superintendency of Banks. We have adopted the classification criteria proposed by the Superintendency of Banks.

For large commercial loans, leasing and factoring, we assign a risk category to each borrower and its respective loans. We consider the following risk factors: the industry or sector of the borrower, the owners or managers of the borrower, the borrower's financial situation, its payment capacity and its payment history. Based on these factors and pursuant to the Guidelines, we expect to assign one of the following risk categories to each borrower and loan that we evaluate on an individual basis:

i. "Normal Loans" or loans classified in categories A1 through A6 will correspond to borrowers who are current on their payment obligations and show no sign of deterioration in their credit quality.

ii. "Substandard Loans" or loans classified in the newly created categories B1 through B4 will correspond to borrowers with some financial difficulties or an important deterioration of payment capacity. Substandard loans also include all loans that have non-performance levels greater than 30 days.

iii. "Non-compliant Loans," which include non-compliant loans and other loans classified under categories C1 through C6, will correspond to borrowers whose payment capacity is at serious risk and are renegotiating credit terms to avoid bankruptcy or there is a high likelihood that they will file for bankruptcy. These loans also include all loans, including contingent operations, with at least one installment overdue more than 90 days.

Allowances for Normal and Substandard Loans

For normal and substandard loans, expected loss is to be calculated in accordance with the following Superintendency of Banks standards:

Classification	Probability of default (PD) (%)	Loss given default (LGD) (%)	Expected loss (EL) (%)
Normal loans			
A1	0.04	90.0	0.03600
A2	0.10	82.5	0.08250
A3	0.25	87.5	0.21875
A4	2.00	87.5	1.75000
A5	4.75	90.0	4.27500
A6	10.00	90.0	9.00000
Substandard loans			
B1	15.00	92.5	13.87500
B2	22.00	92.5	20.35000
B3	33.00	97.5	32.17500
B4	45.00	97.5	43.87500

Banks individually assign a specific classification and therefore provision level to each borrower. Accordingly, the amount of loan loss allowance is determined on a case-by-case basis. In determining provisions on an individual basis for normal and substandard loans pursuant to the recently published guidelines, banks will be required to use the following equation established by the Superintendency of Banks:

Provision = (ESA-GE) * (PD debtor/100) * (LGD debtor/100) + GE * (PDguarantor/100) * (LGD guarantor/100)

ESA = Exposure subject to allowances
PD = Probability of default
GE = Guaranteed exposure
LGD = Loss Given Default

Definition of Categories

A1: Debtor has the highest credit quality. This category is assigned only to borrowers with an extremely strong capacity to meet its financial obligations.

The debtor in this category has very solid financial foundations and competitive advantages in the markets in which it participates, so its ability to pay has remained permanently immune to cyclical fluctuations in the economy or sector. Therefore, it has a proven ability to generate cash flows to comfortably cover all of its financial commitments, even under restrictive conditions in the macroeconomic environments sector.

This category may be allocated only to debtors who have at least AA rating on the scale of the Chilean Securities Market Law granted by a national rating company recognized by the Superintendency of Banks, or its equivalent in case the debtor has an international rating by an external rating company, which also must be recognized by the Superintendency of Banks.

A2: Debtor has a very high credit quality. The ability to pay its financial obligations is very strong. Predictable events do not affect this capability significantly.

The debtor in this category provides a solid financial foundation and competitive position in the markets where it participates, so their ability to pay has been permanently immune and is not vulnerable to cyclical fluctuations in the economy or markets in which it participates. Presents proven ability to generate cash flows to cover timely and properly all financial commitments.

A3: Debtor has a high credit quality. The ability to pay its financial commitments is strong. Predictable events do not affect this capacity significantly.

The debtor in this category provides a solid foundation and competitive financial ability to pay and shows resistance to cyclical fluctuations in the economy or the markets in which it participates.

Under tight financial-economic scenarios, the power would not vary significantly.

A4 Debtor has a good credit quality. The ability to pay their financial obligations is sufficient. However, this capability is slightly susceptible to changing circumstances or economic conditions.

The debtor in this category provides a solid foundation and competitive financial ability to pay, shows resistance to cyclical fluctuations in the economy or markets in which it participates; however, it may have slight vulnerability to restrictive conditions at macroeconomic and sector levels.

A5: Debtor has a good credit quality. The ability to pay their financial commitments is adequate or sufficient, but is susceptible to change in circumstances or economic conditions.

The debtor in this category presents reasonable competitive and financial foundations, so their ability to pay is less vulnerable to cyclical fluctuations in the economy or markets in which it participates, but although it presents good ability to generate cash flows to meet promptly all its financial commitments under adverse conditions, could be vulnerable to restrictive environmental conditions at macroeconomic and sector levels.

A6: Debtor has a sufficient credit quality. Its ability to pay could deteriorate in adverse economic conditions. The debtor currently has certain challenges with his ability to fulfill his financial obligations, but this is temporary.

The debtor in this category has reasonable competitive and financial foundations, but his payment capacity presents vulnerabilities to cyclical fluctuations of the economy or of the markets in which it participates. Although it has demonstrated the capacity to generate sufficient cash flow to meet its financial commitments under adverse conditions, there is evidence of weakness before restrictive conditions of the macroeconomic and sector environment.

B1: Debtor has a low credit quality. His capacity of payment is vulnerable, affecting his roominess to fulfill his financial obligations. The debtor in this category presents deficient financial and competitive foundations, and has presented irregularities in the fulfillment of his commitments.

B2: Debtor has a low credit quality. The debtor presents a worsening in his capacity of payment, generating doubts on the recovery of his credits. The debtor in this category presents deficient financial and competitive foundations, and his ability to generate cash flows is insufficient, which is translated into unsatisfactory fulfillments of his commitments. Also part of this category are those debtors who have registered some precedents of negative behavior in the last 12 months, which are not of recurring nature, and which regularization has taken place at least three months ago.

B3: Debtor has a very low credit quality. Its capacity of payment is weak and has shown delinquencies in payments, which may under this scenario, need a financial restructuring to meet its obligations or, in case of having had it, it has not been fulfilled regularly. The debtors who are classified in this category do not present current non-payments of more than 90 days.

B4: Debtor has a minimum credit rating. This type of borrower has history of disruptive behavior in the last 12 months, which, however, currently does not exceed 90 days default, nor meets certain conditions to be considered as held in default.

Allowances for Loan Losses

Our loan portfolio includes loans for which the likelihood of recovery is low, as the borrowers show impaired payment capacity or no payment capacity at all. This portfolio includes (i) loans of borrowers with evident signs of possible bankruptcy, (ii) loans for which restructuring is necessary in order to avoid impairment and (iii) loans of borrowers that are at least 90 days in default in the payment of interests or principal on any of their loans. Debtors classified under categories C1 to C6 and all their loans are included in our non-compliant loan portfolio (a subpopulation of our impaired loan portfolio as defined under Superintendency of Bank criteria), including 100% of the amount of their undrawn committed credit lines and contingent loans.

We determine the allowance for loan losses taking into account our total exposure to each borrower, which is the sum of such borrower's total loans (including contingent loans and undrawn committed credit lines). To determine the percentage of our allowance with respect to these borrowers, we estimate the expected loss rate, the amounts that are recoverable by executing guarantees and the present value of the amounts that can be recovered through collection actions, net of expenses. The expected loss rate is classified under one of the six categories defined below, considering the range of losses that we expect from all the loans of the same debtor.

For loans classified under Categories C1 through C6, we will need to have the following levels of allowance required by the Superintendency of Banks:

Classification	**Expected loss**	**Allowance% (1)**
C1	Up to 3%	2
C2	More than 3% up to 20%	10
C3	More than 20% up to 30%	25
C4	More than 30% up to 50%	40
C5	More than 50% up to 80%	65
C6	More than 80%	90

(1) Represents percentages of the aggregate amount of principal and accrued but unpaid interest of the loan.

For these loans the expected loss must be calculated as follows:

Expected loss = (TE – Rec) / TE

Allowance (Ch$) = TE * Allowance %

TE = Total exposure
REC = Recoverable amount based on estimates of collateral value and collection efforts

2014 Guidelines of the Superintendency of Banks

On December 30, 2014, the SBIF published new guidelines for provisioning a bank's residential mortgage loan portfolio. The 2014 Guidelines include:

- an expected loss model to calculate allowances for housing mortgage loans that explicitly considers loan delinquency and loan / collateral (LTV) ratios, in order to promote active management of credit risk; and

- proposal for a new manner of evaluating collateral in the context of determining provisions, which would specify certain required conditions that would need to be met by an asset in order for it to be eligible to be used as collateral for mitigating credit risk, as well as more specific requirements of how collateral would be valued for purposes of setting loan loss levels.

These changes were implemented in January 2016.

Modifications to Provisions on Credit Risk for Banks

On December 30, 2014, the Superintendency of Banks issued Circular No. 3573, which established amendments to the norms regulating the interpretation of the Provisions for Credit Risk, in Chapters B-1, B-2 and E in the Compendium of Accounting Standards. According to Chapter E, Chapter B-1 became effective as of January 2016. The amendments seek to ensure the adequacy of the provisions requiring banks to present credit risk in their loan portfolios, and guidelines encouraging best practices in evaluation and risk management.

The most relevant amendments introduced under the circular discussed above are the following:

- Standard method for mortgage loans provisions. A standardized method for calculating minimum provisions for mortgage loans for housing was introduced, clarifying both the procedure for overdue payments and the loan guarantee relationship (loan-to-value) for creditors. Such method establishes a special treatment for loans subject to state auction;

- Defaulted portfolios. Certain conditions were introduced to supplement the guidelines relating to defaulted portfolios for loans subject to individual assessment, including those which must be performed to remove a specific debtor from said portfolio. In addition, similar provisions were introduced to group portfolios; and

- Substitution of a debtor's credit rating for the credit rating of its guarantor. Modifications were made to the guidelines to determine provisions relating to factoring operations; permitting the substitution of a debtor's credit rating for the credit rating of its guarantor, subject to certain conditions being met.

Further, in addition to the aforementioned amendments, the Superintendency of Banks is developing standardized provisions for the remaining group portfolios (smaller size portfolios of consumer and commercial credits), together with the establishment of minimum conditions that must be met by the internal provisions for credit risk developed by each bank.

Analysis of our Loan Classifications

We perform "individual" assessments of loans that we consider significant relative to our loan portfolio, based on the amount of the loan and its size, complexity and the credit profile of the borrower. Generally, we perform individual assessments of loans equal to or greater than UF18,000.

We consider individually assessed loans as "non-compliant" loans when they are within C1, C2, C3, C4, C5 or C6 categories, according to the categories set forth by the Superintendency of Banks. See "—Guidelines of the Superintendency of Banks."

We assess on a "collective" basis all of our loans that we do not assess individually, grouping them according to certain common characteristics such as the amount of the loan and the borrower's credit profile. Generally, we perform collective assessment of loans of less than UF18,000.

The following tables provide statistical data regarding the classification of our commercial loans at December 31, 2014, 2015 and 2016. The Superintendency of Banks requires that we prepare a risk analysis evaluating, for classification purposes only, a portion of our total commercial loan portfolio including overdue and contingent loans.

	At December 31,		
Category	**2014**	**2015**	**2016**
	(in millions of Ch$)		
A1	150,009	163,394	176,892
A2	1,014,206	921,016	880,874
A3	2,225,484	2,109,779	2,175,226
A4	1,659,706	1,596,690	1,742,152
A5	1,211,322	1,417,247	1,509,259
A6	313,071	537,496	681,805
B1	173,606	284,310	399,275
B2	130,837	153,634	173,152
B3	2,551	17,072	16,494
B4	18,991	23,288	19,932
C1	30,177	35,987	48,528
C2	16,108	22,723	67,317
C3	13,726	10,856	40,298
C4	10,086	11,499	10,984
C5	69,139	48,509	11,448
C6	39,160	32,099	26,065
Collectively assessed	7,391,210	8,460,360	9,319,860
Non-Banking Financial Services	1,304,139	4,289,022	5,024,451
Total	15,773,528	20,134,981	22,324,012
Total loans on an individual basis	7,078,179	7,385,599	7,979,701
Loan losses allowances for loans on an individual basis	161,082	154,677	150,396

Under the guidelines issued by the Superintendency of Banks, our individually assessed loans are considered impaired when they are classified as B3, B4, C1, C2, C3, C4, C5 or C6. Our collectively assessed loans are considered impaired when (i) they are 90 days or more in default or (ii) they are restructured past due loans until we re-classify them as performing loans based on our periodic reassessment of such loans.

The following tables provide information regarding our loans as of December 31, 2014, 2015 and 2016 under the guidelines as described above:.

At December 31, 2016	Normal Portfolio	Impaired Portfolio	Total loans before allowances	Individually assessed allowances	Collectively assessed allowances	Total allowances	Total loans net of allowances	Impaired loans as a% of total loans by category	Individually assessed loan allowances as a% of total loans	Collectively assessed loan allowances as a% of total loans
	(in millions of Ch$, except percentages)									
Commercial loans:										
General commercial loans ..	8,289,709	464,876	8,754,585	(90,152)	(54,780)	(144,932)	8,609,653	5.31%	1.03%	0.63%
CNB commercial loans.......	2,891,339	6,503	2,897,842	(17,298)	-	(17,298)	2,880,544	0.22%	0.60%	0.00%
Foreign trade loans	725,270	9,884	735,154	(18,136)	(13)	(18,149)	717,005	1.34%	2.47%	0.00%
Checking accounts.............	138,785	9,279	148,064	(1,286)	(3,847)	(5,133)	142,931	6.27%	0.87%	2.60%
Loans to college students....	848,911	7,464	856,375	(6,041)	(2,500)	(8,541)	847,834	0.87%	0.71%	0.29%
Factoring operations	165,005	17,949	182,954	-	(4,259)	(4,259)	178,695	9.81%	0.00%	2.33%
Leasing transactions	1,010,823	59,704	1,070,527	(16,326)	(1,506)	(17,832)	1,052,695	5.58%	1.53%	0.14%
Other loans and receivables	28,311	5,810	34,121	(1,157)	(2,626)	(3,783)	30,338	17.03%	3.39%	7.70%
Subtotal..............................	14,098,153	581,469	14,679,622	(150,396)	(69,531)	(219,927)	14,459,695	3.96%	1.02%	0.47%
Mortgage loans:										
Mortgage loans	4,233,796	163,869	4,397,665	—	(26,670)	(26,670)	4,370,995	3.73%	—	0.61%
CNB residential mortgage loans..............................	590,855	11,397	602,252	—	(6,085)	(6,085)	596,167	1.89%	—	1.01%
Subtotal..............................	4,824,651	175,266	4,999,917		(32,755)	(32,755)	4,967,162	3.51%		0.66%
Consumer loans:										
Consumer loans in installments...................	1,726,225	231,733	1,957,958	—	(101,646)	(101,646)	1,856,312	11.84%	—	5.19%
CNB consumer loans..........	111,212	229	111,441	—	(2,158)	(2,158)	109,283	0.21%	—	1.94%
Checking accounts.............	432,624	8,622	441,246	—	(6,462)	(6,462)	434,784	1.95%	—	1.46%
Credit card borrowers	97,755	9,053	106,808	—	(5,895)	(5,895)	100,913	8.48%	—	5.52%
Consumer leasing transactions	3,808	142	3,950	—	(45)	(45)	3,905	3.59%	—	1.14%
Other loans and receivables	23,060	10	23,070	—	(778)	(778)	22,292	0.04%	—	3.37%
Subtotal..............................	2,394,684	249,789	2,644,473	—	(116,984)	(116,984)	2,527,489	9.45%	—	4.42%
Total loans	21,317,488	1,006,524	22,324,012	(150,396)	(219,270)	(369,666)	21,954,346	4.51%	0.67%	0.98%

At December 31, 2015	Normal Portfolio	Impaired Portfolio	Total loans before allowances	Individually assessed allowances	Collectively assessed allowances	Total allowances	Total loans net of allowances	Impaired loans as a% of total loans by category	Individually assessed loan allowances as a% of total loans	Collectively assessed loan allowances as a% of total loans
	(in millions of Ch$, except percentages)									
Commercial loans:										
General commercial loans ..	7,874,597	417,502	8,292,099	(108,627)	(53,264)	(161,891)	8,130,208	5.03%	1.31%	0.64%
CNB commercial loans.......	2,196,974	3,080	2,200,054	—	(18,868)	(18,868)	2,181,186	0.14%	—	0.86%
Foreign trade loans	845,960	17,796	863,756	(21,427)	(20)	(21,447)	842,309	2.06%	2.48%	0.00%
Checking accounts.............	98,517	11,059	109,576	(2,756)	(4,733)	(7,489)	102,087	10.09%	2.52%	4.32%
Factoring operations	687,860	4,807	692,667	(6,638)	(1,144)	(7,782)	684,885	0.69%	0.96%	0.17%
Leasing transactions	831,267	39,111	870,378	(13,117)	(1,417)	(14,534)	855,844	4.49%	1.51%	0.16%
Other loans and receivables[(1)]	178,755	29,398	208,153	(2,112)	(8,166)	(10,278)	197,875	14.12%	1.01%	3.92%
Subtotal..............................	12,713,930	522,753	13,236,683	(154,677)	(87,612)	(242,289)	12,994,394	3.95%	1.170%	0.66%
Mortgage loans:										
Mortgage loans	3,741,286	176,843	3,918,129	—	(17,194)	(17,194)	3,900,935	4.51%	—	0.44%
CNB residential mortgage loans..............................	563,427	3,929	567,356	—	(5,792)	(5,792)	561,564	0.69%	—	1.02%
Subtotal..............................	4,304,713	180,772	4,485,485		(22,986)	(22,986)	4,462,499	4.03%		0.51%
Consumer loans:										
Consumer loans in installments...................	1,602,961	178,234	1,781,195	—	(82,990)	(82,990)	1,698,205	10.01%	—	4.66%
CNB consumer loans..........	120,600	326	120,926	—	(3,788)	(3,788)	117,138	0.27%	—	3.13%
Checking accounts.............	376,462	9,096	385,558	—	(7,079)	(7,079)	378,479	2.36%	—	1.84%
Credit card borrowers	99,395	7,414	106,809	—	(4,930)	(4,930)	101,879	6.94%	—	4.62%
Consumer leasing transactions	2,571	8	2,579	—	(16)	(16)	2,563	0.31%	—	0.62%
Other loans and receivables	15,432	314	15,746	—	(374)	(374)	15,372	1.99%	—	2.38%
Subtotal..............................	2,217,421	195,392	2,412,813	—	(99,177)	(99,177)	2,313,636	8.10%	—	4.11%
Total loans.....................	19,236,064	898,917	20,134,981	(154,677)	(209,775)	(364,452)	19,770,529	4.46%	0.77%	1.04%

At December 31, 2014	Normal Portfolio	Impaired Portfolio	Total loans before allowances	Individually assessed allowances	Collectively assessed allowances	Total allowances	Total loans net of allowances	Impaired loans as a% of total loans by category	Individually assessed loan allowances as a% of total loans	Collectively assessed loan allowances as a% of total loans
				(in millions of Ch$, except percentages)						
Commercial loans:										
General commercial loans	7,375,089	400,804	7,775,893	(118,900)	(62,703)	(181,603)	7,594,290	5.15%	1.53%	0.81%
Foreign trade loans	970,243	10,761	981,004	(21,667)	(198)	(21,865)	959,139	1.10%	2.21%	0.02%
Checking accounts	121,778	31,602	153,380	(3,180)	(4,970)	(8,150)	145,230	20.60%	2.07%	3.24%
Factoring operations	560,046	10,048	570,094	(5,909)	(812)	(6,721)	563,373	1.76%	1.04%	0.14%
Leasing transactions	760,384	36,626	797,010	(11,295)	(1,704)	(12,999)	784,011	4.60%	1.42%	0.21%
Other loans and receivables[(1)]	176,193	16,848	193,041	(131)	(6,695)	(6,826)	186,215	8.73%	0.07%	3.47%
Subtotal	9,963,733	506,689	10,470,422	(161,082)	(77,082)	(238,164)	10,232,258	4.84%	1.54%	0.74%
Mortgage loans	3,150,609	166,735	3,317,344	—	(15,064)	(15,064)	3,302.280	5.03%	—	0.45%
Consumer loans:										
Consumer loans in installments	1,396,353	162,680	1,559,033	—	(77,334)	(77,334)	1,481,699	10.43%	—	4.96%
Credit card debtors	312,841	7,845	320,686	—	(6,647)	(6,647)	314,039	2.45%	—	2.07%
Checking accounts	90,439	6,218	96,657	—	(4,756)	(4,756)	91,901	6.43%	—	4.92%
Consumer leasing transactions	588	85	673	—	(73)	(73)	600	12.63%	—	10.85%
Other loans and receivables	8,424	289	8,713	—	(558)	(558)	8,155	3.32%	—	6.40%
Subtotal	1,808,645	177,117	1,985,762	—	(89,368)	(89,368)	1,896,394	8.92%	—	4.50%
Total loans	14,922,987	850,541	15,773,528	(161,082)	(181,514)	(342,596)	15,430,932	5.39%	1.02%	1.15%

(1) Includes loans to college students. In 2016, we began to classify loans to college students separately, in accordance with new SBIF regulatory requirements.

Classification of Loan Portfolio Based on the Borrower's Payment Performance

Accrued interest and indexation readjustments from overdue loans are only recognized when and to the extent effectively received. Overdue loans are classified in groups of 1 to 29 days overdue, 30 to 89 days overdue, and 90 or more days overdue (the last group being referred to as "past due loans"). Past due loans include, with respect to any loan, the amount of any principal or interest that is 90 or more days overdue. Past due loans are required to be covered by individual allowances for loan losses equivalent to 100% of any unsecured portion thereof, but only if and to the extent that the aggregate of all individual allowances for loan losses exceed the global allowance for loan losses.

The tables below set forth the outstanding principal amount of loans that is current, overdue (less than 90 days) and past due (overdue 90 or more days) as to payment of principal and interest, as of the dates indicated. Loan amounts in the table are presented before deduction for allowances for loan losses.

	At December 31,		
Category	2014	2015	2016
	(in millions of Ch$, except for percentages)		
Current	15,454,112	19,909,500	22,101,877
Overdue 1-29 days	23,309	19,765	30,589
Overdue 30-89 days	17,895	16,248	32,869
Overdue 90 days or more ("past due")(1)	278,212	189,468	158,677
Total overdue loans	319,416	225,481	222,135
Total loans(2)	15,773,528	20,134,981	22,324,012
Impaired loans(s)(3)	850,541	898,917	1,006,524
Overdue loans as a percentage of total loans	2.0%	1.1%	1.0%
Past due loans as a percentage of total loans	1.8%	0.9%	0.7%
Impaired loans as a percentage of total loans	5.4%	4.5%	4.5%

(1) Our "past due" include only the portion of principal and interest of loans that is overdue for 90 or more days and do not include the installments of such loan that are not overdue or that are overdue for less than 90 days, unless (i) any portion of the loan is overdue for 180 days or more, in which case the entire loan is considered past due, or (ii) legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan, in which case the entire loan is considered past due within 90 days after initiation of such proceedings.
(2) Total loans do not include interbank loans.
(3) Our "impaired" loans include the aggregate amount of loan of a customer that has at least one loan overdue more than 90 days or present a deteriorated credit assessment (loans overdue less than 90 days but a borrower classification of B3 or B4).

Under our loan classification system, we suspend the accrual of interest, subject to certain exceptions, on (i) individually assessed C5 and C6 loans automatically, (ii) individually assessed C3 and C4 loans that remain classified as such for three or more months, and (iii) collectively assessed secured loans that are six months overdue and for which less than 80% of the loan is collateralized.

The following table sets forth, as of the dates indicated, the amounts of loans over certain of which the accrual of interest income had been discontinued.

Category	At December 31, 2014	2015	2016
	(in millions of Ch$)		
Overdue loans (excluding past due)	41,204	36,013	63,458
Past due loans	278,212	189,468	158,677
Impaired loans	850,541	898,917	1,006,524

Risk Index

The risk index of our loan portfolio is calculated as allowances for loan losses as a percentage of total loans.

Our risk index was 2.17%, 1.83% and 1.66% as of December 31, 2014, 2015 and 2016, respectively.

Analysis of Allowances for Loan Losses

The following tables analyze our allowances for loan losses and changes in the allowances attributable to charge-offs, provisions established, provisions released and the effect of price-level restatements on the allowances for loan losses:

	As of December 31, 2014	2015	2016
	(in millions of Ch$, except for percentages)		
Allowances for loan losses at beginning of period	334,247	342,596	364,452
Charge-offs	(195,875)	(234,322)	(202,476)
Provisions established	237,783	265,791	223,564
Provisions released(1)	(33,559)	(37,313)	(16,644)
Bci Financial Group (net changes)	—	27,700	770
Allowances for loan losses at end of the period	342,596	364,452	369,666
Ratio of charge-offs to average loans	1.2%	1.2%	1.6%
Allowance for loan losses at end of the period as a percentage of total loans	2.2%	2.1%	1.9%

(1) Represents the aggregate amount of the allowance for loan losses released during each year or period as a result of income received on assets previously written off, recoveries or a determination by management that the level of risk existing in the loan portfolio had been reduced.

Our policy with respect to charge-offs follows the regulations established by the Superintendency of Banks. Under these regulations, (i) an unsecured loan (or a part of it) must be charged-off no more than 24 months after being classified as overdue and secured loans must be charged-off within 36 months after being classified as overdue, (ii) a loan must be charged-off when we do not have any right to exercise an action for collection in the courts, and (iii) in the case of loans payable in installments, the aggregate amount of the loan must be charged-off when one installment is overdue six months in the case of consumer loans and for 48 months in the case of mortgage loans, respectively.

Based on information available regarding our debtors, we believe that our allowances for loan losses are sufficient to cover known potential losses and losses inherent in a loan portfolio such as ours.

Allocation of Allowance for Loan Losses

The following tables set forth, as of the dates indicated, the amounts of allowance for loan losses attributable to commercial, consumer and residential mortgage loans, and the allowance amount as a percentage of loans in the corresponding category and as a percentage of total loans:

	As of December 31,							
	2015				2016			
	Allowance amount	Allowance amount as a percentage of loans in category	Allowance amount as a percentage of total loans	Loans in a category as a percentage of total loans	Allowance amount	Allowance amount as a percentage of loans in category	Allowance amount as a percentage of total loans	Loans in a category as a percentage of total loans
	(in millions of Ch$, except percentages)							
Commercial loans:								
General commercial loans	(161,891)	2.0%	0.8%	41.2%	(144,932)	1.7%	0.6%	39.2%
CNB commercial loans	(18,868)	0.9%	0.1%	10.9%	(17,298)	0.6%	0.1%	13.0%
Foreign trade loans	(21,447)	2.5%	0.1%	4.3%	(18,149)	2.5%	0.1%	3.3%
Checking accounts	(7,489)	6.8%	—	0.5%	(5,133)	3.5%	—	0.7%
Loans to college students(1)	—	—	—	—	(8,541)	1.0%	—	3.8%
Factoring operations	(7,782)	1.1%	—	3.4%	(4,259)	2.3%	—	0.8%
Leasing transactions	(14,534)	1.7%	0.1%	4.3%	(17,832)	1.7%	0.1%	4.8%
Other loans and receivables	(10,278)	4.9%	0.1%	1.0%	(3,783)	11.1%	—	0.2%
Subtotal	(242,289)	1.8%	1.2%	65.7%	(219,927)	1.5%	1.0%	65.8%
Mortgage loans:								
Mortgage loans	(17,194)	0.4%	0.1%	19.5%	(26,670)	0.6%	0.1%	19.7%
CNB residential mortgage loans	(5,792)	1.0%	—	2.8%	(6,085)	1.0%	—	2.7%
Subtotal	(22,986)	0.5%	0.1%	22.3%	(32,755)	0.7%	0.1%	22.4%
Consumer Loans:								
Consumer loans in installments	(82,990)	4.7%	0.4%	8.8%	(101,646)	5.2%	0.5%	8.8%
CNB consumer loans	(3,788)	3.1%	—	0.6%	(2,158)	1.9%	—	0.5%
Checking accounts	(7,079)	1.8%	—	1.9%	(6,462)	1.5%	—	2.0%
Credit card borrowers	(4,930)	4.6%	—	0.5%	(5,895)	5.5%	—	0.5%
Consumer leasing transactions	(16)	0.6%	—	—	(45)	1.1%	—	—
Other loans and receivables	(374)	2.4%	—	0.1%	(778)	3.4%	—	0.1%
Subtotal	(99,177)	4.11%	0.4%	12%	(116,984)	4.42%	0.5%	11.8%
Total	(364,452)	1.81%	1.7%	100.0%	(369,666)	1.66%	1.7%	100.0%

Note: Based on our loan classification, as required by the Superintendency of Banks for the purpose of determining loan loss allowances.

(1) In 2014 and 2015, loans to college students were included under "other loans and receivables." In 2016, we began to classify loans to college students separately, in accordance with new SBIF regulatory requirements.

Note: Based on our loan classification, as required by the Superintendency of Banks for the purpose of determining loan loss allowances.

	As of December 31,							
	2014				2015			
	Allowance amount	Allowance amount as a percentage of loans in category	Allowance amount as a percentage of total loans	Loans in a category as a percentage of total loans	Allowance amount	Allowance amount as a percentage of loans in category	Allowance amount as a percentage of total loans	Loans in a category as a percentage of total loans
	(in millions of Ch$, except percentages)							
Commercial loans:								
General commercial loans	(181,603)	2.3%	1.2%	49.3%	(161,891)	2.0%	0.8%	41.2%
CNB commercial loans	—	—	—	—	(18,868)	0.9%	0.1%	10.9%
Foreign trade loans	(21,865)	2.2%	0.1%	6.2%	(21,447)	2.5%	0.1%	4.3%
Checking accounts	(8,150)	5.3%	0.1%	1.0%	(7,489)	6.8%	—	0.5%
Factoring operations	(6,721)	1.2%	—	3.6%	(7,782)	1.1%	—	3.4%
Leasing transactions	(12,999)	1.6%	0.1%	5.1%	(14,534)	1.7%	0.1%	4.3%
Other loans and receivables(1)	(6,826)	3.5%	—	1.2%	(10,278)	4.9%	0.1%	1.0%
Subtotal	(238,164)	2.27%	1.5%	66.4%	(242,289)	1.8%	1.2%	65.7%
Mortgage loans:								
Mortgage loans	(15,064)	0.5%	0.1%	21.0%	(17,194)	0.4%	0.1%	19.5%
CNB residential mortgage loans	—	—	—	—	(5,792)	1.0%	—	2.8%
Subtotal	(15,064)	0.5%	0.1%	21.0%	(22,986)	0.5%	0.1%	22.3%
Consumer Loans:								
Consumer loans in installments	(77,334)	5.0%	0.5%	9.9%	(82,990)	4.7%	0.4%	8.8%
CNB consumer loans	—	—	—	—	(3,788)	3.1%	—	0.6%
Checking accounts	(6,647)	2.1%	—	2.0%	(7,079)	1.8%	—	1.9%
Credit card debtors	(4,756)	4.9%	—	0.6%	(4,930)	4.6%	—	0.5%
Consumer leasing transactions	(73)	10.8%	—	—	(16)	0.6%	—	—
Other loans and receivables	(558)	6.4%	—	0.1%	(374)	2.4%	—	0.1%
Subtotal	(89,368)	4.5%	0.6%	12.6%	(99,177)	4.11%	0.4%	12%
Total	(342,596)	2.17%	2.2%	100.0%	(364,452)	1.81%	1.7%	100.0%

Note: Based on our loan classification, as required by the Superintendency of Banks for the purpose of determining loan loss allowances.
(1) Includes loans to college students. In 2016, we began to classify loans to college students separately, in accordance with new SBIF regulatory requirements.

During the last three years, all of our ten largest (per year) loan charge-offs were related to commercial loans. These loans were outstanding loans to borrowers engaged in a wide variety of activities. Our management is not otherwise aware of any concentration of loan charge-offs or allowance for loan losses in any particular area of economic activity.

Composition of Deposits and Other Commitments

The following table sets forth the average balances of our deposits and other commitments over which we disburse interest for the years ended December 31, 2014, 2015 and 2016.

	Year ended December 31,					
	2014		2015		2016	
	Average balance	Average Nominal Rate	Average balance	Average Nominal Rate	Average balance	Average Nominal Rate
	(in millions of Ch$, except percentages)					
Time deposits	8,528,163	3.7%	9,515,688	2.9%	10,800,620	3.2%
Saving accounts	48,531	5.3%	49,529	4.0%	50,190	2.7%
Total	8,576,694		9,565,217		10,850,810	

Maturity of Deposits

The following tables sets forth information regarding the currency and maturity of our deposits at December 31, 2014, 2015 and 2016. UF-denominated deposits are similar to peso-denominated deposits in all respects, except that the principal is readjusted periodically based on variations in the Chilean consumer price index.

	As of December 31, 2016				
	Ch$	UF	Foreign Currency (other than US$)	US$	Total
			(in millions of Ch$)		
Demand deposits and other obligations payable on demand	4,290,875	34,550	909	3,867,929	8,194,263
Savings accounts	—	50,186	—	—	50,186
Time deposits:					
Maturity within 3 months	4,614,248	555,588	9,127	1,461,047	6,640,010
Maturity after 3 but within 6 months	757,779	37,897	78	218,880	1,014,634
Maturity after 6 but within 12 months	1,351,501	54,178	92	506,291	1,912,062
Maturity after 12 months	77,435	787	3	262,571	340,796
Total time deposits	6,800,963	648,450	9,300	2,448,789	9,907,502
Total deposits	11,091,838	733,186	10,209	6,316,718	18,151,951

	As of December 31, 2015				
	Ch$	UF	Foreign Currency, (other than US$)	US$	Total
			(in millions of Ch$)		
Demand deposits and other obligations payable on demand	4,275,056	31,635	3,731,563	9,034	8,047,288
Savings accounts	—	49,844	—	—	49,844
Time deposits:					
Maturity within 3 months	3,780,898	491,411	123,380	1,492,303	5,887,992
Maturity after 3 but within 6 months	1,170,678	114,114	183	61,653	1,346,628
Maturity after 6 but within 12 months	836,879	521,665	75,082	70,826	1,504,452
Maturity after 12 months	280,505	44,073	109,239	79,163	512,980
Total time deposits	6,068,960	1,171,263	307,884	1,703,945	9,252,052
Total deposits	10,344,016	1,252,742	4,039,447	1,712,979	17,349,184

	As of December 31, 2014				
	Ch$	UF	Foreign Currency (other than US$)	US$	Total
			(in millions of Ch$)		
Demand deposits and other obligations payable on demand	3,916,943	28,428	98,052	549,017	4,592,440
Savings accounts	—	48,765	—	—	48,765
Time deposits:					
Maturity within 3 months	3,648,693	394,390	20,519	1,490,940	5,554,542
Maturity after 3 but within 6 months	926,918	248,499	394	190,467	1,366,278
Maturity after 6 but within 12 months	874,557	240,510	154	64,807	1,180,028
Maturity after 12 months	22,980	2,368	—	53,648	78,996
Total time deposits	5,473,148	885,767	21,067	1,799,862	8,179,844
Total deposits	9,390,091	962,960	119,119	2,348,879	12,821,049

The following tables sets forth information regarding the maturity of our outstanding time deposits in excess of US$100,000 at December 31, 2014, 2015 and 2016:

	As of December 31, 2014				
	Ch$	UF	Foreign Currency, (except US$)	USD	Total
			(in millions of Ch$)		
Time deposits:					
Maturity within 3 months	3,157,327	337,198	15,922	1,445,071	4,955,518
Maturity after 3 but within 6 months	923,519	243,339	185	187,216	1,354,259
Maturity after 6 but within 12 months	873,120	238,764	90	62,699	1,174,673
Maturity after 12 months	22,840	2,041	—	52,089	76,970
Total deposits in excess of US$100,000	4,976,806	821,342	16,197	1,747,075	7,561,420

	As of December 31, 2015				
	Ch$	UF	Foreign Currency, (except US$)	USD	Total
			(in millions of Ch$)		
Time deposits:					
Maturity within 3 months	3,219,794	423,303	10,680	1,441,650	5,095,427
Maturity after 3 but within 6 months	1,164,849	106,302	—	58,099	1,329,250
Maturity after 6 but within 12 months	834,751	518,779	95	70,219	1,423,844
Maturity after 12 months	280,492	43,820	—	78,528	402,840
Total deposits in excess of US$100,000	5,499,886	1,092,204	10,775	1,648,496	8,251,361

	As of December 31, 2016				
	Ch$	UF	Foreign Currency, (except US$)	USD	Total
			(in millions of Ch$)		
Time deposits:					
Maturity within 3 months	4,039,647	471,979	5,256	1,297,309	5,814,191
Maturity after 3 but within 6 months	751,728	31,438	—	216,155	999,321
Maturity after 6 but within 12 months	1,348,576	52,992	85	617,333	2,018,986
Maturity after 12 months	77,140	532	—	264,921	342,593
Total deposits in excess of US$100,000	6,217,091	556,941	5,341	2,395,718	9,175,091

Minimum Capital Requirements

The following table sets forth our minimum capital requirements set by the Superintendency of Banks as of the dates indicated.

	As of December 31,		
	2014	2015	2016
	(in millions of Ch$, except percentages)		
Basic capital(1)	1,800,963	2,000,287	2,518,257
3% total assets	(751,315)	(949,035)	(1,000,767)
Excess over minimum required basic capital	1,049,649	1,051,252	1,517,490
Basic capital as a % of assets	7.2%	6.3%	7.5%
Regulatory capital(2)	2,513,953	2,832,980	3,344,119
8% of risk-weighted assets	(1,459,443)	(1,891,457)	(1,995,132)
Excess over minimum required regulatory capital	1,054,510	941,523	1,348,987
Regulatory capital as a % of risk-weighted assets	13.8%	11.98%	13.41%

(1) Basic capital is the sum of paid-in capital and reserves, excluding capital attributable to subsidiaries and foreign branches.

(2) Regulatory capital is basic capital adjusted to: (i) aggregate subordinated bonds issued by Bci valued at their placement price for an amount up to 50% of its basic capital commencing six years prior to their maturity, (ii) aggregate additional required allowances and provisions as stipulated, (iii) deduct all goodwill and share premium, and (iv) deduct assets that correspond to investments in non-consolidated subsidiaries.

Short-Term Borrowings

The principal categories of our short-term borrowings are Central Bank borrowing, borrowings under foreign trade credit lines, securities sold under agreements to repurchase and domestic interbank loans. The following table presents the amounts outstanding and the weighted average nominal interest rate at the end of each year for each type of short-term borrowing:

	As of December 31,					
	2014		2015		2016	
	Year-end Balance	Weighted average yield interest rate	Year-end Balance	Weighted average yield interest rate	Year-end Balance	Weighted average yield interest rate
	(in millions of Ch$, except percentages)					
Central Bank borrowings	71	0.0%	1,732	0.0%	1,959	1.0%
Borrowings under foreign trade credit lines	1,255,164	0.8%	1,208,618	0.9%	1,025,853	1.5%
Securities sold under agreements to repurchase	407,531	2.8%	449,128	3.4%	799,844	3.3%
Domestic interbank loans	418,329	1.1%	579,739	1.7%	620,952	3.7%
Total short-term borrowings	2,081,095	1.3%	2,239,217	1.6%	2,448,608	2.6%

The following table shows the average balance and the average nominal rate for each short-term borrowing category during the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Average balance	Average nominal rate	Average balance	Average nominal rate	Average balance	Average nominal rate
	(in millions of Ch$, except percentages)					
Securities sold under repurchase agreements	361,792	4.23%	373,212	3.45%	599,772	2.39%
Central Bank borrowings	979	0.31%	—	0.00%	—	0.00%
Domestic interbank loans	367,622	(0.64)%	461,080	(0.64)%	432,630	(1.18)%
Subtotal	730,393	(2.30)%	834,292	(2.25)%	1,032,402	(1.89)%
Borrowings under foreign trade credit lines	1,152,041	(1.4)%	1,106,474	(1.40)%	1,050,791	(1.69)%
Total short-term borrowings	1,882,434	1.57%	1,940,766	1.64%	2,083,193	1.79%

The following table presents the maximum month-end balances of our principal sources of short-term borrowings during the periods indicated:

	Maximum 2014 month-end balance	Maximum 2015 month-end balance	Maximum 2016 month-end balance
		(in millions of Ch$)	
Securities sold under repurchase agreements	454,840	498,366	799,844
Domestic interbank loans	452,1751	579,739	620,952
Borrowings under foreign trade credit lines	1,323,091	1,208,618	1,391,656
Central Bank borrowings	6,923	2,488	4,808

REGULATION AND SUPERVISION

Banking Legislation

The General Banking Law was amended by Law No 19,528 enacted on November 4, 1997 (the "Amendment"). Prior to the Amendment, the General Banking Law limited the activities in which banks may engage. The Amendment liberalized the General Banking Law by allowing banks to engage, either through subsidiaries or directly, in other types of activities according to generally applicable regulations issued by the Superintendency of Banks, based on the risk of the activity and the financial strength of the respective bank. The General Banking Law specifically allows banks to provide direct leasing, financial services (portfolio management), direct financial advisory services and offer factoring, underwriting and transportation of securities services, and also allows bank subsidiaries to provide investment advisory services outside of Chile, offer factoring and securitization products and provide loan collection and insurance brokerage services (excluding social security insurance). Chilean banks are also allowed to make loans to foreign companies or Chilean companies operating abroad and to open subsidiaries outside Chile. Formerly, the General Banking Law permitted the Superintendency of Banks to deny new banking licenses on a discretionary basis. After the Amendment, the General Banking Law permits the Superintendency of Banks only to reject new banking licenses if the applicant does not comply with generally applicable requirements.

In 2004, new amendments to the General Banking Law granted additional powers to banks, including the ability to underwriting new issues of certain debt and equity securities and create subsidiaries to engage in activities related to banking, such as brokerage, investment advisory, mutual fund services, management of investment funds, factoring, securitization products and financial leasing services.

In 2006, the General Banking Law was amended to eliminate a bank's ability to distribute less than 30% of its earnings as dividends in any given year, subject to the approval of the holders of at least two-thirds of such bank's common shares.

Furthermore, in 2009, Law No. 20,382 was passed in order to fulfill previous agreements by the Chilean government and the Organization for Economic Co-operation and Development, or OECD, to improve Chilean corporate governance practices. Among its various provisions, it requires publicly held corporations to designate independent directors and contains improvements regarding directors' duty to disclose material information to the market. In addition, Law No 20,393 regulates the crimes of money laundering, terrorism financing and bribery, establishing the requirement of having specific internal control systems and procedures to prevent them.

Additionally, on December 5, 2009, Law No. 20,406 was passed, authorizing the Chilean Internal Revenue Service to gather information related to banking operations from commercial banks. Previously, those records were considered confidential and could only be investigated pursuant to a court order.

In May 2010, the Chilean government announced a new capital markets reform entitled *Reformas al Mercado Financiero Bicentenario*, also known as "*MKB*," which the Chilean government intended to implement through various legislative initiatives and administrative reforms. The agenda sought to further enhance the international integration of the Chile's financial market, create a regulatory framework that fosters innovation and entrepreneurship, continue the adoption of the best international practices on competition, supervision and transparency, increase the depth and liquidity of the financial system and widen its access to it.

The main features of this new agenda include:

- the regulation and reform of the tax treatment of the fixed-income, derivatives and the administration of funds (already in place);
- the creation of a national financial consumer agency to protect customers of financial services (already in place);
- legislative measures to reduce cyclical variations in the credit supply and render the system more secure, solvent and liquid;

- incentives to encourage transparency and proper price formation by allowing the integration of local stock exchanges with others in Latin America, increasing price information in the foreign exchange market, certificating financial professionals and limiting use of market-sensitive information (already in place);

- strengthening the governance of the SVS and increasing the autonomy of the Superintendency of Banks;

- reform the Bankruptcy Law;

- improve access of individuals and small- and medium-size business to the capital markets, increase bank penetration, reduce the costs associated with initial public offerings and create new incentives for innovation and venture capital; and

- develop new markets and financial products that result in lower-cost financing alternatives. Implementation of this agenda is underway.

Several administrative measures, such as the creation of the Financial Stability Council, were adopted. Some bills of Law remain under discussion in the Congress, such as the bill on competition in the financial system.

On August 13, 2010, Law No. 20,448 (*Reformas al Mercado de Capitales III* - also known as *MK3*) was passed to (i) permit non-Chilean banks with representative offices in Chile to offer their credit products to customers directly and (ii) permit banks to issue unsecured bonds in order to use the proceeds thereof to grant mortgage loans for the acquisition, construction, repairmen or extension of housing.

In December 2011, the Consumer Protection Act was amended to include provisions applicable to financial services and products. As a result, any agreement for financial services or products that a bank enters into with a consumer shall, among others, (1) include a detailed breakdown of all the charges, fees, costs and tariffs that form part of the price, including those associated thereto although not directly part of the price, or that are part of other products simultaneously contracted; (2) expressly provide for the events of early termination, a reasonable cure period and the manner in which the termination will be informed to the consumer; and (3) allow for the early termination of the agreement in the sole and absolute discretion of the customer; provided it has paid in full all the obligations, including any cost for the early termination. In addition, consumers are entitled to (1) receive information about the total cost of the product or service, (2) be informed on the reasons why they have been rejected; and (3) know the objective conditions provided to have access to a financial product, among other things.

In February 2012, Law No. 20,575 (known as *Ley Dicom*) was enacted in order to restrict the use of private and personal economic, financial, banking and commercial information of customers set forth in Law No. 19,628 on Protection of Privacy, which is supplemented by *Ley Dicom*. This new law (i) provides that such information can only be shared with established businesses and companies that engage in risk assessment in order to assess business risk and credit process review; (ii) prohibits the request of this data in connection with recruitment for employment, admission to preschool, school or higher education, medical attention or nomination for a public position; (iii) allows the owners of the data to request distributors of personal information certifications for purposes other than credit process review, in which case the distributor must issue a certificate containing the overdue obligations of the applicant; (iv) prohibits the sharing or reporting of information related to obligations renegotiated, novated or pending in certain forms as well as debts incurred by users of the toll road concessions; (v) requires the distributors of economic, financial, banking and business information to have a system that records the access and delivery of background information contained in them, identifies the name of the person who has requested such information and the reason, date and time of the request; (vi) allows the owners of the information contained in such record to access the registry, free of charge, every four months, to check the information for the last 12 months; (vii) introduces mechanisms to facilitate the exercise of the rights of the holders of the information by imposing on the distributor or responsible party of the data bank the obligation to evidence compliance with *Ley Dicom* and (viii) obligates the deletion of unpaid obligations reported through December 31, 2011, provided that the total debts registered by such debtor are for an amount less than Ch$2,500,000, for capital, excluding interest, adjustments or any other item.

In March 2012, the Consumer Protection Act was amended by Law No 20,555, which introduced additional provisions relating to consumer's rights and the obligations of providers of financial products and services and granted supervision and oversight powers to the Bureau of Consumer Protection in connection with financial services and products.

Law No 20,555 introduced, among others, provisions providing for: (1) new financial consumer's rights such as the right to request information to the provider regarding the total cost of a product or service (including prices, taxes, charges, commissions and fees, among others), the right to know the terms and conditions required by the provider to render the service or deliver the product, such as minimum income thresholds, the right to request updated information of the financial products and services and the right to receive with each financial contract a one-page summary including its key provisions; (2) prohibitions for the providers of financial products and services such as the prohibition to modify prices, fees, commissions, costs and charges of certain products or services under certain circumstances, the prohibition to mail unsolicited offers of financial products or agreements to consumers or to include offers to sell products or services attached to a different product or service;(3) the creation of a voluntary certification of financial products and services by the Bureau of Consumer Protection, which certifies that the relevant financial contract fulfills the applicable legal and regulatory requirements; and (4) special dispute resolution mechanisms such as mediation and arbitration for certain cases. Pursuant to this amendment of the Consumer Protection Act, providers of financial products and services had until June 5, 2012 to conform their contracts for the provision of financial services and products to meet the new requirements set forth by the amended Consumer Protection Act and comply with the new voluntary certification of the Bureau of Consumer Protection.

Furthermore, banks, insurance companies, retailers and other financial institutions are now required to inform their customers of the all-in costs of the financial services on standardized terms allowing their customers to compare the cost of the products offered by them.

During December 2013, the Chilean Congress passed Law 20,715 modifying the maximum interest rate a bank may charge. According to the new law, it is not possible to set an interest that exceeds the product of the respective capital and the greater of (i) 1.5 times the current interest rate governing at the time of the transaction, as determined by the Superintendent for each type of credit transaction; and (ii) the current interest rate governing at the time of the transaction, increased in 2 annual percentage points. Other ceilings apply to small size loans and consumer loans.

In October 2016, the Chilean Congress passed Law No. 20,950 amending the General Banking Act setting forth rules applicable to the issuance and operation by non-banking entities of pre-funded payment methods or any similar system, when these systems involve that the issuer or the operator regularly engages in monetary obligations with the public in general or to specific sectors or groups thereof.

In February 2017, the Chilean Congress passed Law 21,000. This law creates the Financial Market Commission, which will operate as a decentralized and technical public service. Its purpose will be to ensure the proper functioning, development and stability of the financial market, facilitating the participation of market agents and promoting the care of public trust. This law gives this commission the status of legal successor of the Superintendency of Securities and Insurance, ("SVS," for its acronym in Spanish). Its main functions will be the oversight of issuers and intermediaries of publicly offered securities; commodity exchange, transferable securities exchange and stocks transactions; the association of securities brokerage and the transactions perform by them; companies engaged in the business of insuring and reinsuring, as well as persons who intermediate insurance, among others. The commission will be led by the Financial Market Council, consisting of five members, who will be appointed by the President and confirmed by the Senate, with the exception of the President of this Council. In first stage, this Commission cannot exercise its attributions on entities subject to the supervision of the Superintendency of Banks until an amendment to the General Banking Act is passed. This law provides for a one year period in order that the President sends the corresponding bill of law to the Congress.

On June 12, 2017, the Chilean Government submitted a bill to the Chilean Congress to introduce several reforms to the General Banking Law. According to the SBIF, the aforementioned bill is based on three pillars: (i) the strengthening of the risk-based capital requirements based on Basel III, in particular the obligation of banks to enhance their provisions of capital in order to protect them from future shocks, where counterparty, market and operational risks are considered for the risk-based capital requirements; (ii) the strengthening of banking supervision by the replacement of the SBIF with the CMF, which will assume all the powers currently held by the SBIF; and (iii) taking steps to ensure more efficient resolution of financial problems or crises in the banking system by means of a "regularization plan" in order to prevent any bank from falling into insolvency (for example, through *in situ* supervision, limitations on banking activities, additional capital requirements, appointment of a temporary manager, among others).

The Banking System

In Chile, only banks may maintain checking accounts for their customers, conduct foreign trade operations and, together with certain non-banking financial institutions, accept time deposits. The principal authorities that regulate These changes were implemented in January 2016. Chilean banks are primarily subject to the General Banking Law and secondarily, to the extent not inconsistent with that law, the provisions of the Chilean Corporations Law governing public corporations, except for certain provisions that are expressly excluded.

The modern Chilean banking system dates back to 1925 and has been characterized by periods of substantial regulation and state intervention, as well as periods of deregulation. The most recent period of deregulation commenced in 1975 and culminated in the adoption of a series of amendments to the Chilean General Banking Law.

Following the Chilean banking crisis of 1982 and 1983, the Superintendency of Banks assumed control of banks representing approximately 51% of the total loans in the banking system. As part of the assistance that the Chilean government provided to Chilean banks, the Central Bank of Chile permitted banks to sell to it a certain portion of their non-performing or doubtful loan portfolios at the book value of the loan portfolios. Each bank then repurchased such loans at their economic value (which, in most cases, was substantially lower than the book value at which the Central Bank of Chile had acquired the loans), with the difference to be repaid to the Central Bank of Chile out of future income. Pursuant to Law No. 18,818, which was passed in 1989, this difference was converted into subordinated debt.

As of December 31, 2016, the Chilean banking system was comprised of one public-sector bank and 22 private-sector banks (of which 17 were Chilean banks and five were Chilean branches of foreign banks).

The following table sets out certain statistics on the Chilean banking system (not including finance companies) as of December 31, 2016:

	Local Banks	Banco del Estado	Foreign Banks	Totals
	(in millions of Ch$)			
Total assets	176,062,116	34,787,632	836,824	211,686,572
Loans and commitments (1)(2)	126,784,708	20,689,300	173,440	147,647,448
Deposits (2)	91,477,262	23,311,632	170,618	114,959,512
Shareholders' equity	15,780,368	1,572,861	449,730	17,802,959

Source: Superintendency of Banks

(1) Includes interbank loans.
(2) Excludes the investment of Corpbanca in Colombia.

The Central Bank of Chile

The Central Bank of Chile is an autonomous legal entity created by the Chilean Constitution. It is subject to the Chilean Constitution and to its own *ley orgánica constitucional*, or organic constitutional law. To the extent not inconsistent with the Chilean Constitution or its organic constitutional law, the Central Bank of Chile is also subject to private-sector laws, but is not subject to the laws applicable to the public sector. It is directed and administered by a board of directors composed of five members designated by the President of Chile, subject to approval by the Senate.

The legal purpose of the Central Bank of Chile is to maintain the stability of the Chilean peso and the orderly functioning of Chile's internal and external payments systems. The Central Bank of Chile's powers include setting reserve requirements, regulating the amount of money and credit in circulation, establishing regulations and guidelines regarding finance companies, foreign exchange (including the Formal Exchange Market) and banks' deposit-taking activities.

The Superintendency of Banks

Banks are supervised and controlled by the Superintendency of Banks, a Chilean governmental agency. The Superintendency of Banks authorizes the creation of new banks and has broad powers to interpret and enforce legal and regulatory requirements applicable to banks and financial companies. Furthermore, in cases of noncompliance with its legal and regulatory requirements, the Superintendency of Banks has the ability to impose sanctions. In extreme cases, it can appoint, with the prior approval of the board of directors of the Central Bank of Chile, a provisional administrator to manage a bank. It must also approve any amendment to a bank's bylaws or any increase in its capital.

The Superintendency of Banks examines all banks from time to time, generally at least once a year. Banks are also required to submit their financial statements monthly to the Superintendency of Banks, and a bank's financial statements are published at least five times a year in a newspaper with countrywide coverage. In addition, banks are required to provide extensive information regarding their operations at various periodic intervals to the Superintendency of Banks. A bank's annual financial statements and the opinion of its independent auditors must also be submitted for review by the Superintendency of Banks.

Any person wishing to acquire, directly or indirectly, 10.0% or more of the share capital of a bank must obtain the prior approval of the Superintendency of Banks. Without such approval, the holder will not have the right to vote such shares. The Superintendency of Banks may only refuse to grant its approval based on specific grounds set forth in the General Banking Law.

According to Article 35 bis of the General Banking Law, the prior authorization of the Superintendency of Banks is required for:

- the merger of two or more banks;
- the acquisition of all or a substantial portion of a bank's assets and liabilities by another bank;
- the control by the same person, or controlling group, of two or more banks; or
- a substantial increase in the share ownership of a bank by a controlling shareholder of that bank.

Such prior authorization is required only when the acquiring bank or the resulting group of banks would own a market share in loans determined by the Superintendency of Banks to be more than 15.0% of all loans in the Chilean banking system. The intended purchase, merger or expansion may be denied by the Superintendency of Banks, or, if the acquiring bank or resulting group would own a market share in loans determined to be more than 20.0% of all loans in the Chilean banking system, the purchase, merger, or expansion may be conditioned on one or more of the following:

- that the bank or banks maintain an effective equity (as defined under "—Capital Adequacy Requirements" below) higher than 8.0% and up to 14.0% of their risk-weighted assets;
- that the technical reserve established in article 65 of the General Banking Law be applicable when deposits exceed one and a half times the resulting bank's paid-in capital and reserves; or
- that the margin for interbank loans be reduced to 20.0% of the resulting bank's effective equity.

If the acquiring bank or resulting group would own a market share in loans determined by the Superintendency of Banks to be more than 15% but less than 20%, the authorization will be conditioned on the bank or banks maintaining an effective equity not lower than 10% of their risk-weighted assets for a period set by the Superintendency of Banks, which may not be less than one year. The calculation of risk-weighted assets is based on a five-category risk classification system applied to a bank's assets that is based on the Basel Committee recommendations.

Pursuant to the regulations of the Superintendency of Banks, the following ownership disclosures are required:

- banks must disclose to the Superintendency of Banks the identity of any person owning, directly or indirectly, 5.0% or more of its shares; and
- bank shareholders who individually hold 10.0% or more of a bank's capital stock and who are controlling shareholders must periodically inform the Superintendency of Banks of their financial condition.

Limitations on Types of Activities

Chilean banks can only conduct those activities allowed by the General Banking Law: making loans, accepting deposits and, subject to limitations, making investments and performing financial services. Investments are restricted to real estate for the bank's own use, gold, foreign exchange and debt securities. Through subsidiaries, banks may also engage in other specific financial service activities such as securities brokerage services, equity investments, securities, mutual fund management, investment fund management, financial advisory and leasing activities. Subject to specific limitations and the prior approval of the Superintendency of Banks and the Central Bank of Chile, Chilean banks may own majority or minority interests in foreign banks.

As of June 1, 2002, Chilean banks were allowed to offer interest bearing checking accounts. The Superintendency of Banks also stated that these accounts may be subject to minimum balance limits and different interest rates depending on average balances held in the account and that banks may also charge fees for the use of this new product. For banks with a solvency score of less than A, the Central Bank of Chile also imposed additional caps to the interest rate that can be paid.

On June 5, 2007, pursuant to Law 20,190, new regulations became effective authorizing banks to enter into transactions involving a wider range of derivatives such as, futures, options, swaps, forwards and other derivative instruments or contracts subject to specific limitations established by the Central Bank of Chile. Previously, banks were able to enter into transactions involving derivatives, but were subject to more restrictive guidelines.

Deposit Insurance

In Chile, the government guarantees up to 90.0% of the principal amount of certain time and demand deposits held by individuals in the Chilean banking system. The government guarantee covers those obligations with a maximum value of UF 180 per person (Ch$4,742,636 or US$7,084 as of December 31, 2016) per calendar year.

Reserve Requirements

Deposits are subject to a reserve requirement of 9.0% for demand deposits and 3.6% for time deposits of up to one year. Deposits maturing over one year are not subject reserve requirements. Banks are authorized to deduct daily from their foreign currency-denominated liabilities subject to the reserve requirement, the balance in foreign currency of certain loans and financial investments held outside of Chile. Deductions are to be made as follows:

- first, term liabilities denominated in foreign currency and subject to reserve requirements;
- second, if there is any positive difference, demand liabilities denominated in foreign currency and subject to reserve requirements, and
- finally, foreign loans subject to reserve requirements. The total amount deductible cannot exceed 70.0% of a bank's effective equity.

The Central Bank of Chile has statutory authority to require banks to maintain reserves of up to an average of 40.0% for demand deposits and up to 20.0% for time deposits (irrespective, in each case, of the currency in which they are denominated) to implement monetary policy. In addition, a bank must maintain a 100% "technical reserve" against demand deposits, deposits in checking accounts, or obligations payable on sight incurred in the ordinary course of business, and in general all deposits unconditionally payable immediately to the extent that the aggregate amount of such liabilities exceeds 2.5 times the amount of a bank's regulatory capital.

Chilean regulations also require that gaps between assets and liabilities maturing within less than 30 days not exceed a bank's net capital base (as defined below) and that gaps among assets and liabilities maturing within less than 90 days not exceed twice a bank's equity.

Minimum Capital; Legal Reserves

Under the General Banking Law, a bank must have a minimum paid-in capital and reserves of UF 800,000 (Ch$21,078 million or US$31, 48 million as of December 31, 2016). However, a bank may begin its operations with 50.0% of such amount, provided that it has a total capital ratio (defined as effective equity as a percentage of risk- weighted assets) of not less than 12.0%. When such a bank's paid-in capital reaches UF 600,000 (Ch$15,808 million or US$23.61 million as of December 31, 2016) the total capital ratio required is reduced to 10.0%.

Capital Adequacy Requirements

According to the General Banking Law, each bank should have an effective equity of at least 8.0% of its risk-weighted assets, net of required allowances. Effective equity or regulatory capital is defined as the aggregate of:

- a bank's paid-in capital and reserves, known as *capital básico*, or "net capital base,"
- its subordinated bonds, considered at the issuing price (but decreasing 20.0% for each year during the period commencing six years prior to maturity), but not exceeding 50.0% of its net capital base, and
- certain allowances for loan losses, up to 1.25% of risk-weighted assets to the extent these allowances exceed those required by law or regulation.

Banks must also have a net capital base of at least 3.0% of their total assets, net of required allowances. The calculation of risk-weighted assets is based on a five category risk classification system to be applied to a bank asset that is based on Basel Committee recommendations.

Within the scope of Basel Committee recommendations in Chile, further changes in regulation may occur. See "Risk Factors—Risks Relating to Chile—Chile's banking regulatory and capital markets environment is continually evolving and may change."

Lending Limits

Under the General Banking Law, Chilean banks are subject to certain lending limits, including the following material limits:

- A bank cannot extend to any entity or individual (or any one group of related entities), directly or indirectly, unsecured credit in an amount that exceeds 10.0% (previously 5.0%) of the bank's effective equity, or in an amount that exceeds 30.0% (previously 25.0%) of its effective equity if the excess over 10.0% (previously 5.0%) is secured by certain assets with a value equal to or higher than such excess. In the case of foreign export trade financing, the ceiling for unsecured credits is also 10.0% (previously 5.0%) and the ceiling for secured credits is also established at 30.0%. In the case of financing infrastructure projects built through the concession mechanism, the 10.0% (previously 5.0%) ceiling for unsecured credits is 15.0% if secured by a pledge over the concession, or if granted by two or more banks or finance companies which have executed a credit agreement with the builder or holder of the concession, while the ceiling for secured credits remains at 30% (previously 25.0%);
- a bank cannot extend loans to another financial institution subject to the General Banking Law in an aggregate amount exceeding 30.0% of its effective equity;
- a bank cannot directly or indirectly grant a loan whose purpose is to allow an individual or entity to acquire shares of the lender bank;
- a bank cannot lend, directly or indirectly, to a director or any other person who has the power to act on behalf of the bank; and
- a bank cannot grant loans to related parties (including holders of more than 1.0% of its shares, except in the

case of companies which are actively traded on the Santiago Stock Exchange, in which case the limit is 5.0%) on more favorable terms than those generally offered to non-related parties. Loans granted to related parties are subject to the limitations described in the first bullet point above. In addition, the aggregate amount of loans to related parties cannot exceed a bank's effective equity.

In addition, the General Banking Law limits the aggregate amount of loans that a bank may grant to its employees to 1.5% of its effective equity, and provides that no individual employee may receive loans in excess of 10.0% of this 1.5% limit. Notwithstanding these limitations, a bank may grant to each of its employees a single residential mortgage loan for personal use once during such employee's term of employment.

Classification of Banks and Loans; Allowances for Loan Losses

The Superintendency of Banks regularly examines and evaluates each financial institution's solvency and management ratings, including its compliance with the loan classification guidelines of the Superintendency of Banks, and on that basis classifies banks and other financial institutions into one of five categories, I, II, III, IV and V is reserved for financial institutions that have been rated level A in terms of solvency and management are rated under Category II if they have been rated (i) level A in terms of solvency and level B in terms of management, (ii) level B in terms of solvency and level A in terms of management, or (iii) level B in terms of solvency and level B solvency and level B in terms of management for two or more consecutive review periods, (ii) level A in terms of solvency and level C in terms of management, or (iii) level B in terms of solvency and level C in terms of management. Category IV is reserved for financial institutions that are rated level A or B in terms of solvency and have been rated level C in terms of management for two or more consecutive review periods, institutions that have been rated level C in terms of solvency, irrespective of their rating level of management. The solvency rating of a bank is determined by its ratio of regulatory capital (after deducting accumulated losses to or greater than 8% and less than 10% for level B banks and less than 8% for level C banks. The management rating of a bank is as follows: (i) level A banks are those that are not rated as level B or C, (ii) level B banks display some weakness in internal controls, information systems, response to risk, private risk rating or ability to manage contingency scenarios, and (iii) level C banks display significant deficiencies in internal controls, information systems, response to risk, private risk rating or ability to manage contingency scenarios.

Classification of Loan Portfolio

Classification of loans. For purposes of the current classifications, loans are divided into:(i) consumer loans (including loans granted to individuals for the purpose of financing the acquisition of consumer goods or payment of services), (ii) residential mortgage loans (including loans granted to individuals for the acquisition, construction or repair of residential real estate, in which the value of the property covers at least 100% of the amount of the loan), (iii) leasing operations (including consumer leasing, commercial leasing and residential leasing), (iv) factoring operations and (v) commercial loans (including all loans other than consumer loans and residential mortgage loans) .

In accordance with current regulations, the models and methods used to classify our loan portfolio must conform to the principles summarized below, which have been established by the Superintendency of Banks.

Allowances Based on the Analysis of Commercial Borrowers of Ch$200 Million or More. Before August 2010 regulations required that all commercial loans of Ch$200 million or more be assigned to a risk category level, determined by considering the following risk factors: the borrower's (i) industry or sector, (ii) owners or managers, (iii) access to credit, (iv) payment capacity, (v) payment behavior (vi) net worth. Based upon the analysis of the risk factors, the loan was assigned a risk classification. If the borrower had no apparent credit risk, the loan was classified as either A1, A2 or A3. The loan was classified as B if the borrower had some credit risk but no apparent deterioration of payment capacity. Finally, if the borrower had diminished capacity to repay its loans, it was classified as either C1, C2, C3, C4, D1 or D2.

For loans classified as A1, A2, A3 or B, the board of directors of a bank was authorized to determine the levels of required allowances. For loans classified as C1, C2, C3, C4, D1 or D2, the bank must have had the following levels of allowances:

Classification	Estimated range of loss	Allowance
C1	Up to 3%	2%
C2	3%-19%	10%
C3	19%-29%	25%
C4	29%-49%	40%
D1	49%-79%	65%
D2	More than 79%	90%

Allowances Based on Group Analysis. Under current regulations, the levels of required allowances for commercial loans less than Ch$200 million and all consumer loans and mortgage loans are to be determined by the bank. This determination is made according to the estimated loss that may result from the loans, by classifying the loan portfolio using one or both of the following models: (i) a model based on the characteristics of the borrower and its outstanding loans, and/or (ii) a model based on the behavior of a group of loans. For the first model, the borrowers and their loans with similar characteristics will be placed into groups and each group will be assigned a risk level. For the second model, loans with analogous past payment histories and similar characteristics will be placed into groups and each group will be assigned a risk level.

Additional Voluntary Provisions and Allowances. Historically, a bank could voluntarily maintain additional allowances for loan losses in excess of the minimum amounts required as global and individual allowances. However, current regulations in effect as of January 1, 2004 no longer permit this. Banks are now able to create provisions and allowances above the previously described limits only to cover specific risks that have been authorized by their board of directors. We began provisioning in accordance with current regulations as of January 1, 2004.

2010 Guidelines of the Superintendency of Banks

On August 12, 2010, the Superintendency of Banks published new guidelines for classifying and provisioning of loan portfolios that became mandatory as of January 1, 2011 (the "New Guidelines"). As a result, the models and methods used to classify our loan portfolio and establish allowances for loan losses follow the guiding principles set forth below, which have been established by the Superintendency of Banks. We have adopted the classification criteria proposed by the Superintendency of Banks.

For large commercial loans, leasing and factoring, we assign a risk category to each borrower and its respective loans. We consider the following risk factors: the industry or sector of the borrower, the owners or managers of the borrower, the borrower's financial situation, its payment capacity and its payment history. Based on these factors and pursuant to the Guidelines, we expect to assign one of the following risk categories to each borrower and loan that we evaluate on an individual basis:

i. "Normal loans" or loans classified in categories A1 through A6 will correspond to borrowers who are current on their payment obligations and show no sign of deterioration in their credit quality.

ii. "Substandard loans" or loans classified in the newly created categories B1 through B4 will correspond to borrowers with some financial difficulties or an important deterioration of payment capacity. Substandard loans also include all loans that have non-performance levels greater than 30 days.

iii. "Non-compliant loans," which include non-compliant loans and other loans classified under categories C1 through C6, will correspond to borrowers whose payment capacity is at serious risk and are renegotiating credit terms to avoid bankruptcy or there is a high likelihood that they will file for bankruptcy. These loans also include all loans, including contingent operations, with at least one installment overdue more than 90 days.

Allowances for Normal and Substandard loans

For normal and substandard loans, expected loss is to be calculated in accordance with the following Superintendency of Banks standards:

Classification	Probability of default (PD) (%)	Loss given default (LGD) (%)	Expected loss (EL) (%)
Normal loans			
A1	0.04	90.0	0.03600
A2	0.10	82.5	0.08250
A3	0.25	87.5	0.21875
A4	2.00	87.5	1.75000
A5	4.75	90.0	4.27500
A6	10.00	90.0	9.00000
Substandard loans			
B1	15.00	92.5	13.87500
B2	22.00	92.5	20.35000
B3	33.00	97.5	32.17500
B4	45.00	97.5	43.87500

Banks individually assign a specific classification and therefore provision level to each borrower. Accordingly, the amount of loan loss allowance is determined on a case-by-case basis. In determining allowances on an individual basis for normal and substandard loans pursuant to the recently published guidelines, banks will be required to use the following equation established by the Superintendency of Banks:

$$\text{Provision} = (\text{ESA}-\text{GE}) * (\text{PDdebtor}/100) * (\text{LGDdebtor}/100) + \text{GE} * (\text{PDguarantor}/100) * (\text{LGDguarantor}/100)$$

ESA=Exposure subject to allowances
PD = Probability of default
GE = Guaranteed exposure
LGD= Loss Given Default

Definition of Categories

A1: Debtor has the highest credit quality. This category is assigned only to borrowers with an extremely strong capacity to meet its financial obligations.

The debtor in this category has very solid financial foundations and competitive advantages in the markets in which it participates, so its ability to pay has remained permanently immune to cyclical fluctuations in the economy or sector. Therefore, it has a proven ability to generate cash flows to comfortably cover all of its financial commitments, even under restrictive conditions in the macroeconomic environments sector.

This category may be allocated only to debtors who have at least AA rating on the scale of the Chilean Securities Market Law granted by a national rating company recognized by the Superintendency of Banks, or its equivalent in case the debtor has an international rating by an external rating company, which also must be recognized by the Superintendency of Banks.

A2: Debtor has a very high credit quality. The ability to pay its financial obligations is very strong. Predictable events do not affect this capability significantly.

The debtor in this category provides a solid financial foundation and competitive position in the markets where it participates, so their ability to pay has been permanently immune and is not vulnerable to cyclical fluctuations in the economy or markets in which it participates. Presents proven ability to generate cash flows to cover timely and properly all financial commitments.

A3: Debtor has a high credit quality. The ability to pay its financial commitments is strong. Predictable events do not affect this capacity significantly.

The debtor in this category provides a solid foundation and competitive financial ability to pay and shows resistance to cyclical fluctuations in the economy or the markets in which it participates.

Under tight financial-economic scenarios, the power would not vary significantly.

A4 Debtor has a good credit quality. The ability to pay their financial obligations is sufficient. However, this capability is slightly susceptible to changing circumstances or economic conditions.

The debtor in this category provides a solid foundation and competitive financial ability to pay, shows resistance to cyclical fluctuations in the economy or markets in which it participates; however, it may have slight vulnerability to restrictive conditions at macroeconomic and sector levels.

A5: Debtor has a good credit quality. The ability to pay their financial commitments is adequate or sufficient, but is susceptible to change in circumstances or economic conditions.

The debtor in this category presents reasonable competitive and financial foundations, so their ability to pay is less vulnerable to cyclical fluctuations in the economy or markets in which it participates, but although it presents good ability to generate cash flows to meet promptly all its financial commitments under adverse conditions, could be vulnerable to restrictive environmental conditions at macroeconomic and sector levels.

A6: Debtor has a sufficient credit quality. Its ability to pay could deteriorate in adverse economic conditions. The debtor currently has certain challenges with his ability to fulfill its financial obligations, but this is temporary.

The debtor in this category has reasonable competitive and financial foundations, but his payment capacity presents vulnerabilities to cyclical fluctuations of the economy or of the markets in which it participates. Although it has demonstrated the capacity to generate sufficient cash flow to meet its financial commitments under adverse conditions, there is evidence of weakness before restrictive conditions of the macroeconomic and sector environment.

B1: Debtor has a low credit quality. His capacity of payment is vulnerable, affecting his roominess to fulfill his financial obligations. The debtor in this category presents deficient financial and competitive foundations, and has presented irregularities in the fulfillment of his commitments.

B2: Debtor has a low credit quality. The debtor presents a worsening in his capacity of payment, generating doubts on the recovery of his credits. The debtor in this category presents deficient financial and competitive foundations, and his ability to generate cash flows is insufficient, which is translated into unsatisfactory fulfillments of his commitments. Also part of this category are those debtors who have registered some precedents of negative behavior in the last 12 months, which are not of recurring nature, and which regularization has taken place at least three months ago.

B3: Debtor has a very low credit quality. Its capacity of payment is weak and has shown delinquencies in payments, which may under this scenario, need a financial restructuring to meet its obligations or, in case of having had it, it has not been fulfilled regularly. The debtors who are classified in this category do not present current non-payments of more than 90 days.

B4: Debtor has a minimum credit rating. This type of borrower has history of disruptive behavior in the last 12 months, which, however, currently does not exceed 90 days default, nor meets certain conditions to be considered as held in default.

Allowances for Loan Losses

Our impaired loan portfolio includes loans for which the likelihood of recovery is low, as the borrowers show impaired payment capacity or no payment capacity at all. This portfolio includes (i) loans of borrowers with evident signs of possible bankruptcy, (ii) loans for which restructuring is necessary in order to avoid impairment and (iii) loans of borrowers that are at least 90 days in default in the payment of interests or principal on any of their loans. Debtors classified under categories C1 to C6 and all their loans are included in our non-compliant loans portfolio (a subpopulation of the impaired loan portfolio as defined by the Compendium of the Superintendency of Banks and Financial Institutions), including 100% of the amount of their undrawn committed credit lines and contingent loans.

We determine the allowance for loan losses taking into account our total exposure to each borrower, which is the sum of such borrower's total loans (including contingent loans and undrawn committed credit lines). To determine the percentage of our allowances with respect to these borrowers, we estimate the expected loss rate, the amounts that are recoverable by executing guarantees and the present value of the amounts that can be recovered through collection actions, net of expenses. The expected loss rate is classified under one of the six categories defined below, considering the range of losses that we expect from all the loans of the same debtor.

For loans classified under Categories C1 through C6, we will need to have the following levels of allowance required by the Superintendency of Banks:

Classification	**Expected loss**	**Allowance% (1)**
C1...	Up to 3%	2
C2...	More than 3% up to 20%	10
C3...	More than 20% up to 30%	25
C4...	More than 30% up to 50%	40
C5...	More than 50% up to 80%	65
C6...	More than 80%	90

(1) Represents percentages of the aggregate amount of principal and accrued but unpaid interest of the loan.

For these loans the expected loss must be calculated as follows:

Expected loss = (TE – Rec) / TE

Allowance (Ch$) = TE * Allowance %

TE = Total exposure

REC = Recoverable amount based on estimates of collateral value and collection efforts

2014 Guidelines of the Superintendency of Banks

On December 30, 2014, the SBIF published new guidelines for provisioning a bank's residential mortgage loan portfolio. The 2014 Guidelines include:

- an expected loss model to calculate allowances for housing mortgage loans that explicitly considers loan delinquency and loan / collateral (LTV) ratios, in order to promote active management of credit risk; and

- proposal for a new manner of evaluating collateral in the context of determining provisions, which would specify certain required conditions that would need to be met by an asset in order for it to be eligible to be used as collateral for mitigating credit risk, as well as more specific requirements of how collateral would be valued for purposes of setting loan loss levels.

Modifications to Provisions on Credit Risk for Banks

On December 30, 2014, the Superintendency of Banks issued Circular No. 3573, which established amendments to the norms regulating the interpretation of the Provisions for Credit Risk, in Chapters B-1, B-2 and E in the Compendium of Accounting Standards. According to Chapter E, Chapter B-1 became effective as of January 2016. The amendments seek to ensure the adequacy of the provisions requiring banks to present credit risk in their loan portfolios, and guidelines encouraging best practices in evaluation and risk management.

The most relevant amendments introduced under the circular discussed above are the following:

- Standard method for mortgage loans provisions. A standardized method for calculating minimum provisions for mortgage loans for housing was introduced, clarifying both the procedure for overdue payments and the loan guarantee relationship (loan-to-value) for creditors. Such method establishes a special treatment for loans subject to state auction;

- Defaulted portfolios. Certain conditions were introduced to supplement the guidelines relating to defaulted portfolios for loans subject to individual assessment, including those which must be performed to remove a specific debtor from said portfolio. In addition, similar provisions were introduced to group portfolios; and

- Substitution of a debtor's credit rating for the credit rating of its guarantor. Modifications were made to the guidelines to determine provisions relating to factoring operations; permitting the substitution of a debtor's credit rating for the credit rating of its guarantor, subject to certain conditions being met.

Further, in addition to the aforementioned amendments, the Superintendency of Banks is developing standardized provisions for the remaining group portfolios (smaller size portfolios of consumer and commercial credits), together with the establishment of minimum conditions that must be met by the internal provisions for credit risk developed by each bank.

Capital Markets

Under the General Banking Law, banks in Chile may purchase, sell, place, underwrite and act as paying agents with respect to certain debt securities. Likewise, banks in Chile may place and underwrite certain equity securities. Bank subsidiaries may also engage in debt placement and dealing, equity issuance advice and securities brokerage, as well as in financial leasing, mutual fund and investment fund administration, investment advisory services and merger and acquisition services. These subsidiaries are regulated by the Superintendency of Banks and, in some cases, also by the Superintendency of Securities and Insurance, the regulator of the Chilean securities market, open-stock corporations and insurance companies.

Legal Provisions Regarding Financial Institutions with Economic Difficulties

The General Banking Law provides that if specified adverse circumstances exist at any bank, its board of directors must correct the situation within 30 days from the date of receipt of the relevant financial statements. If the board of directors is unable to do so, it must call a special shareholders' meeting to increase the capital of the bank by the amount necessary to return the bank to financial stability. If the shareholders reject the capital increase, or if it is not effected within the 30-day period and in the manner agreed to at the meeting, or if the Superintendency of Banks does not approve the board of directors' proposal, the bank will be barred from increasing its loan portfolio beyond that stated in the financial statements presented to the board of directors and from making any further investments in any instrument other than instruments issued by the Central Bank of Chile. In such a case, or in the event that a bank is unable to make timely payment in respect of its obligations, or if a bank is under provisional administration of the Superintendency of Banks, the General Banking Law provides that the bank may receive a two-year term loan from another bank. The terms and conditions of such a loan must be approved by the directors of both banks, as well as by the Superintendency of Banks, but need not be submitted to the borrowing bank's shareholders for their approval. A creditor bank may not grant such interbank loans to an insolvent bank in an amount exceeding 25.0% of the creditor bank's effective equity. The board of directors of a bank that is unable to make timely payment of its obligations must present a reorganization plan to its creditors in order to capitalize the credits, extend their respective terms, forgive debts or take other measures for the payment of the debts. If the board of directors of a bank submits a reorganization plan to its creditors and such arrangement is approved, all subordinated bonds by the bank, whether or not matured, will be converted by operation of law into common shares in the amount required for the ratio of effective equity to risk-weighted assets to be no lower than 12.0%. If a bank fails to pay an obligation, it must notify the Superintendency of Banks, which shall determine if the bank is solvent.

Dissolution and Liquidation of Banks

The Superintendency of Banks may establish that a bank should be liquidated for the benefit of its depositors or other creditors when such bank does not have the necessary solvency to continue its operations. In such case, the Superintendency of Banks must revoke a bank's authorization to exist and order its mandatory liquidation, subject to agreement by the Central Bank of Chile. The Superintendency of Banks must also revoke a bank's authorization if the reorganization plan of such bank has been rejected twice. The resolution by the Superintendency of Banks must state the reason for ordering the liquidation and must name a liquidator, unless the Superintendency of Banks assumes this responsibility. When liquidation is declared, all checking accounts and other demand deposits received in the ordinary course of business, are required to be paid by using existing funds of the bank, its deposits with the Central Bank of Chile or its investments in instruments that represent its reserves. If these funds are insufficient to pay these obligations, the liquidator may seize the rest of the bank's assets, as needed. If necessary and in specified circumstances, the Central Bank of Chile will lend the bank the funds necessary to pay these obligations. Any such loans are preferential to any claims of other creditors of the liquidated bank.

Obligations Denominated in Foreign Currencies

Foreign currency denominated obligations of Chilean banks are subject to various limits and obligations. The regulations of the Central Bank of Chile do not permit the difference, whether positive or negative, between a bank's assets and liabilities denominated in any foreign currency (including assets and liabilities denominated in U.S. dollars but payable in pesos, as well as those denominated in pesos and indexed to the U.S. dollar exchange rate) to exceed 20% of the bank's paid-in capital and reserves; except in the case where the balance of such assets exceeds the balance of such liabilities and the excess difference does not exceed the bank's allowances and reserves denominated in such foreign currency (excluding profits to be remitted abroad). We must also comply with various regulatory and internal limits regarding exposure to movements in foreign exchange rates.

Foreign Currency Securities

Under current Chilean banking regulations, banks in Chile may grant loans to foreign individuals and entities and invest in certain securities of foreign issuers. Chilean banks may only invest in equity securities of foreign banks and certain other foreign companies which may be affiliates of the bank or which would be complementary to the bank's business if such companies were incorporated in Chile. Banks in Chile may also invest in debt securities traded in formal secondary markets. Such debt securities must be (1) securities issued or guaranteed by foreign sovereign states or their central banks or other foreign or international financial entities, and (2) bonds issued by foreign companies. A bank may invest up to 5% of its regulatory capital in securities of foreign issuers.

Foreign currency securities acquired by a bank must have a minimum rating as follows:

Table 1

Rating Agency	**Short-Term**	**Long-Term**
Moody's	P2	Baa3
Standard and Poor's	A2	BBB-
Fitch	F2	BBB-
Dominion Bond Rating Service	R2	BBB (low)

In the event that the sum of the investments in foreign securities which have: (i) a rating that is below that indicated in Table 1 above, but is equal to or exceeds the ratings mentioned in the Table 2 below and (ii) loans granted to other entities resident abroad exceeds 20% (and 30% for banks with a BIS ratio equal or exceeding 10%) of the regulatory capital of such bank, the excess is subject to a mandatory reserve of 100%.

Table 2

Rating Agency	**Short-Term**	**Long-Term**
Moody's	P2	Ba3
Standard and Poor's	A3	BB-
Fitch	F2	BB-
Dominion Bond Rating Service	R2	BB (low)

Banks may invest in foreign securities for an additional amount equal to a 70% of their regulatory capital which ratings are equal or exceeds those mentioned in the Table 3 below. This limit constitutes an additional margin and it is not subject to the 100% mandatory reserve.

Additionally, a Chilean bank may invest in foreign securities whose rating is equal to or exceeds those mentioned in Table 3 in: (i) term deposits with foreign banks; and (ii) securities issued or guaranteed by sovereign states or their central banks or those securities issued or guaranteed by foreign entities within Chile; such investment will be subject to the limits by issuer up to 30% and 50%, respectively, of the regulatory capital of the Chilean bank that makes the investment.

Table 3

Rating Agency	**Short-Term**	**Long-Term**
Moody's	P1	Aa3
Standard and Poor's	A1+	AA-
Fitch	F1+	AA-
Dominion Bond Rating Service	R1 (high)	AA (low)

Chilean banks may invest in securities without ratings issued or guaranteed by sovereign states or their central banks and structured notes issued by investment banks with a rating equal to or above that in the immediately preceding Table 3, which return is linked with a corporate or sovereign note with a rating equal to or above that in Table 2.

Subject to specific conditions, a bank may grant loans in U.S. dollars to subsidiaries or branches of Chilean companies located abroad, to companies listed on foreign stock exchanges authorized by the Central Bank of Chile and, in general, to individuals and entities domiciled abroad, as long as the Central Bank of Chile is kept informed of such activities.

Prevention of Money Laundering and the Financing of Terrorism

On March 6, 2006, the Superintendency of Banks issued regulations governing the requirements applicable to banks with respect to prevention of money laundering and terrorism financing. The regulations are aimed at incorporating international anti-money laundering ("AML") and terrorism financing laws to the Chilean banking industry. Pursuant to the regulations, the Superintendency of Banks requires that banks implement a system to prevent money laundering and terrorism financing based mainly on the "know your customer" concept. Moreover, these policies and procedures must be approved by the board of directors and must take into account the volume and complexity of its operations and other related parties.

Based on these requirements, a bank must implement a customer identification program to establish the reasonable belief that it knows the true identity of its customers. In general, the program includes:

- properly identifying customers, including their background, source and amount of funds, country of origin and other risk factors;

- identifying what the Superintendency of Banks has defined as "persons politically exposed at the international level," or PEPs, both within Chile and internationally;

- establishing procedures to open accounts and products, with different documentation requirements needed for different types of accounts and products.

The anti-money laundering and terrorism financing system required by local regulations must also include the following components:

- AML policies and procedures aimed at preventing the bank from being used as an intermediary to carry out money laundering operations;

- creation of a Compliance Officer on a senior management level who is responsible for coordinating and monitoring day-to-day AML compliance;

- establishment of an AML Committee, whose main function is planning and coordinating the fulfillment of AML policies and procedures;

- use of software tools to detect, monitor and report unusual operations related to transactions made by customers on different products;

- implementation of personnel selection policies and a training program in order to prevent money laundering issues;

- establishment of a Code of Conduct in order to, among other things, guide employee behavior and prevent possible conflicts of interest; and

- independent testing in the compliance area which must be conducted by the bank's internal audit department.

Regulatory Overview of Our U.S. Banking Operations

In the United States, we are subject to a comprehensive regulatory structure involving numerous statutes, rules and regulations. In particular, as a result of being a bank holding company and having a branch in the United States, our activities in the United States are subject to the restrictions of the Bank Holding Company Act of 1956, as amended, and we are subject to supervision, regulation and examination with respect to such operations by the Federal Reserve.

We own and control City National Bank of Florida through Bci Financial Group, Inc. (formerly known as CM Florida Holdings, Inc.), a registered bank holding company that has elected to be treated as a financial holding company. City National Bank of Florida is a national bank subject to supervision, regulation and examination of the OCC pursuant to the National Bank Act. The OCC may take enforcement action, including the issuance of prohibitive and affirmative orders, if it determines that a financial institution under its supervision has engaged in unsafe or unsound banking practices, or has committed violations of applicable laws and regulations. In addition, the FDIC insures the deposits of CNB up to legally specified maximum amounts. In the event of a failure of an FDIC-insured depository institution, the FDIC generally would be appointed as receiver, and would resolve the failure under provisions of the Federal Deposit Insurance Act. In the liquidation or other resolution of a failed FDIC-insured depository institution, deposits in its U.S. offices and other claims for administrative expenses and employee compensation, are afforded priority over other general unsecured claims, including deposits in offices outside the United States, non-deposit claims in all offices and claims of a parent company.

Our branch in Miami is licensed as an international bank branch by, and subject to regulation and examination by, its licensing authority, the Florida Office of Financial Regulation. The Florida Office of Financial Regulation has the authority, in certain circumstances, to take possession of our business and property located in the state of Florida. Such circumstances generally include violations of law, unsafe business practices and insolvency. In addition, the Federal Reserve is the primary U.S. federal regulator for our Miami branch. Under U.S. federal banking laws, state-licensed branches of foreign banks may engage only in activities that would be permissible for their federally-licensed counterparts, unless the Federal Reserve determines that the activity is consistent with sound practices.

MANAGEMENT

Directors

We are managed by our board of directors, which is comprised of nine members who are elected for three year terms at our annual shareholders' meeting. If a vacancy occurs, the board of directors may elect a temporary director until the next regularly scheduled meeting of shareholders, when the entire board of directors is to be elected. There are regularly scheduled monthly meetings of the board of directors. Extraordinary meetings are convened by the Chairman of the board upon request by any other director with the agreement of the Chairman or upon request by a majority of the directors. The board of directors is responsible, among other things, for the overall supervision and administration of our business activities, the appointment and removal of our executive officers, the review of our financial statements, the approval of our budget and the approval of any purchase or sale of real estate.

Our current board of directors was elected in March, 2016 and their term will end upon the election of the new members at the annual shareholders meeting to be held in 2019.

The members of our board of directors are:

Directors	Position	Years as Director
Luis Enrique Yarur Rey	Chairman	25
Lionel Olavarria Leyton	Vice-Chairman	2
Claudia Manuela Sánchez Muñoz	Director	<1
Hernán Orellana Hurtado	Director	<1
Klaus Schmidt-Hebbel Dunker	Director	<1
Mario Gómez Dubravcic	Director	5
José Pablo Arellano Marín	Director	5
Máximo Israel López	Director	3
Juan Ignacio Lagos Contardo	Director	3

Luis Enrique Yarur Rey – Chairman: he holds a degree in law from the Universidad de Navarra, Spain, and a Master's degree in economics and business administration from the Instituto de Educación Superior de Empresas (IESE), Spain. He is currently the Chairman of Empresas Juan Yarur S.p.A, Empresas JY S.A., Empresas Jordan S.A., and Empresas SB S.A.; Vice Chairman of the Asociación de Bancos e Instituciones Financieras A.G., Inversiones Belén S.A., and Empresas Lourdes S.A.; member of the Business Advisory Council of the Centro de Estudios Superiores de la Empresa at Universidad de los Andes (ESE); advisor to the Centro de Estudios Públicos (Center of Public Studies); and Director of the Banco de Crédito del Perú, Bci Seguros de Vida S.A. and Bci Seguros Generales S.A. Previous to his current position, he was CEO of Bci during 11 years.

Lionel Olavarría Leyton – Vice Chairman: he holds a degree in industrial civil engineering from the University of Chile, and a Master's degree in economics and business administration from the IESE of the University of Navarra, Spain. He joined Bci in 1981 and became the CEO in 1993 up to March 2015. With over 38 years of experience in the national and international banking sector (Banco de Gredos and Chemical Bank in Spain, and Banco de Santiago in Chile), he is a director of Sinacofi, Bci Seguros Generales S.A., and Bci Seguros Vida S.A. Of the roles he has had on numerous company boards, the highlights have been his work as a director of Visa Internacional Latinoamérica, chairman of the Executive Committee of the Global Compact in Chile, founding chairman of Redbanc S.A., chairman of Transbank S.A., chairman of Servipag S.A., chairman of Artikos Chile S.A., chairman of Banco Conosur and Bci Factoring S.A. ("Bci Factoring"), a director of Financiera Solución in Peru, Bancrédito Leasing, AXA-Bci S.A., Bci Corredor de Bolsa S.A., Bci Asesoría Financiera S.A., and Empresas Juan Yarur S.A.C., among others. Moreover, he was the chairman of the CEO Committee of the Chilean Association of Banks and Financial Institutions (ABIF) for 15 years.

Claudia Manuela Sánchez Muñoz – Director: she is an independent director and holds a bachelor's degree in business administration from Universidad Adolfo Ibáñez in Chile, and an MBA from Harvard University, United States. She worked as an analyst in McKinsey for three years in Buenos Aires, Argentina, then as an associate in Goldman Sachs & Co. in New York. Later on she worked in investment banking for Amadeus Capital Partners and BBusiness Partners, and in strategy consultancy for Kleindahl and Deloitte, both in London. Since 2011 she has been the Dean of Adolfo Ibáñez Business School.

Hernán Orellana Hurtado – Director: he holds a degree in electronic civil engineering from the Federico Santa María University, majoring in telecommunications. He has over 25 years professional experience, mainly in the information technology and communications area, and he was the CEO of Compaq and Microsoft in Chile. He was then the Dean of the Faculty of Engineering of the Andrés Bello University. Hernán is currently the executive director of Telefónica's Research and Development Center in Chile. He is also a director of CAP S.A., a member of the Innovation Circle of the Chilean Institute for Rational Business Administration (ICARE) and a consultant of PRO humana.

Klaus Schmidt-Hebbel Dunker – Director: he holds a Ph.D.in economics from the Massachusetts Institute of Technology (MIT), a degree in business administration and a master's degree in economics from the Pontifical Catholic University (PCU) of Chile. He is a full professor at the PCU of Chile. He is a consultant, advisor and director of national and international corporations, associations and organizations. He is a columnist and conference speaker. He was the chief economist of the OECD. Before that, he was the economic research manager of Central Bank of Chile and senior economist of the World Bank. He was President of Chile's Sovereign Fund Financial Advisory Committee, President of Chile's Fiscal Advisory Council, CEO of the Res Publica Chile Group, President of Sociedad de Economía de Chile and President of Club Monetario.

Mario Gómez Dubravcic – Director: he holds a degree in business administration from the Catholic University of Chile, with postgraduate studies at Universidad de los Andes. He came to Bci in 1981 as an advisor to the head of the finance division and the same year was appointed the chief financial officer. In 1983, he was appointed division head and was responsible for creating subsidiaries and related companies. He was Chairman of the Board of Fondos Mutuos Bci, Bci Asesoría Financiera, Servipag, Artikos and Transantiago's financial administration, AFT. He was a director of Bci Corredor de Bolsa, Depósito Central de Valores (DCV), Bci Factoring and Bci Securitizadora S.A. ("Bci Securitization"), Bci Compañía de Seguros Generales y de Vida, Bci Corredora de Seguros, Bci Administradora General de Fondos and Financiera Solución Perú. In 1998 he became the commercial manager of corporations and he is currently a director of Empresas JY S.A., among others.

José Pablo Arellano Marín – Director: he holds a degree in economics from the Catholic University of Chile, and a Master's degree and Ph.D in economics from Harvard University, United States. He is a director of companies and senior economist at CIEPLAN and tenured professor at the University of Chile. He was the CEO of CODELCO, Ministry of Education, National Budget Director and president of Fundación Chile.

Máximo Israel López – Director: he is an independent Director. He holds a degree in business administration from the Catholic University of Chile. He is a director of CTI S.A. and Fundación Rostros Nuevos. He was the founding partner and president of the board of Atton Hoteles S.A. He was a director of companies like Econssa Chile S.A., Enaex S.A., Abastible S.A., Empresas Lucchetti S.A., VTR S.A., Banco Ripley S.A., Empresa Constructora Delta S.A., Transbank S.A., and Redbanc S.A., among others. At the beginning of his career, he held various executive positions in financial entities, including commercial manager of Banco de Santiago and Banco O`Higgins.

Juan Ignacio Lagos Contardo – Director: he holds a degree in law from the University of Chile. He is a professor of economic law at the Universidad de los Andes. He is founding partner of the law office Yrarrazaval, Ruiz-Tagle, Goldenberg, Lagos & Silva Abogados Ltda. He was a director of Bci Corredor de Bolsa S.A. and a director of the subsidiaries of foreign companies in Chile in the financial and industrial areas.

Executive Committee

Our day-to-day business is managed by an Executive Committee composed of five directors and four alternate members. The Executive Committee meets twice a week; the required quorum is met with the attendance of three members and decisions must be approved by a majority of present members, except with respect to certain decisions where a qualified majority is required. The current members of the Executive Committee are Luis Enrique Yarur Rey, Lionel Olavarría Leyton, Mario Gómez Dubravcic, José Pablo Arellano Marín and Juan Ignacio Lagos Contardo; and the alternate members are Hernán Orellana Hurtado, Máximo Israel López, Claudia Manuela Sánchez Muñoz and Klaus Schmidt-Hebbel Dunker.

The duties of the Executive Committee include, among others:

- answering all credit and financial operations to be submitted for its consideration and resolution;
- approving general policies about financial, credit and operational risk;
- approving credit policies and financial investments manuals, as well as the awarding conferred upon them, including risk models, among others;
- determining interest and discount rates for different operations that concern us, as fix position limits for loans and financial investments in Chile and abroad, as well as the maximum allowable loss;
- reviewing different economic sectors information and analyze their evaluation, setting limits of credit and financial exposure, according to their area;
- establishing country risk exposure limits, before risk classification analysis and other variables that impact on external financing;
- reviewing, at least, twice a year, the credits report posted to past-due portfolio, proposing measures to stabilize such condition;
- determining resources assigned periodically to provisions and penalties, without prejudice to ensure regulations compliance applicable to these kind of events;
- approving purchase, sale and encumbrance constitution of any kind of movable and immovable property, securities and rights of any kind, without prejudice to the limitations and prohibitions established in the General Banking Law;
- establishing branches, agencies and other offices, as well as ceasing their operations;
- giving general and special powers, submitted to its resolution, for the business proper functioning of the business and all operational needs;
- approving specific donations, subject to applicable law;
- reviewing corporate governance annual report and the alignment performance of the Board and all the committees according to it, proposing recommendations and working practices of such estates;
- proposing changes to the structure of powers and setting general policies about designated agents and company representatives;
- monitoring compliance of Directors and manager’s training activities;
- reviewing shareholder proposals, service quality and bank information given to them, as well as management responses to their requirements, if any;
- evaluating administration performance related to Committee activities, its alignment with the Bank’s mission, and its performance in strengthening the competitive and distinctive capabilities of the institution, attributable to its adherence to the corporate governance principles;
- performing all acts, businesses or contracts it deems useful or necessary for the progress of the institution and foreign businesses themselves; and
- preparing annual self-evaluation of the functioning of the Committee, reporting to the Board

Directors Committee

Our Directors Committee is composed of three members appointed by our board of directors and meets at least once a month. The required quorum is met with the attendance of two members and the decisions must be approved by the majority of the present members. The current members of the Directors Committee are Juan Ignacio Lagos Contardo, Klaus Schmidt-Hebbel Dunker and Máximo Israel López. Klaus Schmidt-Hebbel Dunker and Máximo Israel López are independent in accordance with Article 50 bis of the Chilean Corporation Law.

The Directors Committee has the duties of our former Audit Committee, which include, among others:

- reviewing reports of the external auditors, balance sheet and our consolidated annual and interim financial statements, and balance sheet and annual individual financial statements of our subsidiaries;

- selecting our external auditors and rating agencies for the consideration of our board of directors, and reviewing the reports and procedures of our external auditors and interacting with the rating agencies;

- monitoring the selected external audit firm, as well as the terms and scope of the audit, prior to its inception;

- reviewing the submitted information of related party transactions, and inform the Board of Directors or the Executive Committee, as applicable, in the relevant meeting held on to review such transactions;

- analyzing the risks identified by our internal audits and reviewing the proposed plans and measures to mitigate such risks;

- coordinating the responsibilities and tasks of our Comptrollership Department with the reviews of our external auditors;

- monitoring the observance of our institutional compliance policies;

- examining reported suspicious or fraudulent conduct (including anti-money laundering violations or issues and resolutions approved by our Anti-Money Laundering Committee) and resolving issues related to conflict of interest;

- analyzing the inspection reports, observations and recommendations from the Superintendency of Banks;

- examining the results of our internal audit and the compliance reports in connection with our annual audit plan;

- requesting a confirmation from the Accounting Manager or responsible for the Bank's accounting as to whether there have been accounting changes and their effects, and reviewing them if applicable;

- approving the resolutions of our Compensation Committee;

- monitoring the certain resolutions agreed by our Finance and Corporate Risk Committee;

- preparing annual report on its management, including its main recommendations to shareholders; and

- reporting the Board of Directors about the advisability of hiring the external audit firm for the provision of services that are not part of the external audit, when they are not prohibited in accordance with the provisions of article 242 of the Chilean Securities Market Law.

Finance and Corporate Risk Committee

Our Finance and Corporate Risk Committee controls our financial strategies and defines, and monitors compliance with, our credit risk, operational and financial policies and exposure limits, among other activities. This committee meets at least on a monthly basis. The required quorum is met with the attendance of three members and decisions must be approved by the majority of present members. The current members of this committee are Luis Enrique Yarur Rey, Lionel Olavarría Leyton, Mario Gómez Dubravcic, Juan Ignacio Lagos Contardo and Klaus Schmidt- Hebbel Dunker.

The duties of the Finance and Corporate Risk Committee include, among others:

- reviewing the commercial exposure and market risks of our trading desk;
- reviewing our allowances for loan losses and charge-offs;
- monitoring Basel indicators, according to the different models to be implemented;
- reviewing and monitoring the strategies of our Assets and Liabilities Committee;
- approving our short- and long- term funding strategies and liquidity gaps;
- reviewing market information and projections;
- approving our interest rate, inflation and currency strategies, and current trading positions;
- approving portfolio strategies with respect to our domestic and foreign investments;
- monitoring our internal limits and variations of financial risk;
- examining ratios of credit, financial, operational and compliance risk and operational risk;
- reviewing the portfolio situation (e.g. economic or geographical sector, concentrations or other that is considered convenient), as well as the situation of specific segments or groups of customers, such as principal debtors, major deteriorations, etc.;
- monitoring the behavior of the normative models of risk;
- reviewing the demeanor of provisions and penalties, based on profitability and risk, by product and segment, and their comparison with the competition;
- monitoring the compliance of policies, internal limits and main variations of financial, credit, compliance and operational risk and their alignment with the defined policies;
- analyzing the results of capital and liquidity stress tests, among others, and compliance with regulatory capital ratios, as well as the actions that may be derived from the aforementioned results;
- monitoring and reviewing the compliance of liquidity policies and levels; and
- monitoring and reviewing of compliance programs, including related matters to AML/BSA, and financial compliance.

Compensation Committee

The purpose of our Compensation Committee, which meets twice a year, is to establish our compensation policies. The required quorum is met with the attendance of three members and decisions must be approved by the majority of present members. The current members are Luis Enrique Yarur Rey, Lionel Olavarría Leyton, Claudia Manuela Sánchez Muñoz, Mario Gómez Dubravcic, and Máximo Israel López.

The duties of the Compensation Committee include, among others:

(a) establishing general policies of compensation, including remunerations, bonds and benefits for each employee segment;

(b) analyzing the compensation system in relation to the industry or other comparative regimes;

(c) determining the aspects that influence the formation of remunerations; and

(d) establishing compensation mechanisms in order to ensure to all employees of the Bank a worthy quality of life, stable work and development opportunities (personal, professional and family), encouraging and adequately rewarding good performance.

Sustainability and Corporate Social Responsibility Committee

The main purpose of this committee is to review our strategies, policies and programs, related to the corporate social responsibility. This committee meets at least four times a year. The required quorum is met with the presence of three members and decisions must be approved by the majority of present members. The members of this committee are Luis Enrique Yarur Rey, Lionel Olavarría Leyton, Mario Gómez Dubravcic, José Pablo Arellano Marín and Juan Ignacio Lagos Contardo.

The duties of the Sustainability and Corporate Social Responsibility Committee include, among others:

- suggesting topics that should be discussed periodically, according to the nature of its mission and objectives;
- reviewing periodically the Code of Ethic, setting the adjustments and updates that it requires or the Committee deems necessary;
- establishing procedures, policies and donations programs and other social welfare activities;
- reviewing and approving the corporate social responsibility or sustainability report of the Bank;
- reviewing Bank's business practices and its subsidiaries, as well as the impact they may have on reputation, image and prestige of Bci and its subsidiaries;
- evaluating administration performance in activities related to Committee's work, its alignment with the mission's Bank and its performance in strengthening the competitive and distinctive capabilities attributable to its adherence to the principles of sustainability and corporate social responsibility; and
- executing annual self-evaluation of its operation as Committee, reporting to the Board.

Technology and Innovation Committee

The main purpose of this committee is to assist our board of directors in technology decisions. This committee meets at least three times a year. The required quorum is met with the presence of three members and decisions must be approved by the majority of present members. The members of this committee are Luis Enrique Yarur Rey, Lionel Olavarría Leyton, Máximo Israel López, Claudia Manuela Sánchez Muñoz and Hernán Orellana Hurtado.

The duties of the Technology and Innovation Committee include, among others:

- reviewing and approving the technological strategy and design proposed by the General Management;

- reviewing and approving the safety technological plan strategy;
- oversight the implementation of the mentioned strategies.
- reviewing and approving the budget for technology investments overlapping the general management;
- conducting along with the general management the review and examination of new proposals to allow innovation for clients;
- reviewing and approving the annual plan of investments on operations and technology;
- approving investments on technology according to the business vision and design of the Bank;
- establishing and approving the general policies regarding outsourcing of functions with technological suppliers proposed by the General Management; and
- reviewing and approving the proposals of the General Management regarding new operational models of the Bank.

Ethics Committee

The purpose of our Ethics Committee, which meets at least four times a year, is to review and resolve ethic issues related to Bci and its employees. The required quorum is met with the attendance of two directors. Decisions must be approved by the majority of the directors. The current directors that composed this committee are Luis Enrique Yarur Rey, Máximo Israel López and José Pablo Arellano Marín. Furthermore, 3 managers of Bci may attend to the meetings with the right to speak.

The duties of the Ethics Committee include, among other:

(a) interpreting the correct meaning, scope and extension of the provisions contained on the Code of Ethics;

(b) resolving if the facts or conducts submitted to the Ethics Committee are governed by the provisions of the Code of Ethic;

(c) monitoring instances of infringement of the Code of Ethics, as well as the information provided by the employees subject to the provisions thereto;

(d) adopting the necessary measures in order to protect the identity of the persons that report the Ethics Committee any actions that infringe or may infringe the Code of Ethics, as well as the information provided for such effects;

(e) sanctioning conduct that infringes the Code of Ethics, proposing measures to correct them;

(f) determining if the facts reported to Ethics Committee will also lead to the exercise of civil and criminal actions before the Courts of Justice;

(g) authorizing acts of Bank's employees in activities, operations or investments that, according to the Code of Ethics, should be reviewed by the Ethics Committee;

(h) registering the authorizations granted and the information provided by the employees of the Bank for such purposes, recording the foregoing in the relevant minutes;

(i) participating in internal and external events related to the ethical behavior of people in organizations;

(j) executing communications and disclosures of ethical content;

(k) generating doctrine and jurisprudence of their competence; and

(l) exercising other functions and attributes contained in the Code of Ethics.

Executive Officers

Our executive officers are appointed and removed by our board of directors at its discretion. Our current principal executive officers and the directors of each area or department are listed below.

Executive Officers	Position	Years with Bci
Eugenio Von Chrismar Carvajal	Chief Executive Officer	18
Ignacio Yarur Arrasate	Chief of Innovation and Digital Bank	13
Javier Moraga Kleneer	Managing Director Finance Division	8
Gerardo Spoerer Hurtado	Managing Director Wholesale Banking	21
Diego Yarur Arrasate	Chief of Corporate Development and International Division	11
Ximena Kutscher Taiba	Audit and Compliance Head	14
Pablo Julian Grohnert	Chief Human Resources Officer	11
Pedro Balla Friedmann	Advisor of the Chairman and CEO	34
José Luis Ibaibarriaga Martínez	Chief Financial Officer and Controller	6
Rodrigo Corces Barja	Managing Director Retail Banking	20
Antonio Le Feuvre Vergara	Chief Corporate Risk Officer	32
Fernando Carmash Cassis.........................	General Counsel	30
Patricio Subiabre Montero	Chief Operating and Technology Officer	2

Included below are brief biographical descriptions of each of our executive officers and the directors of each area or department.

Eugenio Von Chrismar Carvajal joined us in 1999. He has ample experience in the Chilean and international financial industry, having held positions such as Finance Manager of Citibank, Chile, Director of Investment Banking in Citibank, Mexico, Director of Investment Banking at Bank of America, Mexico and General Manager of Tanner Corredores de Chile. He is a civil engineer graduated from the University of Santiago and has participated in management course in Harvard and a Postgraduate in Senior Management of Companies at University los Andes.

Ignacio Yarur Arrasate joined us in 2004 and has held diverse executive positions. He gained experience with the legal firm Carey y Cia. Ltda. He holds a law degree from the Pontificia Universidad Católica de Chile and an MBA from IESE, Spain.

Javier Moraga Kleneer joined Bci on April 1, 2009 as Trading Associate Manager, until becoming Sales & Trading Manager. He has experience in finance managing, both local and international, and has actively contributed in forming and developing the current Sales & Trading division at Bci. Before joining Bci he worked 8 years for Deutsche Bank in Chile. Javier is a commercial engineer graduated from the University of Chile and holds a degree in International Finance from Universitát Mannheim, Germany and graduated from the Advanced Management Program, Universidad de los Andes, Chile.

Gerardo Spoerer Hurtado joined Bci on August 1, 1996, and he has held diverse executive and management positions as Financial and International Assistant Director, Chief of Financial Risk, Assistant Director of Market Risk, Manager of Management of Financial Risk, Manager of Distribution, CEO of Bci Asset Management Administradora General de Fondos S.A. and Manager of Wealth Management. He has participated in bonds issuing, project financings, mergers and acquisitions and asset valuations. Before joining Bci he worked 4 years for BICE Group. Gerardo is a commercial engineer graduated from the University of Chile and holds an MBA in finance and corporate management from Navarra University, Spain.

Diego Yarur Arrasate has been with us since 2006. He gained Experiences in Bci Miami, Santander Investment Chile Ltda., American Express Bank and Empresas Jordan S.A. He holds a commercial engineering degree from the Pontifical Catholic University of Chile and an MBA at Columbia Business School.

Ximena Kutscher Taiba joined us in 2003 as Process Audit Manager. Mrs. Kutscher has extensive professional experience in the domestic and international financial system, with experience in auditing financial institutions in Chile and in Latin America, developing leadership roles in various areas related to internal audit functions and processes. She is Accountant Auditor IEB graduated in the Universidad de Santiago, holds an MBA from IEDE, Spain and has participated in the Advanced Management Program at Universidad de Los Andes.

Pablo Jullian Grohnert joined us in 2006, having spent most of his professional career with Unilever in Chile, Central America and the United States as manager and Director of Human Resources He holds a degree in commercial engineering from the University Diego Portales.

Pedro Balla Friedmann joined us in 1983 as chief counsel of the legal area. Later he assumed the position of Manager of the Legal and Tax Division for 25 years. He has been Secretary of the Board for over a decade. Before joining us, he was head of the Ministry of National Assets and Secretary of the Civil Aeronautics Board Counsel. He holds a degree in Law from the Universidad de Concepción.

José Luis Ibaibarriaga joined us in June 2011, and became Chief Financial Planning and Control Division on January 1, 2012. He has extensive experience, serving in positions as CFO and VP Finance Technical administrative telecommunications companies like Electrolux, BellSouth Telefónica and Aramark both in Chile and internationally. He is a Certified Auditor graduated from the University of Chile, and holds an Executive MBA from the University Adolfo Ibañez.

Rodrigo Corces Barja has been with us since 1997. He gained experience in Empresas CMPC in marketing and sales and QUM Marketing y Comunicación in Madrid. He holds a Civil Industrial Engineering degree from Pontificia Universidad Católica de Chile and an MBA from IESE, Spain.

Antonio LeFeuvre Vergara has been with us since 1985. Prior to taking on the position of Chief Corporate Risk Officer, he served as corporate, real estate and electronic banking manager. He is a member of the board of Bci Factoring, Bci Asesoría Financiera and Bci Securitization. He was director of Artikos Subsidiaries. Mr. Le Feuvre holds a commercial engineering degree from the University of Chile and a MBA from the University Adolfo Ibañez.

Fernando Carmash Cassis joined us in 1987 as Senior Counsel in Acts and Contracts and, then, in 2011, Legal Manager of Corporate & Investment Banking Division. Presently holds the position of General Counsel of Bci. Before joining us, he was Legal Counsel of Ilustre Municipalidad de Valdivia and the Labor Division (*Dirección del Trabajo*) of Santiago. Mr. Carmash earned his law degree from the Pontificia Universidad Católica de Chile.

Patricio Subiabre Montero joined us in August, 2015. He has more than 30 years of experience in the national and regional finance sector. He started his career at Citibank, where he was the Chief Operating and Technology Officer for Chile and other countries. Mr. Subriabre holds a civil engineering degree from the Pontificia Universidad Católica de Chile.

Business Address

The business address of our directors and executive officers and our principal executive offices is located at Avenida El Golf 125, Las Condes, Santiago, Chile.

PRINCIPAL SHAREHOLDERS

The following table sets forth information with respect to the record and beneficial ownership of our capital stock as of the date of this Prospectus, with respect to each shareholder known to us to own 1.25% or more of our outstanding common shares and all directors and executive officers as a group:

Stockholder	Number of common shares	% of Total Share Capital
Empresas Juan Yarur S.P.A.	68,128,157	55.14%
Banco de Chile on behalf of third parties	4,801,320	3.89%
Jorge Yarur Bascuñán	4,760,582	3.85%
Banco Itaú Corpbanca on behalf of investors	3,391,456	2.74%
Credicorp Ltd.	2,286,328	1.85%
Bci Corredor de Bolsa S.A.	2,201,738	1.78%
Imsa Financiera S.P.A	1,909,945	1.55%
Banco Santander on behalf of foreign investors	1,876,209	1.52%
Inversiones Cerro Sombrero Financiero S.P.A.	1,762,390	1.43%
Inversiones Tarascona Corporation Agencia en Chile	1,659,674	1.34%
Pension funds (AFPs) as a group	10,433,182	8.44%
Employees of Bci	230,040	0.19%
Total	103,441,021	83.71%
Other shareholders	20,123,198	16.29%
Total	123,564,219	100.00%

Shareholders related to the Yarur Family held approximately 63.26% of our issued and outstanding shares, are parties to a shareholders' agreement dated December 30, 1994, and amended as of June 2008, pursuant to which they agree to vote as a group with respect to their shareholdings in us. In addition, they reiterated their intention to preserve the principles upon which the management of the institution has been based.

In accordance with article 14 of the Chilean Corporations Law, this agreement is in our shareholders' record for other shareholders and interested third parties to review upon request.

RELATED PARTY TRANSACTIONS

In the ordinary course of our business, we engage in a variety of transactions with certain of our affiliates and related parties. Under Article 147 of the Chilean Corporations Law, our transactions with related parties need to be on terms similar to those customarily prevailing in the market and they must have the purpose of contributing to the corporate interest. Directors and executive officers of companies that violate Article 147 are personally liable for losses resulting from such violations.

In addition, Article 147 of the Chilean Corporations Law provides that any transaction in which a director or certain officers have a personal interest or are acting on behalf of an interested third party may be implemented only if the transaction is approved by the board of directors, and to the extent that the approved transaction is carried out on terms similar to those customarily prevailing in the market. Under Article 147, a company may not enter into a material transaction in which one or more of its directors have a direct or indirect interest unless (i) the transaction has received the prior approval of the company's board of directors (excluding the interested directors), (ii) the terms of the transaction are consistent with the terms of similar transactions prevailing in the market and have the purpose of contributing to the corporate interest, and (iii) the transaction is in furtherance of the entity's best interests. If it is not possible to reach a decision meeting those requirements, the board must appoint one independent evaluator and the directors committee may appoint another one. The evaluator's final conclusions must be made available to shareholders and directors for a period of 15 business days, and then a shareholders' meeting must approve the transaction with the vote of shareholders representing two-thirds of the outstanding shares with voting power. For purposes of these rules, a proposed transaction is material if (1) it exceeds 1% of the company's net worth (provided that it also exceeds UF 2,000) or (2) it exceeds UF 20,000. Violation of Chilean Corporations Law provisions that govern related party transactions may result in administrative sanctions, and civil liability may be sought by the Company, its shareholders or interested third parties that suffer losses as a result of such violations.

Under the Chilean General Banking Law (*Ley General de Bancos, Decreto con Fuerza de Ley No. 3 of 1997*), transactions between a bank and its affiliates are subject to certain additional restrictions, such as (i) the prohibition of granting loans bearing more favorable terms than those generally offered by banks in the same community, to any entity (or group of related entities) that is directly or indirectly related to its owners or management, (ii) the prohibition of granting loans to senior executives and to companies in which any of these individuals has an ownership interest or participation in net earnings equal or higher than 5.0%, and (iii) the requirements that the aggregate amount of loans to related parties may not exceed the bank's regulatory capital.

We believe that we have complied and are in compliance in all material respects with the requirements of the relevant provisions of the Chilean Corporations Law and the General Banking Law governing related party transactions with respect to all of our transactions with related parties.

Loans to Related Parties

The following tables set forth our loans to related parties as of December 31, 2014, 2015 and 2016:

	As of December 31,					
	2014		2015		2016	
	Loans	Collateral Pledged (1)	Loans	Collateral Pledged (1)	Loans	Collateral Pledged (1)
	(in millions of Ch$)					
Operating companies	151,745	2,339	110,050	1,643	69,203	1,721
Investment companies(2)	70,185	3,311	43,093	11,466	83,934	22,979
Individuals(3)	36,948	28,893	42,086	37,246	46,807	41,903
Total	258,878	34,543	195,229	50,355	199,944	66,603

(1) Includes all guarantees.
(2) Includes companies whose purpose is to hold shares in other companies.
(3) Includes any related debt obligations.

All related party loans were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features.

Other Transactions with Related Parties

The following tables set forth our income (expenses) from services provided to (by) related parties during, 2015 and 2016:

For the year ended December 31, 2016 Company	Relationship with the Group	Description	Balance assets	Effect on statements of income Expense	Income
			MCh$	MCh$	MCh$
Administración e Inversiones Centinela Ltda.	Other	Advisory	34	34	-
Archivos Credenciales e Impresos Archivert S.A.	Other	Card production	191	191	-
Artikos Chile S.A.	Joint Venture	Acquisitions services	970	970	-
Bolsa de Comercio de Santiago	Other	Rent of terminals	153	153	-
Bci Seguros de Vida S.A.	Control	Service revenue and channel usage	5,634	-	5,634
		Financial Instruments: Term deposits	525	35	-
		Marketing	1,003	-	1,003
		Premium Payment	90	90	-
		Subordinated bond	927	52	-
		Expenditures and income - Premiums reject credits	114	-	-
		Brokerage Fees Bci CCSS	16,148	-	16,148
		Brokerage Awards Bci CCSS	131	-	131
Bci Seguros Generales S.A.	Control	Commission for collection and PAC	480	-	480
		Channel usage	584	-	491
		Sinister	1,771	-	1,771
		Financial Instruments: Term deposits	4,710	8	-
		Bank Bonds	1,017	8	-
		Brokerage Fees Bci CCSS	18,959	-	18,959
		Intermediation Awards Bci CCSS	3,317	-	3,317
		Call Centre Services Bci CCSS	100	100	-
		Brokerage Awards Bci CCSS	271	-	271
Centro de Compensación Automatizado S.A.	Other	Electronic banking transactions	1,267	1,101	-
Cia, Nacional de Telefonos Telefonica del Sur S.A.	Other	Communications Service	48	48	-
Combanc S.A.	Associate	Compensation and high value payment	331	331	-
Comder Contraparte Central S.A.	Associate	Bank processing	965	965	-
Comunicaciones Capitulo Ltda.	Other	Communications Service	49	49	-
Conexxion Spa	Other	Service mail	359	357	-
DCV Registros S.A.	Other	Administration of shareholders register	107	106	-
Depósitos Central de Valores S.A.	Other	Financial Instruments Custody	290	286	-
Digitech Solutions S.A.	Other	Digital documentation	327	314	-
Diseño y Desarrollo Computacional Ltda.	Other	Development and maintenance of applications	612	576	-
Engage S.A.Servicios y Asesorías en Comunicaciones	Other				
Public Marketing	Other	Internal marketing consulting	152	152	-
EMC Chile S.A.	Other	Computer solutions	1,207	994	-
Galeria de Arte Patricia Ready Ltda.	Other	Institutional marketing	54	54	-
GTD Teleductos S.A.	Other	Communications services	496	496	-
IBM Chile S.A.	Other	Computer equipment and solutions	2,349	1,326	-
Irarrazabal Ruiz-Tagle Goldenberg Lagos & Silva	Other				
Abogados Ltda.	Other	Legal advice	99	99	-
Imagemaker S.A.	Other	Development of application and solution	495	484	-
Inmobiliaria Anya S.A.	Other	Real estate projects	46	46	-
Jordan (Chile) S.A.	Control	Forms printing	2,851	2,267	-
Let´s Talk Spa	Other	Communications services	30	30	-
Mario Gomez D.	Other	Advice and consultancy	215	215	-
Oliver Wyman	Other	Advisory	754	625	-
Operadoras de Tarjetas de Crédito Nexus S.A.	Associate	Card processing	8,079	8,079	-
PB Soluciones Ltda.	Other	ATMs installation and cleaning service	183	145	-
Redbanc S.A.	Associate	ATMs operation	6,232	5,229	-
Salcobrand S.A.	Control	Rent of places for ATMs	206	206	-
Santo Producciones Ltda.	Other	Events production	301	274	-
Servicios de Información avanzada S.A.	Other	Trade information service	864	855	-
Servipag Ltda.	Joint Venture	Collection and payment services	8,788	7,225	-
Sistema Nacional de Com, Financieras S.A. (Sinacofi)	Other	Financial information services	508	454	-
Telesat Compañía de Teléfonos S.A.	Other	Communications services	35	35	-
Transbank S.A.	Other	Credit cards management	46,174	10,489	35,685

Note: only transactions over UF1,000 are disclosed.

For the year ended December 31, 2015 Company	Relationship with the Group	Description	Balance assets	Effect on statements of income Expense	 Income
			MCh$	MCh$	MCh$
Administración e Inversiones Centinela Ltda.	Other	Advisory	108	108	-
Archivos Credenciales e Impresos Archivert S.A.	Other	Cards production	207	207	-
Artikos Chile S.A.	Joint Venture	Acquisitions services	837	800	-
Bolsa de Comercio de Santiago S.A.	Other	Rent of terminals	162	102	-
Bci Seguros de Vida S.A.	Control	Service revenue and channel usage	5,370	-	5,370
		Marketing	1,194	-	1,194
		Premiums payment	182	158	-
		Financial Instrument: Term deposit	6,874	2	-
		Brokerage Fees Bci CCSS	16,392	-	16,392
		Brokerage Awards Bci CCSS	-	-	-
Bci Seguros Generales S.A.	Control	Commission for collection and PAC	785	-	660
		Channel usage	533	-	448
		Sinister	1,627	-	1,627
		Financial Instruments: Term deposits	153	-	-
		Brokerage Fees Bci CCSS	15,984	-	15,984
		Brokerage Awards Bci CCSS	2,172	-	2,172
Centro de Compensación Automatizado S.A.	Other	Electronic banking transactions	996	862	-
Cia, Nacional de Teléfonos Telefónica del Sur S.A.	Other	Lease of data links	47	47	-
Comunicaciones Capitulo Ltda.	Other	Lease of data links	44	44	-
Combanc S.A.	Associate	Compensation and high value payment	362	362	-
Comder Contraparte Central S.A.	Associate	Clearing house of derivatives	431	431	-
Conexxion Spa	Other	Service mail	402	393	-
DCV Registros S.A.	Other	Bank processing	93	93	-
Depósitos Central de Valores S.A.	Other	Financial instruments custody	294	294	-
Digitech Solutions S.A.	Other	Document digitalization	256	254	-
Diseño y Desarrollo Computacional Ltda.	Other	Development and maintenance applications	689	508	-
Engage S.A. Servicios y Asesorias en Comunicaciones, PublicMarketing	Other	Internal marketing consultations	148	141	-
EMC Chile S.A.	Other	Computer solutions	910	272	-
Galeria de Arte Patricia Ready Ltda.	Other	Institutional marketing	63	57	-
GTD Teleductos S.A.	Other	Communications services	468	468	-
IBM Chile S.A.	Other	Computer equipment and solutions	9,909	8,913	-
Abogados Ltda.	Other	Legal advice	137	137	-
Imagemaker IT S.A.	Other	Multipass devices purchase	572	535	-
Imagemaker S.A.	Other	Development and application solution	881	656	-
Jordan (Chile) S.A.	Control	Printing forms	2,816	2,315	-
Mario Gomez D.	Other	Advice and consultancy	218	218	-
Operadoras de Tarjetas de Crédito Nexus S.A.	Associate	Card processing	6,609	6,030	-
		ATMs installation services and cleaning services			
PB Soluciones Ltda.	Other	ATMs installation and cleaning services	267	202	-
Redbanc S.A.	Associate	ATMs operation	5,999	5,098	-
Salcobrand S.A.	Control	Rent of places for ATMs	313	248	-
Santo Producciones Ltda.	Other	Events production	200	183	-
Servicios de Información avanzada S.A.	Other	Trade information services	831	802	-
Servipag Ltda.	Joint Venture	Collection and payment services	8,804	7,437	-
Sistema Nacional de Com, Financieras S.A. (Sinacofi)	Other	Financial information services	449	402	-
Telesat Compañía de Teléfonos S.A.	Other	Lease of data links	36	36	-
		Credit card and income management			
Transbank S.A.	Other	Credit card management	41,568	9,508	32,060

Note: only transactions over UF1,000 are disclosed.

These transactions were carried out on terms normally prevailing in the market at the date of the transaction.

DESCRIPTION OF THE NOTES

General

The Issuer may issue and have outstanding from time to time up to US$2,000,000,000 principal amount in the aggregate of Medium-Term Notes (the "**Notes**") under this Program. The minimum specified denomination of the Notes will be Euro 100,000 (or, if the Notes are denominated in a currency other than the Euro, the equivalent amount in such currency) or such higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. The Notes will have the terms described below, including, as described below, the terms specified in the Final Terms of the applicable Series of Notes, except that references below to interest payments and interest-related information do not apply to certain Original Issue Discount Notes (as defined in "Taxation").

The Notes are to be issued under a Fiscal and Paying Agency Agreement dated as of July 25, 2016 among the Issuer, Bank of America, National Association, (operating through its London branch), as fiscal agent (in such capacity, the "**Fiscal and Paying Agent**"), paying agent, transfer agent and Calculation Agent, Bank of America, National Association, as U.S. paying agent, U.S. registrar, U.S. transfer agent and U.S. authenticating agent, Merrill Lynch Equity S.à.r.l., as the Luxembourg listing agent and Luxembourg registrar, and the other paying agents and transfer agents named therein, as further amended and supplemented from time to time (the "**Fiscal Agency Agreement**"), in registered or bearer form as specified in the applicable Final Terms. The following description of certain provisions of the Fiscal Agency Agreement is subject to, and qualified in its entirety by reference to, all the provisions of the Fiscal Agency Agreement, including the definitions therein of certain terms.

The Issuer may, from time to time, re-open one or more series of Notes (each, a "**Series**") and issue Additional Notes (as defined below in "Additional Notes") with the same terms (including maturity and interest payment terms but excluding original issue date and public offering price) as Notes issued on an earlier date; provided that a Series of Notes may not comprise both Notes in bearer form and Notes in registered form. After such Additional Notes are issued they will be fungible with the previously issued Notes to the extent specified in the applicable Final Terms (except that any such Additional Notes offered and sold in compliance with Regulation S will have temporary CUSIP, ISIN and Common Code numbers during a 40-day distribution compliance period commencing on the date of issuance of such Additional Notes), provided further that if the Additional Notes are not fungible with the earlier Notes for United States federal income tax purposes, the Additional Notes will have a separate CUSIP number. Each such Series may contain one or more tranches of Notes (each, a "**Tranche**") having identical terms, including the original issue date and the public offering price; provided that a Tranche of Notes may not comprise both Notes in bearer form and Notes in registered form.

Each Note will be unsecured and will be either a senior or a subordinated debt obligation. Notes which are senior debt obligations will rank equally with all other unsecured and unsubordinated obligations of the Issuer thereof. Notes which are subordinated debt obligations will rank junior in right of payment to all senior indebtedness as specified in the applicable Final Terms, which will set forth the precise terms of such subordination.

The Final Terms relating to a Tranche of Notes issued by the Issuer will describe the following terms: (i) the currency or composite currency in which the Notes of such Tranche will be denominated (each such currency or composite currency, a "**Specified Currency**") and, if other than the Specified Currency, the currency or composite currency in which payments on the Notes of such Series will be made (and, if the Specified Currency or currency or composite currency of payment is other than U.S. Dollars, certain other terms relating to such Notes (a "**Foreign Currency Note**") and such Specified Currency or such currency or composite currency of payment); (ii) whether such Notes are Fixed Rate Notes or Floating Rate Notes (including whether such Notes are Regular Floating Rate Notes, Floating Rate/Fixed Rate Notes or Inverse Floating Rate Notes, each as defined below); (iii) the price at which such Notes will be issued (the "**Issue Price**"); (iv) the date on which such Notes will be issued (the "**Original Issue Date**"); (v) the date on which such Notes will mature; (vi) whether such notes are senior or subordinated and, if subordinated, the terms of the subordination; (vii) if such Notes are Fixed Rate Notes, the rate per annum at which such Notes will bear interest, if any; (viii) if such Notes are Floating Rate Notes, the base rate (the "**Base Rate**"), the initial interest rate (the "**Initial Interest Rate"**), the minimum interest rate (the "**Minimum Interest Rate**") (provided that if no Minimum Interest Rate is specified or if indicated that the Minimum Interest Rate is "not applicable," the Minimum Interest Rate shall be zero), the maximum interest rate (the "**Maximum Interest Rate**"), the Interest Payment Dates, the period to maturity of the instrument, obligation or index with respect to which the Calculation Agent (as defined below) will calculate the interest rate basis or bases (the "**Index Maturity**"), the

Spread and/or Spread Multiplier (all as defined below), if any (all as defined below) and any other terms relating to the particular method of calculating the interest rate for such Notes; (ix) if such Notes are Indexed Notes, the terms relating to the particular Notes; (x) if such Notes are Dual Currency Notes, the terms relating to the particular Notes; (xi) if such Notes are Amortizing Notes, the amortization schedule and any other terms relating to the particular Notes; (xii) whether such Notes may be redeemed at the option of the Issuer, or repaid at the option of the holder, prior to its stated maturity as described under "**Optional Redemption**" and "**Repayment at the Noteholders' Option; Repurchase**" below and, if so, the provisions relating to such redemption or repayment, including, in the case of any Original Issue Discount Notes, the information necessary to determine the amount due upon redemption or repayment; (xiii) any relevant tax consequences associated with the terms of the Notes which have not been described under "**Taxation—United States Federal Income Taxation**" below; (xiv) if such Notes are Additional Notes (as defined below), a description of the original issue date and aggregate principal amount of the prior Tranche of Notes having terms (other than the original issue date and public offering price) identical to such Additional Notes; and (xv) any other terms of such Notes not inconsistent with the provisions of the Fiscal Agency Agreement. In addition, each Final Terms with respect to a Tranche of Notes will identify the Dealer(s) participating in the distribution of such Notes. See "**Plan of Distribution**." Each Final Terms relating to Notes will be in, or substantially in, the relevant forms included under "**Form of Final Terms**" below.

If any Notes are to be issued as Foreign Currency Notes, the applicable Final Terms will specify the currency or currencies, which may be composite currencies, in which the purchase price of such Notes are to be paid by the purchaser, and the currency or currencies, which may be composite currencies, in which the principal at maturity or earlier redemption, premium, if any, and interest, if any, with respect to such Notes may be paid, if applicable, along with any other terms relating to the non-U.S. Dollar denomination. See "**Special Provisions Relating to Foreign Currency Notes**."

Subject to such additional restrictions as are described under "**Special Provisions Relating to Foreign Currency Notes**," Notes of each Tranche will mature on a day specified in the applicable Final Terms, as selected by the initial purchaser and agreed to by the Issuer. In the event that such maturity date of any Notes or any date fixed for redemption or repayment of any Notes (collectively, the "**Maturity Date**") is not a Business Day (as defined below), principal and interest payable at maturity or upon such redemption or repayment will be paid on the next succeeding Business Day with the same effect as if such Business Day were the Maturity Date. No interest shall accrue for the period from and after the Maturity Date to such next succeeding Business Day. Except as may be specified in the applicable Final Terms and except for Indexed Notes (as defined below), all Notes will mature at par.

In the case of Fixed Rate Notes, the applicable Final Terms will specify the yield as of the Original Issue Date. The yield is calculated at the Original Issue Date on the basis of the Issue Price. It is not an indication of future yield.

"**Business Day**" means, unless otherwise specified herein and in the applicable Final Terms, any day other than a Saturday or Sunday or any other day on which banking institutions are generally authorized or obligated by law or regulation to close in (i) the principal financial center of the country in which the Issuer is incorporated, (ii) the principal financial center of the country of the currency in which the Notes are denominated (if the Note is denominated in a Specified Currency other than Euro) and (iii) any additional financial center specified in the applicable Final Terms (as the case may be); provided, however, that with respect to Notes denominated in Euro, such day is a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

Forms of Notes

Bearer Notes

If specified in the applicable Final Terms, Notes of each Tranche will be in bearer form ("**Bearer Notes**") and will initially be represented by one or more temporary global Notes or permanent global Notes, without interest coupons attached and, in the case of definitive Notes, will be serially numbered and will:

(i) if any such global Note is intended to be issued in new global note ("**NGN**") form, as stated in the applicable Final Terms, be delivered to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**")(each an "**ICSD**" and together the "**ICSDs**"):

(a) *records of the ICSDs*. The principal amount and/or number of each Note represented by the global Note shall be the amount from time to time entered in the records of both ICSDs, provided, however, that the aggregate principal amount of Notes represented by a global Note shall be as set forth on the face of such note. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the principal amount and/or number of each Note represented by the global Note and, for these purposes, a statement (which statement shall be made available to the bearer upon request) issued by an ICSD stating the principal amount and/or number of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time;

(b) on any redemption or payment of an installment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by such global Note the Issuer shall procure that details of any redemption, payment, or purchase and cancellation (as the case may be) in respect of the global Note shall be entered pro rata in the records of the ICSDs and, upon any such entry being made, the principal amount and/or number of the Notes recorded in the records of the ICSDs and represented by the global Note shall be reduced by the aggregate principal amount and/or number of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such installment so paid; and

(ii) if any such global Note is to be issued in classic global note form ("**CGN**"), be delivered to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg or any other recognized or agreed clearing system.

Bearer Notes in definitive form will be issued with coupons attached. Except as set out below, title to Bearer Notes and any coupons will pass by delivery. The Issuer, the Fiscal Agent and any Paying Agent (as defined below) may deem and treat the bearer of any Bearer Note or coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding sentence. For so long as any of the Notes are represented by a global Note, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer, the Fiscal Agent and any Paying Agent as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, the right to which shall be vested, as against the Issuer, the Fiscal Agent and any Paying Agent solely in the bearer of the relevant global Note in accordance with and subject to its terms (and the expressions "**Noteholder**" and "**Holder of Notes**" and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

References herein to "**Bearer Notes**" shall, except where otherwise indicated, include interests in a temporary or permanent global Note as well as definitive Notes and any coupons attached thereto.

The applicable Final Terms will specify whether (i) United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended), (the "TEFRA C Rules"), (ii) United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended) (the "TEFRA D Rules") or (iii) if the Notes do not have a maturity of more than 365 days (including unilateral rights to rollover or extend), neither the TEFRA C Rules nor the TEFRA D Rules, are applicable to the Notes. If so specified in the applicable Final Terms, in the case of a Bearer Note to which the TEFRA D Rules have not been specified to apply, the Bearer Notes may be represented upon issue by one or more permanent global Notes.

Each Bearer Note having a maturity of more than 365 days (including unilateral rights to rollover or extend) and interest coupons pertaining to such Note, if any, will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

In general, Bearer Notes that are subject to the TEFRA C Rules or the TEFRA D Rules may not be offered, sold or delivered within the United States or to United States persons. In particular, if the applicable Final Terms specify that the TEFRA D Rules apply, the Bearer Notes may not be delivered, offered, sold or resold, directly or indirectly, in connection with their original issuance or during the Restricted Period (as defined below), in the United States (as defined below) or to or for the account of any United States person (as defined below), other than to certain persons as provided under United States Treasury Regulations. An offer or sale will be considered to be made to a person within the United States if the offeror or seller has an address within the United States for the offeree or purchaser with respect to the offer or sale. In addition, any underwriters, agents and dealers will represent that they have procedures reasonably designed to ensure that their employees or agents who are directly engaged in selling Bearer Notes are aware of the restrictions on the offering, sale, resale or delivery of Bearer Notes.

As used herein, "**United States**" means the United States (including the States and the District of Columbia), its territories and its possessions. "**United States person**" means (i) a citizen or individual resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States, any state thereof or the District of Columbia or (iii) an estate or a trust the income of which is subject to U.S. federal income taxation regardless of its source. "**Restricted Period**" with respect to each Tranche of Notes means the period which begins on the earlier of the settlement date (or the date on which the Issuer receives the proceeds of the sale of Bearer Notes of such Tranche), or the first date on which the Bearer Notes of such Tranche are offered to persons other than the Dealers, and which ends 40 days after the settlement date (or the date on which the Issuer receives the proceeds of the sale of such Bearer Notes); provided that with respect to a Bearer Note held as part of an unsold allotment or subscription, any offer or sale of such Bearer Note by the Issuer or any Dealer shall be deemed to be during the Restricted Period. An "**Ownership Certificate**" is a certificate (in a form to be provided), signed or sent by the beneficial owner of the relevant Bearer Note or by a financial institution or clearing organization through which the beneficial owner holds the Bearer Note providing certification that the beneficial owner is not a United States person or person who has purchased for resale to any United States person as required by United States Treasury Regulations.

Unless otherwise specified in the applicable Final Terms, each Bearer Note will be represented initially by a temporary global Note, without interest coupons which will (a) if the temporary global Note is intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the Original Issue Date of the Tranche of Notes to a Common Safekeeper for Euroclear and Clearstream, Luxembourg or (b) if the temporary global Note is to be issued in CGN form, be delivered on or prior to the Original Issue Date of the Tranche of Notes to a Common Depositary for Euroclear and Clearstream, Luxembourg, or any other recognized or agreed clearing system in the case of a temporary global Note issued in CGN form. Upon deposit of each such temporary global Note, Euroclear or Clearstream, Luxembourg, as the case may be, will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid. The interests of the beneficial owner or owners in a temporary global Note will be exchangeable after the expiration of the Restricted Period (the "**Exchange Date**") for an interest in a permanent global Note which will (a) if the permanent global Note is intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg or (b) if the permanent global Note is not intended to be issued in NGN form, be delivered to a Common Depositary for Euroclear and Clearstream, Luxembourg, for credit to the account designated by or on behalf of the beneficial owner thereof, or for definitive Bearer Notes or definitive Registered Notes, as provided in the applicable Final Terms; provided, however, that such exchange will be made only upon receipt of Ownership Certificates in the case of Bearer Notes to which the TEFRA D Rules have been specified to apply.

If so specified in the applicable Final Terms, in the case of a Bearer Note to which the TEFRA D Rules have not been specified to apply, the Bearer Notes may be represented upon issue by one or more permanent global Notes.

Registered Notes

If specified in the applicable Final Terms, Notes of each Tranche will be in fully registered form ("**Registered Notes**"). The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will be represented by a global note in registered form (a "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**"). The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a "**Rule 144A Global Note**" and, together with a Regulation S Global Note, the "**Registered Global Notes**").

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**"), (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms (and in either case the "**Register**"). Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Rule 144A Global Note will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will be made to the person shown on the Register as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or any Registrar (as defined below) will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will be made to the persons shown on the Register on the relevant Record Date (as defined below) immediately preceding the due date for payment in the manner provided in that paragraph.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons, receipts or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (ii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of fourteen days (other than by reason of holiday, statutory or otherwise) or have announced an intention to permanently cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form.

In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the relevant Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the relevant Registrar.

Exchange and Transfer of Notes

A temporary global Note will be exchangeable in whole but not in part for definitive Bearer Notes (i) if Euroclear and/or Clearstream, Luxembourg or any other agreed clearing system, as applicable, has informed the Issuer that it has or they have, as the case may be, ceased or will cease to act as the clearing system(s) in respect of the relevant temporary global Note or, (ii) if required by law; but only, in each case, in the case of Bearer Notes to which the TEFRA D Rules have been specified to apply, on or after the Exchange Date and upon delivery of Ownership Certificates. No definitive Bearer Note will be delivered in or to the United States or to a United States person, except as specifically provided by applicable United States Treasury Regulations. In the event that the relevant temporary global Note is not, in the case of (i) or (ii) above, duly exchanged for definitive Bearer Notes then the terms of such temporary global Note provide for relevant account holders with Euroclear and Clearstream, Luxembourg and any other agreed clearing system, as applicable, to be able to enforce against the Issuer all rights which they would have had if they had been holding definitive Bearer Notes of the relevant value at the time of such event. Payments by the Issuer to the relevant account holders will be considered as payments to the relevant Noteholder and operate as full and final discharge to the Issuer in this respect.

A permanent global Note will be exchangeable in whole but not in part for definitive Bearer Notes if Euroclear and/or Clearstream, Luxembourg or any other agreed clearing system, as applicable, has informed the Issuer that it has or they have, as the case may be, ceased or will cease to act as the clearing system(s) in respect of the relevant permanent global Note. In order to make such request the holder must, not less than 45 days before the date on which delivery of definitive Bearer Notes is required, deposit the relevant permanent global Note with the relevant Paying Agent (as defined below) at its specified office outside the United States for the purposes of the Notes with the form of exchange notice endorsed thereon duly completed. No definitive Bearer Note will be delivered in or to the United States or to a United States person, except as specifically provided by applicable United States Treasury Regulations. In the event that the relevant permanent global Note is not, in the case of (i) or (ii) above, duly exchanged for definitive Bearer Notes then the terms of such permanent global Note provide for relevant account holders with Euroclear and Clearstream, Luxembourg and any other agreed clearing system as applicable, to be able to enforce against the Issuer all rights which they would have had if they had been holding definitive Bearer Notes of the relevant value at the time of such event. Payments by the Issuer to the relevant account holders will be considered as payments to the relevant Noteholder and operate as full and final discharge to the Issuer in this respect.

Global Notes exchangeable for definitive Notes at the option of the Noteholders in circumstances other than in the limited circumstances, shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

If specified in the applicable Final Terms, and subject to the terms of the Fiscal Agency Agreement, definitive Bearer Notes (along with all unmatured coupons, and all matured coupons, if any, in default) will be exchangeable at the option of the holder into Registered Notes of any authorized denominations of like tenor and in an equal aggregate principal amount, in accordance with the provisions of the Fiscal Agency Agreement at the office of the relevant Registrar or at the office of any Transfer Agent outside the United States designated by the Issuer for such purpose. See "**Registrar and Transfer Agents**" below. Definitive Bearer Notes surrendered in exchange for Registered Notes after the close of business at any such office (i) on or after any record date for the payment of interest (a "**Regular Record Date**") on a Registered Note on an Interest Payment Date (as defined below) and before the close of business at such office on the date prior to the relevant Interest Payment Date, or (ii) on or after any record date to be established for the payment of defaulted interest on a Registered Note ("**Special Record Date**") and before the opening of business at such office on the related proposed date for payment of defaulted interest, shall be surrendered without the coupon relating to such date for payment of interest. Definitive Bearer Notes will be exchangeable for definitive Bearer Notes in other authorized denominations, in an equal aggregate principal amount, in accordance with the provisions of the Fiscal Agency Agreement and at the offices of any Paying Agent outside the United States appointed by the Issuer for such purpose. See "**Registrar and Transfer Agents**" below.

Registered Notes will be exchangeable for Registered Notes in other authorized denominations, in an equal aggregate principal amount upon surrender of any such Notes to be exchanged at the offices of the relevant Registrar or any transfer agent designated by the Issuer for such purpose. Registered Notes will not be exchangeable for Bearer Notes. Registered Notes may be presented for registration of transfer at the offices of the relevant Registrar or any transfer agent designated by the Issuer and for such purpose. See "**Registrar and Transfer Agents**" below. No service charge will be made for any registration of transfer or exchange of Notes but the Issuer may require payment of a sum sufficient to cover any transfer taxes payable in connection therewith. Except as described above, Bearer Notes and any coupons appertaining thereto will be transferable by delivery. See "**Forms of Notes—Bearer Notes**" above.

The Issuer shall not be required (i) to register the transfer of or exchange Notes to be redeemed for a period of fifteen calendar days preceding the first publication of the relevant notice of redemption, or if Registered Notes are outstanding and there is no publication, the mailing of the relevant notice of redemption, (ii) to register the transfer of or exchange any Registered Note selected for redemption or surrendered for optional repayment, in whole or in part, except the unredeemed or unpaid portion of any such Registered Note being redeemed or repaid, as the case may be, in part, (iii) to exchange any Bearer Note selected for redemption or surrendered for optional repayment, except that such Bearer Note may be exchanged for a Registered Note of like tenor, provided that such Registered Note shall be simultaneously surrendered for redemption or repayment, as the case may be, or (iv) to register transfer of or exchange any Notes surrendered for optional repayment, in whole or in part.

Payments and Paying Agents

Principal and premium, if any, and interest, if any, payable on a Bearer Note represented by a temporary global Note or any portion thereof in respect of an Interest Payment Date will be paid in the Specified Currency (unless otherwise specified in the applicable Final Terms) by the relevant Paying Agent to each of Euroclear and Clearstream, Luxembourg, as the case may be, with respect to that portion of such temporary global Note held for its account (upon presentation to the Non-U.S. Paying Agent of the temporary global Note, if the temporary global Note is not issued in NGN form) and, in the case of a Note to which the TEFRA D Rules have been specified to apply, upon delivery of an Ownership Certificate signed by Euroclear or Clearstream, Luxembourg, as the case may be, dated no earlier than such Interest Payment Date, which certificate must be based on Ownership Certificates provided to Euroclear or Clearstream, Luxembourg, as the case may be, by its member organizations. Each of Euroclear and Clearstream, Luxembourg, as the case may be, will in such circumstances credit any principal and interest received by it in respect of such temporary global Note or any portion thereof to the accounts of the beneficial owners thereof.

Principal and premium, if any, and interest, if any, payable on a Bearer Note represented by a permanent global Note in respect of an Interest Payment Date will be paid in the Specified Currency (unless otherwise specified in the applicable Final Terms) by the relevant Paying Agent to each of Euroclear and Clearstream, Luxembourg, as the case may be, with respect to that portion of such permanent global Note held for its account (upon presentation to the Non-U.S. Paying Agent of the permanent global Note if the permanent global Note is not issued in NGN form). Each of Euroclear and Clearstream, Luxembourg will in such circumstances credit any principal and interest received by it in respect of such permanent global Note to the respective accounts of the beneficial owners of such permanent global Note at maturity, redemption or repayment or on such Interest Payment Date, as the case may be. If a Registered Note is issued in exchange for a permanent global Note after the close of business at the office or agency where such exchange occurs (a) on or after any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (b) on or after any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of defaulted interest, any interest or defaulted interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of such Registered Note, but will be payable on such Interest Payment Date or proposed date for payment, as the case may be, only to Euroclear and Clearstream, Luxembourg, and Euroclear and Clearstream, Luxembourg will in such circumstances credit any such interest to the account of the beneficial owner of such permanent global Note on such Regular Record Date or Special Record Date, as the case may be. Payment of principal and of premium, if any, and any interest due at maturity, redemption or repayment (in the event, with respect to payment of interest, that any such maturity date or redemption or repayment date is other than an Interest Payment Date) in respect of any permanent global Note will be made to Euroclear and Clearstream, Luxembourg in immediately available funds.

Payments of principal and of premium, if any, and interest on definitive Bearer Notes will be made in immediately available funds in the Specified Currency (unless otherwise specified in the applicable Final Terms), subject to any applicable laws and regulations, only against presentation and surrender of such Note and any coupons at the offices of a Paying Agent outside the United States or, at the option of the holder, by wire transfer of immediately available funds to an account maintained by the payee with a bank located outside the United States if appropriate wire instructions have been received by a Paying Agent not less than 10 calendar days prior to an applicable payment date. No payment with respect to any Bearer Note will be made at any office or agency of the Issuer in the United States or by wire transfer to an account maintained with a bank located in the United States, except as may be permitted under United States federal tax laws and regulations then in effect. Notwithstanding the foregoing, payments of principal and of premium, if any, and interest on Bearer Notes denominated and payable in U.S. Dollars will be made at the office of the paying agent of the Issuer, in the Borough of Manhattan, The City of New York, if and only if (i) payment of the full amount thereof in U.S. Dollars at all offices or agencies outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (ii) such paying agent in the Borough of Manhattan, The City of New York, under applicable law and regulations, would be able to make such payment.

Payment of principal and of premium, if any, and interest on Registered Notes at maturity or upon redemption or repayment will be made in immediately available funds in the Specified Currency (unless otherwise specified in the applicable Final Terms) against presentation of such Note at the office of the relevant Paying Agent. Payment of interest on Registered Notes will be made to the person in whose name such Note is registered at the close of business on the Regular Record Date next preceding the Interest Payment Date by wire transfer to an account selected by the person entitled thereto if appropriate wire instructions have been received by the relevant Paying Agent not less than 10 calendar days prior to the applicable payment date; provided, however, that (i) if the Issuer fails to pay such interest on such Interest Payment Date, such defaulted interest will be paid to the person in whose name such Note is registered at the close of business on the Special Record Date and (ii) interest payable at maturity, redemption or repayment will be payable to the person to whom principal shall be payable. The first payment of interest on any Registered Note originally issued between a Regular Record Date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date to the registered owner on such next Regular Record Date. Interest rates and interest rate formulae are subject to change by the Issuer from time to time but no such change will affect any Note theretofore issued. Unless otherwise specified in the applicable Final Terms, the Interest Payment Dates and the Regular Record Dates for Fixed Rate Notes shall be as described below under "**Fixed Rate Notes**." The Interest Payment Dates for Floating Rate Notes shall be as indicated in the applicable Final Terms and in such Note, and, unless otherwise specified in the applicable Final Terms, each Regular Record Date for a Registered Floating Rate Note will be the calendar day (whether or not a Business Day) next preceding each Interest Payment Date.

Payments of principal, interest and any other amount in respect of the Registered Notes will, in the absence of provision to the contrary, be made to the person shown on the Register on the relevant Record Date (as defined below) as the registered holder of the Registered Notes. None of the Issuer, any Paying and Transfer Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Payments in respect of Registered Notes represented by Global Notes shall be made to the person shown on the Register at the close of business on the first Business Day prior to the Entitlement date (the "**Record Date**"). For definitive Notes, the Record Date shall be considered as the close of business on the fifteenth Business Day before the Entitlement date.

Pursuant to the Fiscal Agency Agreement, the Issuer has initially designated Bank of America, National Association, (operating through its London branch) as its non-U.S. Paying agent (in such capacity, and including any successor non-U.S. paying agent appointed thereunder, the "**Non-U.S. Paying Agent**") and Bank of America, National Association as its U.S. paying agent for Notes sold within the United States, (in such capacity and including any successor U.S. paying agent appointed thereunder, the "U.S. Paying Agent," and together with the Non-U.S. Paying Agent and any other paying agents appointed by the Issuer, the "**Paying Agents**"). So long as any Notes are listed and/or admitted to trading on or by any stock exchange, competent authority and/or market, there will at all times be a Paying Agent with a specified office in each location, if any, required by the rules and regulations of the relevant stock exchange(s), competent authority (ies) and/or market(s) on or by which such Notes are listed and/or admitted to trading. So long as any Notes are listed and/or admitted to trading on or by any stock exchange, competent authority and/or market and the rules of such exchange, competent authority and/or market so require, the Issuer will notify the holders of its Notes in the manner specified under "**Notices**" below in the event that the Issuer appoints a Paying Agent with respect to such Notes other than the Paying Agents designated as such in this Prospectus or in the applicable Final Terms.

All moneys paid by the Issuer to any Paying Agent for the payment of any amounts payable on any Notes which remain unclaimed at the end of three years after such amounts shall have become due and payable shall be repaid to the Issuer and the holders of the Notes shall thereafter look only to the Issuer for payment. The Notes shall become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

"**Entitlement**" is defined to include any distribution of cash or securities, being the payment due date, as determined by the issue specific terms, for cash or the settlement date for securities.

"**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of moneys payable has not been duly received by the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of the Notes as described under "**Notices**" below.

Payments – Renminbi Notes

This Section (*Payments – Renminbi Notes*) shall apply to all Renminbi Notes.

(a) *Payments of USD Equivalent*: Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able, or it would be impracticable for it, to satisfy payments of principal or interest (in whole or in part) in respect of the Renminbi Notes when due in Renminbi to an account maintained in Hong Kong, the Issuer may, on giving not less than eight Business Days or more than 30 Business Days' irrevocable notice to the holders prior to the due date for payment, settle any such payment (in whole or in part) in U.S. dollars on the due date at the USD Equivalent of any such Renminbi denominated amount.

(b) Payments of the USD Equivalent of the relevant Renminbi amount, determined in accordance with this Section, will be made by credit or transfer to a U.S. dollar account (or any other account to which U.S. dollars may be credited or transferred) specified by the payee, provided, however, that no payment will be made by transfer to an account in the United States.

(c) For the purpose of this Section (*Payments – Renminbi Notes*):

"**CNY Calculation Agent**" means the agent appointed from time to time by the Issuer for the determination of the Spot Rate or identified as such in the relevant Final Terms.

"**CNY Dealer**" means an independent foreign exchange dealer of international repute active in the CNY exchange market in Hong Kong.

"**Governmental Authority**" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong.

"**Illiquidity**" means the general CNY exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient CNY in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two CNY Dealers.

"**Inconvertibility**" means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general CNY exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after July 25, 2016 and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation).

"**Non-transferability**" means the occurrence of any event that makes it impossible for the Issuer to deliver CNY between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong or from an account outside Hong Kong to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after July 25, 2016 and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation).

"**PRC**" means the People's Republic of China which, for the purpose of this Section, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan.

"**Rate Calculation Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general business (including dealings in foreign exchange) in London, Hong Kong and New York City.

"**Rate Calculation Date**" means the day which is three Rate Calculation Business Days before the due date of the relevant amount under this Section.

"**Renminbi**", "**RMB**" or "**CNY**" means the official currency of the PRC.

"**Spot Rate**" means, for a Rate Calculation Date, the spot CNY/USD exchange rate for the purchase of U.S. dollars with Renminbi, for settlement in two Business Days, in the over-the-counter Renminbi exchange market in Hong Kong, as determined by the CNY Calculation Agent at or around 11.00 a.m. (Hong Kong time) on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the CNY Calculation Agent will determine the spot rate at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date as the most recently available CNY/USD official fixing rate for settlement on the due date for payment reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

"**USD Equivalent**" means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Rate Calculation Date.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Section (*Payments – Renminbi Notes*) by the CNY Calculation Agent, will (in the absence of fraud, gross negligence or willful default) be binding on the Issuer, the Agents and all holders of Notes.

Registrar, Transfer Agents, Calculation Agent and Authenticating Agent

Pursuant to the Fiscal Agency Agreement, the Issuer has initially designated Bank of America, National Association as U.S. registrar in respect of the Rule 144A Global Notes and also the Regulation S Global Notes which are deposited with a custodian for, and registered in the name of a nominee of, DTC (in such capacity and including any successor U.S. registrar appointed thereunder, the "**U.S. Registrar**"). Additionally, the Issuer has initially designated Merrill Lynch Equity S.à.r.l., as Luxembourg registrar in respect of the Regulation S Global Notes which are deposited with a common depositary for, and registered in the name of a common nominee of Euroclear, Clearstream or any other clearing system (in such capacity and including any successor Luxembourg registrar appointed thereunder, the "**Luxembourg Registrar**," and, together with the U.S. Registrar and any other registrar appointed by the Issuer, the "**Registrars**"). The Issuer has initially designated Bank of America, National Association, (operating through its London branch) as non-U.S. transfer agent in respect of the Notes (in such capacity and including any successor non-U.S. transfer agent appointed thereunder, the "**Non-U.S. Transfer Agent**"). Additionally, the Issuer has initially designated Bank of America, National Association as U.S. transfer agent in respect of the Notes (in such capacity and including any successor U.S. transfer agent in respect of the Notes, the "**U.S. Transfer Agent**" and, together with the Non-U.S. Transfer Agent and any other transfer agent appointed by the Issuer, the "**Transfer Agents**"). For so long as any Notes are listed and/or admitted to trading on or by any stock exchange, competent authority and/or market, the Issuer will maintain a Transfer Agent with a specified office in each location required by the rules and regulations of the relevant stock exchange, competent authority and/or market. Any initial designation by the Issuer of the Registrar or a Transfer Agent may be rescinded at any time. The Issuer may at any time designate additional Transfer Agents with respect to the Notes. So long as any Notes are listed and/or admitted to trading on or by any stock exchange, competent authority and/or market and the rules of such exchange, competent authority and/or market so require, the Issuer will notify the holders of its Notes in the manner specified under "**Notices**" below in the event that the Issuer appoints a Registrar or Transfer Agent with respect to such Notes other than the Registrar and Transfer Agents designated as such in this Prospectus or in the applicable Final Terms.

Pursuant to the Fiscal Agency Agreement and unless otherwise specified in the applicable Final Terms, the Issuer has also initially designated (i) Bank of America, National Association, (operating through its London branch) as calculation agent in respect of the Notes (in such capacity and including any successor calculation agent appointed thereunder, the "**Calculation Agent**"), and (ii) Bank of America, National Association as U.S. authenticating agent in respect of the Rule 144A Global Notes and also the Regulation S Global Notes which are deposited with a custodian for, and registered in the name of a nominee of, DTC (in such capacity and including any successor U.S. authenticating agent appointed thereunder, the "**U.S. Authenticating Agent**").

Optional Redemption

Each applicable Final Terms will indicate either that the relevant Tranche of Notes of a Series cannot be redeemed prior to maturity (other than as provided under "Redemption Prior to Maturity Solely for Taxation Reasons" below) or that the Notes will be redeemable at the option of the Issuer, and such Final Terms shall specify the price at which such Notes are to be redeemed (which price shall in no event be less than 100% of the outstanding principal amount of the Notes to be redeemed), including, but not limited to, any USD Make Whole Amount or Non-USD Make Whole Amount, in each case as defined below (the "**Optional Redemption Price**") and the relevant date upon which such Notes will be so redeemed (each such date, an "**Issuer Optional Redemption Date**"); provided, however, that Notes denominated in currencies other than U.S. Dollars may be subject to different restrictions on redemption as set forth under "Special Provisions Relating to Foreign Currency Notes—Minimum Denominations, Restrictions on Maturities, Repayment and Redemption" herein. Notice of any redemption to holders of Bearer Notes shall be published as described under "Notices" below once in each of three successive calendar weeks, the first publication to be not less than 30 nor more than 60 calendar days prior to the Issuer Optional Redemption Date. Notice of any redemption to holders of Registered Notes shall be provided as described under "Notices" below at least 10 and not more than 60 calendar days prior to the Issuer Optional Redemption Date.

Optional Redemption by Issuer in Foreign Currency

The "**Non-USD Make Whole Amount**" per Note shall be an amount equal to the greater of (i) 100% of the principal amount of the Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Benchmark Yield plus an amount of basis points to be specified in the applicable Final Terms, plus, in each case, accrued interest thereon to the date of redemption and any Additional Amounts payable with respect thereto. The "**Benchmark Yield**" shall be the yield to maturity at the Redemption Calculation Date of a benchmark security selected by the Issuer with a constant maturity (as compiled and published in a publicly available source of market data selected by the Issuer) most nearly equal to the period from the Issuer Optional Redemption Date to the Maturity Date; provided, however, that if the period from the Issuer Optional Redemption Date to the Maturity Date is not equal to the constant maturity of such benchmark security for which a weekly average yield is given, the Benchmark Yield shall be obtained by a linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of such benchmark security for which such yields are given, except that if the period from the Issuer Optional Redemption Date to the Maturity Date is less than one year, the weekly average yield on such actually traded benchmark security adjusted to a constant maturity of one year shall be used. "**Redemption Calculation Date**" means the sixth Business Day prior to the date on which the Notes are redeemed pursuant to this section.

Optional Redemption by Issuer in USD

The "**USD Make Whole Amount**" per Note shall be an amount equal to the greater of (i) 100% of the principal amount of the Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus an amount of basis points to be specified in the applicable Final Terms, plus, in each case, accrued interest thereon to the date of redemption and any Additional Amounts payable with respect thereto.

On and after the redemption date, interest on the Notes or any portion of the Notes called for redemption will cease to accrue (unless the Issuer defaults in the payment of the redemption price and accrued interest). On or before the redemption date, the Issuer will deposit with the relevant Paying Agent funds sufficient to pay the redemption price and accrued interest, through the redemption date, on the Notes subject to redemption. If the redemption date falls after a record date but on or prior to the corresponding interest payment date, the Issuer will pay accrued interest to the holder of record on the corresponding record date, which may or may not be the person who will receive payment of the redemption price (which will exclude such accrued interest). If less than all the Notes are to be redeemed, the Notes to be redeemed that are not held through DTC will be selected by the relevant Paying Agent by lot pro rata, or by such other method as the relevant Paying Agent shall deem fair and appropriate, and the Notes to be redeemed that are held through DTC will be selected by DTC in accordance with its procedures.

"**Comparable Treasury Issue**" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the Notes.

"**Comparable Treasury Price**" means, with respect to any redemption date, (A) the average, as calculated by the Issuer, of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Issuer obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"**Independent Investment Banker**" means one of the Reference Treasury Dealers appointed by the Issuer.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Issuer, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

"**Treasury Rate**" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"**Reference Treasury Dealer**" means each of the Dealers specified in the applicable Final Terms, or their respective affiliates or successors which are primary U.S. government securities Dealers, and no less than two other leading primary U.S. government securities Dealers in the City of New York reasonably designated by the Issuer; provided, however, that if any of the foregoing or their affiliates shall cease to be a primary U.S. government securities dealer in the City of New York (a "Primary Treasury Dealer"), the Issuer shall substitute therefor another Primary Treasury Dealer.

Repurchase

The Issuer may at any time purchase Notes at any price in the open market or otherwise.

Redemption Prior to Maturity Solely for Taxation Reasons

The Issuer may at its election, subject to applicable Chilean law, redeem any Series of the Notes in whole, but not in part, upon giving not less than 10 nor more than 60 days' notice to the holders of the Notes of such Series, at their principal amount outstanding, plus Additional Amounts (as defined in "—Payment of Additional Amounts"), if any, together with accrued but unpaid interest to the date fixed for redemption, if the Issuer certifies to the Fiscal and Paying Agent and any other relevant Paying Agent immediately prior to the giving of such notice that (A) the Issuer has or will become obligated to pay Additional Amounts with respect to such Series of Notes (in excess of the 4.0% withholding tax payable on payments of interest on such Series of Notes) as a result of any change in or amendment to the laws, regulations or rulings of a Relevant Taxing Jurisdiction (as defined below), or any change in the application, administration or official interpretation of such laws, regulations or rulings, or any execution of, or amendment to, any treaty or treaties affecting taxation to which a Relevant Taxing Jurisdiction is a party, which change or amendment occurs after the later of the date of issuance of such Series of Notes and the date a Relevant Taxing Jurisdiction becomes a Relevant Taxing Jurisdiction, and (B) the Issuer has determined in good faith that such obligation cannot be avoided by the Issuer taking reasonable measures available to the Issuer; provided, however, that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts if a payment in respect of any such Series of Notes were then due. For the avoidance of doubt, a reasonable measure shall not include changing the Issuer's jurisdiction of organization or the location of its principal executive office or incurring any cost or expense that the Issuer deems in good faith to be material.

Before giving notice of redemption, the Issuer shall deliver to the Fiscal and Paying Agent and any other relevant Paying Agent an officers' certificate stating that the Issuer is entitled to effect such redemption in accordance with the terms set forth in the Fiscal Agency Agreement and setting forth in reasonable detail a statement of the facts relating thereto. The statement will be accompanied by a written opinion of counsel to the effect that the Issuer has become obligated to pay the Additional Amounts as a result of a change or amendment described above.

Interest and Interest Rates

General

Each Note will bear interest at either:

(a) a fixed rate; or

(b) a floating rate determined by reference to an interest rate basis, which may be adjusted by a Spread and/or Spread Multiplier (as defined below). Any Floating Rate Note may also have either or both of the following:

(i) a maximum interest rate limitation, or ceiling, on the rate at which interest may accrue during any interest period; and

(ii) a minimum interest rate limitation, or floor, on the rate at which interest may accrue during any interest period, provided that if no minimum interest rate is specified or if the Final Terms indicate that the minimum interest rate is "not applicable," then the minimum interest rate shall be zero.

The applicable Final Terms will designate:

(a) a fixed rate per annum, in which case such Notes will be "**Fixed Rate Notes**;" or

(b) one or more of the following interest rate bases as applicable to such Notes, in which case such Notes will be "**Floating Rate Notes**:"

(i) the CD Rate, in which case such Notes will be "**CD Rate Notes**;"

(ii) the Commercial Paper Rate, in which case such Notes will be "Commercial Paper Rate Notes;"

(iii) the Eleventh District Cost of Funds Rate, in which case such Notes will be "Eleventh District Cost of Funds Rate Notes;"

(iv) the Federal Funds Rate, in which case such Notes will be "Federal Funds Rate Notes;"

(v) LIBOR, in which case such Notes will be "LIBOR Notes;"

(vi) EURIBOR, in which case such Notes will be "EURIBOR Notes;"

(vii) the Treasury Rate, in which case such Notes will be "Treasury Rate Notes;"

(viii) the Prime Rate, in which case such Notes will be "Prime Rate Notes;" or

(ix) such other interest rate basis or formula as is set forth in such Final Terms.

Each Note will bear interest from its date of issue or from the most recent date to which interest on such Note has been paid or duly provided for, at the annual rate, or at a rate determined pursuant to an interest rate formula, stated herein. Interest will accrue on a Note until the principal thereof is paid or made available for payment.

Interest will be payable on each Interest Payment Date and at maturity or on redemption or repayment, if any, except for:

(a) certain Original Issue Discount Notes; and

(b) Notes originally issued between a Regular Record Date and an Interest Payment Date.

The first payment of interest on any Registered Note originally issued between a Regular Record Date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date. Such interest will be payable by the Issuer to the registered owner on such next Regular Record Date.

Interest will be payable on a Registered Note on each Interest Payment Date to the person in whose name such Note is registered at the close of business on the Regular Record Date next preceding the Interest Payment Date; provided, however, that:

(c) if the Issuer fails to pay such interest on such Interest Payment Date, such defaulted interest will be paid to the person in whose name such Registered Note is registered at the close of business on the record date to be established for the payment of defaulted interest; and

(d) interest payable at maturity, redemption or repayment will be payable to the person to whom principal shall be payable.

Unless otherwise specified in the applicable Final Terms:

(a) for Fixed Rate Notes, the Interest Payment Dates and any Regular Record Dates shall be as described below under "**Fixed Rate Notes**;" and

(b) for Floating Rate Notes:

(i) the Interest Payment Dates shall be as indicated in the applicable Final Terms and in such Note; and

(ii) any Regular Record Date will be the calendar day (whether or not a Business Day) next preceding each Interest Payment Date.

"LIBOR" means the London Inter-bank Offered Rate for deposits in a specified currency.

"Spread" means the number of basis points expressed as a percentage (one basis point equals one-hundredth of a percentage point) that the Calculation Agent will add or subtract from the related Interest Rate Basis or Bases applicable to a Floating Rate Note.

"Spread Multiplier" means the percentage of the related Interest Rate Basis or Bases applicable to a Floating Rate Note by which the Calculation Agent will multiply such Interest Rate Basis or Bases to determine the applicable interest rate on such Floating Rate Note.

Fixed Rate Notes

General. Each Fixed Rate Note will bear interest at the annual rate specified in the Note and in the applicable Final Terms (the "**Fixed Rate of Interest**"). Interest on the Fixed Rate Notes will be paid on the dates specified in the applicable Final Terms (each, a "**Fixed Interest Payment Date**"). The Regular Record Dates for Fixed Rate Notes in registered form will be on the dates specified in the applicable Final Terms. In the event that any Fixed Interest Payment Date or Maturity Date for any Fixed Rate Note is not a Business Day, interest on such Fixed Rate Note will be paid on the next succeeding Business Day without additional interest. If interest is required to be calculated for a period other than a Fixed Interest Period (as defined below), such interest shall be calculated by applying the Fixed Rate of Interest to each specified denomination of the Notes of such Series, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards, or otherwise in accordance with applicable market convention.

Day Count Fraction. Unless otherwise indicated in the applicable Final Terms, "**Fixed Day Count Fraction**" means:

(1) in the case of Notes denominated in a currency other than U.S. Dollars, "Actual/Actual (ICMA)," meaning:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Fixed Interest Payment Date (or, if none, the interest commencement date (the "Interest Commencement Date") (as specified in the applicable Final Terms)) to (but excluding) the relevant payment date (the "Calculation Period") is equal to or shorter than the Determination Period (as defined below) during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (1) the number of days in such Determination Period and (2) the number of determination dates (each, a "Determination Date") (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of Notes where the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:

(i) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

(ii) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) in the case of Notes denominated in U.S. Dollars "30/360," meaning the number of days in the period from and including the most recent Fixed Interest Payment Date (or, if none, the Interest Commencement Date (as specified in the applicable Final Terms)) to but excluding the relevant payment date (such number of days being calculated on the basis of a year of 360 days with twelve 30-day months) divided by 360.

Where:

"**Determination Period**" means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date (as specified in the applicable Final Terms) or the final Fixed Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

"**Fixed Interest Period**" means the period from (and including) a Fixed Interest Payment Date (or, if none, the Interest Commencement Date (as specified in the applicable Final Terms)) to (but excluding) the next (or first) Fixed Interest Payment Date.

"**sub-unit**" means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

Floating Rate Notes

General. Floating Rate Notes generally will be issued as described below. Each applicable Final Terms will specify the following terms with respect to which such Floating Rate Note is being delivered:

(a) whether such Floating Rate Note is a Regular Floating Rate Note, a Floating Rate/Fixed Rate Note or an Inverse Floating Rate Note, each as defined below;

(b) the Interest Rate Basis or Bases, Initial Interest Rate, Interest Reset Dates, Interest Reset Period, Regular Record Dates (if any) and Interest Payment Dates;

(c) the Index Maturity;

(d) the Spread and/or Spread Multiplier, if any;

(e) the maximum interest rate and minimum interest rate, if any (provided that if no minimum interest rate is specified or if the Final Terms indicate that the minimum interest rate is "not applicable," then the minimum interest rate shall be zero); and

(f) the Designated LIBOR Currency, if one or more of the specified Interest Rate Bases is LIBOR.

The Issuer may change the Spread, Spread Multiplier, Index Maturity and other variable terms of the Floating Rate Notes from time to time. However, no such change will affect any Floating Rate Note previously issued or as to which an offer has been accepted by the Issuer.

The interest rate in effect on each day shall be:

(a) if such day is an Interest Reset Date, the interest rate determined on the Interest Determination Date immediately preceding such Interest Reset Date; or

(b) if such day is not an Interest Reset Date, the interest rate determined on the Interest Determination Date immediately preceding the next preceding Interest Reset Date.

Regular Floating Rate Note; Floating Rate/Fixed Rate Note; Inverse Floating Rate Note

The Interest Rate Basis applicable to each Regular Floating Rate Note, Floating Rate/Fixed Rate Note and Inverse Floating Rate Note may be subject to a Spread or Spread Multiplier, provided that the interest rate on an Inverse Floating Rate Note will not be less than zero.

Regular Floating Rate Note. A Regular Floating Rate Note will bear interest at the rate determined by reference to the applicable Interest Rate Basis. The rate at which interest shall be payable shall be reset as of each Interest Reset Date commencing on the Initial Interest Reset Date. However:

(a) the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate; and

(b) the interest rate in effect for the ten calendar days immediately prior to a Maturity Date shall be that in effect on the tenth calendar day preceding such Maturity Date, unless otherwise specified in the applicable Final Terms.

Floating Rate/Fixed Rate Note. A Floating Rate/Fixed Rate Note will initially bear interest at the rate determined by reference to the applicable Interest Rate Basis. The rate at which interest shall be payable shall be reset as of each Interest Reset Date commencing on the Initial Interest Reset Date. However:

(a) the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate;

(b) the interest rate in effect for the 10 calendar days immediately prior to the fixed rate commencement date shall be that in effect on the tenth calendar day preceding the fixed rate commencement date, unless otherwise specified in the applicable Final Terms; and

(c) the interest rate in effect commencing on, and including, the fixed rate commencement date to the Maturity Date shall be the Fixed Interest Rate, if such rate is specified in the applicable Final Terms, or if no such Fixed Interest Rate is so specified and the Floating Rate/Fixed Rate Note is still outstanding on such day, the interest rate in effect thereon on the day immediately preceding the fixed rate commencement date.

Inverse Floating Rate Note. An Inverse Floating Rate Note will bear interest equal to the Fixed Interest Rate specified in the related Final Terms minus the rate determined by reference to the Interest Rate Basis. The rate at which interest is payable shall be reset as of each Interest Reset Date commencing on the Initial Interest Reset Date. However:

(a) the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate; and

(b) the interest rate in effect for the ten calendar days immediately prior to a Maturity Date shall be that in effect on the tenth calendar day preceding such Maturity Date, unless otherwise specified in the applicable Final Terms.

Interest Rate Bases

Each Floating Rate Note will have one or more of the following interest rate bases, as specified in the Final Terms:

(a) the CD Rate;

(b) the Commercial Paper Rate;

(c) the Eleventh District Cost of Funds Rate;

(d) the Federal Funds Rate;

(e) LIBOR;

(f) EURIBOR;

(g) the Treasury Rate;

(h) the Prime Rate;

(i) the lowest of two or more Interest Rate Bases; or

(j) such other rate specified in the applicable Final Terms.

Date of Interest Rate Change

The interest rate on each Floating Rate Note may be reset daily, weekly, monthly, quarterly, semi-annually or annually, as specified in the applicable Final Terms (this period is the "**Interest Reset Period**" and the first day of each Interest Reset Period is the "**Interest Reset Date**").

If an Interest Reset Date for any Floating Rate Note falls on a day that is not a Business Day, it will be postponed to the following Business Day, except that if that Business Day is in the next calendar month, the Interest Reset Date will be the immediately preceding Business Day.

How Interest Is Calculated

General. Unless otherwise specified in the applicable Final Terms, the Calculation Agent will be the calculation agent for each Series of Floating Rate Notes. Floating Rate Notes will accrue interest from and including the original issue date or the last date to which the Issuer has paid or provided for interest, to but excluding the applicable Interest Payment Date, as described below, or the Maturity Date, as the case may be. However, in the case of Registered Notes that are Floating Rate Notes on which the interest rate is reset daily or weekly, each interest payment will include interest accrued from and including the date of issue or from but excluding the last Regular Record Date on which, unless otherwise specified in the applicable Final Terms, interest has been paid, through and including the Regular Record Date next preceding the applicable Interest Payment Date, and provided further that the interest payments on Floating Rate Notes made on the Maturity Date will include interest accrued to but excluding such Maturity Date.

Day Count Fraction. The amount of interest (the "**Interest Amount**") payable on any Series of Floating Rate Notes shall be calculated with respect to each specified denomination of such Floating Rate Notes of such Series for the relevant Interest Reset Period. Each Interest Amount shall be calculated by applying the relevant Interest Rate Basis, Spread and/or Spread Multiplier to each specified denomination and multiplying such sum by the applicable Floating Day Count Fraction.

"**Floating Day Count Fraction**" means, in respect of the calculation of the Interest Amount for any Interest Reset Period:

if "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is specified in the applicable Final Terms, the actual number of days in the Interest Reset Period divided by 365 (or, if any portion of that Interest Reset Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Reset Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Reset Period falling in a non-leap year divided by 365);

(a) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Reset Period divided by 365;

(b) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Reset Period divided by 360;

(c) if "**30/360**," "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Reset Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Reset Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Reset Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Reset Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Reset Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(d) if "**30E/360**" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Reset Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Reset Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Reset Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Reset Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Reset Period, unless such number would be 31, in which case D2 will be 30; and

(e) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Reset Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Reset Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Reset Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Reset Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Reset Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

Unless otherwise specified in the applicable Final Terms, the Day Count Fraction in respect of the calculation of the Interest Amount on any Floating Rate Note will (a) in the case of a Note denominated in U.S. Dollars be Actual/360 or (b) in the case of a Note denominated in any other Specified Currency, be Actual/Actual. Notes for which the interest rate may be calculated with reference to two or more Interest Rate Bases will be calculated in each period by selecting one such Interest Rate Basis for such period. For these calculations, the interest rate in effect on any Interest Reset Date will be the new reset rate.

The Calculation Agent will round all percentages resulting from any calculation of the rate of interest on a Floating Rate Note, to the nearest 1/100,000 of 1% (0.0000001), with five one-millionths of a percentage point rounded upward (e.g. 9.876545% (or 0.09876545) would be rounded to 9.87655% (or 0.0987655)) and the Calculation Agent will round all currency amounts used in or resulting from any calculation to the nearest one-hundredth of a unit (with 0.005 of a unit being rounded upward).

The Calculation Agent will promptly, and no later than the fourth Business Day, notify the Fiscal Agent and the Issuer of each determination of the interest rate. The Calculation Agent will also notify the relevant stock exchange, competent authority and/or market (in the case of Notes that are listed or admitted to trading on or by a stock exchange, competent authority and/or market) and the relevant Paying Agents of the interest rate, the interest amount, the interest period and the Interest Payment Date related to each Interest Reset Date as soon as such information is available, and no later than the first Business Day of the interest period. The relevant Paying Agents will make such information available to the holders of Notes. The Fiscal Agent will, upon the request of the holder of any Floating Rate Note, provide the interest rate then in effect and, if determined, the interest rate which will become effective as a result of a determination made with respect to the most recent Interest Determination Date relating to such Note.

So long as any Notes are listed on or by any exchange, competent authority and/or market and the rules of such exchange(s), competent authority(ies) and/or market(s) so require, the Issuer shall maintain a calculation agent for the Notes, and the Issuer will notify the holders of its Notes in the manner specified under "Notices" below in the event that the Issuer appoints a calculation agent with respect to such Notes other than the Calculation Agent or the calculation agent designated as such in the applicable Final Terms.

When Interest Is Paid

The Issuer will pay interest on Floating Rate Notes on the dates specified in the applicable Final Terms. Each such date upon which the Issuer is required to pay interest is an "**Interest Payment Date**." The Issuer will also pay interest on the relevant Floating Rate Notes at the Maturity Date.

If an Interest Payment Date (other than the Maturity Date) for a Floating Rate Note falls on a day that is not a Business Day, the Issuer will postpone payment of interest to the following Business Day at which time the Issuer will pay additional interest that has accrued up to but excluding such following Business Day, except that if that Business Day would fall in the next calendar month, the Interest Payment Date will be the immediately preceding Business Day.

If the Maturity Date for a Floating Rate Note falls on a day that is not a Business Day, the Issuer will make the payment on the next Business Day, without additional interest.

Date of Interest Rate Determination

The interest rate for each Interest Reset Period commencing on the Interest Reset Date will be the rate determined on the relevant Interest Determination Date for such Interest Reset Date for the relevant type of Floating Rate Note, as set forth in the applicable Final Terms.

Types of Floating Rate Notes

CD Rate Notes

Each CD Rate Note will bear interest at a specified rate that will be reset periodically based on the CD Rate and any Spread and/or Spread Multiplier.

"**CD Rate**" means, with respect to any Interest Determination Date, the rate on that Interest Determination Date for negotiable certificates of deposit having the specified Index Maturity as published in H.15(519) under the heading "**CDs (secondary market)**."

The following procedures will apply if the rate cannot be set as described above:

(a) If the rate is not published in H.15(519) prior to 3:00 p.m., New York City time, on the Interest Determination Date, then the CD Rate will be the rate for negotiable certificates of deposit having the specified Index Maturity as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "**CDs (secondary market)**."

(b) If the rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, the CD Rate will be the average of the secondary market offered rates, as of 10:00 a.m., New York City time, of three leading non-bank dealers of negotiable U.S. Dollar certificates of deposit in The City of New York selected by the Issuer for negotiable certificates of deposit of major money market banks with a remaining maturity closest to the specified Index Maturity in a denomination of US$5,000,000.

(c) If fewer than three dealers are providing quotes, the rate will be the same as the rate used in the prior interest period.

"**H.15(519)**" means the publication entitled "**Statistical Release H.15(519), Selected Interest Rates,**" or any successor publication published by the Federal Reserve.

"**H.15 Daily Update**" means the daily update of H.15(519), available through the web site of the Federal Reserve at http://www.federalreserve.gov/releases/h15/update/default.htm, or any successor service.

Commercial Paper Rate Notes

Each Commercial Paper Rate Note will bear interest at a specified rate that will be reset periodically based on the Commercial Paper Rate and any Spread and/or Spread Multiplier.

"**Commercial Paper Rate**" means, with respect to any Interest Determination Date, the Money Market Yield of the rate on that Interest Determination Date for commercial paper having the specified Index Maturity as published in H.15(519) under the heading "**Commercial Paper Nonfinancial**."

The following procedures will apply if the rate cannot be set as described above:

(a) If the rate is not published in H.15(519) prior to 3:00 p.m., New York City time, on the Interest Determination Date, then the Commercial Paper Rate will be the Money Market Yield of the rate for commercial paper having the specified Index Maturity as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "**Commercial Paper Nonfinancial**."

(b) If the rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, the Commercial Paper Rate will be the Money Market Yield of the average for the offered rates, as of 11:00 a.m., New York City time, on that Interest Determination Date, of three leading dealers of commercial paper in The City of New York selected by the Issuer for commercial paper having the specified Index Maturity placed for an industrial issuer whose bond rating is "AA", or the equivalent, by a nationally recognized rating agency.

(c) If fewer than three dealers are providing quotes, the rate will be the same as the rate used in the prior interest period.

"**Money Market Yield**" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the period for which interest is being calculated.

Eleventh District Cost of Funds Rate Notes

Each Eleventh District Cost of Funds Rate Note will bear interest at a specified rate that will be reset periodically based on the Eleventh District Cost of Funds Rate and any Spread and/or Spread Multiplier.

"**Eleventh District Cost of Funds Rate**" means, with respect to any Interest Determination Date, the rate equal to the monthly weighted average cost of funds for the calendar month preceding such Interest Determination Date as set forth under the caption "**11th District**" on Reuters Screen COFI/ARMS (or such other page as is specified in the applicable Final Terms) as of 11:00 a.m. San Francisco time, on such Interest Determination Date.

The following procedures will apply if the rate cannot be set as described above:

(a) If such rate does not appear on Reuters Screen COFI/ARMS, the Eleventh District Cost of Funds Rate shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced by the Federal Home Loan Bank of San Francisco as such cost of funds for the calendar month preceding the date of such announcement.

(b) If the Federal Home Loan Bank of San Francisco fails to announce such rate for the calendar month next preceding such Interest Determination Date, then the Eleventh District Cost of Funds Rate will be the same as the rate used in the prior interest period.

Federal Funds Rate Notes

Each Federal Funds Rate Note will bear interest at a specified rate that will be reset periodically based on the Federal Funds Rate and any Spread and/or Spread Multiplier.

"**Federal Funds Rate**" means, with respect to any Interest Determination Date unless otherwise specified in any applicable Final Terms, the rate on specified dates for federal funds published in H.15(519) prior to 11:00 a.m., New York City time, under the heading "**Federal Funds Effective**," as such rate is displayed on Reuters Screen FEDFUNDS1 Page (or any such other page as specified in the applicable Final Terms).

The following procedures will apply if the rate cannot be set as described above:

(a) If the rate does not appear on Reuters Screen FEDFUNDS1 Page (or any other pages as may replace such pages on such service) or is not published in H.15(519) prior to 11:00 a.m., New York City time, on the Interest Determination Date, then the Federal Funds Rate will be the rate on such Interest Determination Date published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "**Federal Funds (Effective)**."

(b) If the rate does not appear on Reuters Screen FEDFUNDS1 Page (or any other pages as may replace such pages on such service) or is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, the Federal Funds Rate will be the average of the rates, as of 11:00 a.m., New York City time, on that Interest Determination Date, for the last transaction in overnight federal funds arranged by three leading brokers of federal funds transactions in The City of New York selected by the Issuer.

(c) If fewer than three brokers are providing quotes, the rate will be the same as the rate used in the prior interest period.

LIBOR Notes

Each LIBOR Note will bear interest at a specified rate that will be reset periodically based on LIBOR and any Spread and/or Spread Multiplier.

The Calculation Agent will determine LIBOR on each Interest Determination Date as follows:

(a) With respect to any Interest Determination Date, LIBOR will be generally determined as either:

    (i) If at least two offered rates appear on the Designated LIBOR Page, the average of the offered rates for deposits in the Designated LIBOR Currency having the specified Index Maturity beginning on the relevant Interest Reset Date, that appear on the Designated LIBOR Page as of 11:00 a.m., London time, on that Interest Determination Date; or

    (ii) If fewer than two offered rates appear on the Designated LIBOR Page, the rate for deposits in the London interbank market in the Designated LIBOR Currency having the specified Index Maturity beginning on the relevant Interest Reset Date, that appears on the Designated LIBOR Page as of 11:00 a.m., London time, on that Interest Determination Date.

(iii) If no rate appears on the Designated LIBOR Page, LIBOR for that Interest Determination Date will be determined based on the rates on that Interest Determination Date at approximately 11:00 a.m., London time, at which deposits on that date in the Designated LIBOR Currency for the period of the specified Index Maturity beginning on the relevant Interest Reset Date are offered to prime banks in the London interbank market by four major banks (one of which may be an affiliate of the Calculation Agent) in that market selected by the Issuer and in a Representative Amount. The Calculation Agent will request the principal London office of each of these banks to quote its rate. If the Calculation Agent receives at least two quotations, LIBOR will be the average of those quotations.

(b) If the Calculation Agent receives fewer than two quotations, LIBOR will be the average of the rates quoted at approximately 11:00 a.m., New York City time, on the Interest Determination Date by three major banks (one of which may be an affiliate of the Calculation Agent) in the principal financial center selected by the Issuer. The rates will be for loans in the Designated LIBOR Currency to leading European banks having the specified Index Maturity beginning on the relevant Interest Reset Date and in a Representative Amount.

(c) If fewer than three banks provide quotes, the rate will be the same as the rate used in the prior interest period.

"**Designated LIBOR Currency**" means the currency (including composite currencies and Euro) specified in the Final Terms as to which LIBOR shall be calculated. If no such currency is specified in the Final Terms, the Designated LIBOR Currency shall be U.S. Dollars.

"**Designated LIBOR Page**" means Capital Markets Report Screen LIBOR01 of Reuters, or any other page as may replace such page on such service.

EURIBOR Notes

Each EURIBOR Note will bear interest at a specified rate that will be reset periodically based on EURIBOR and any Spread and/or Spread Multiplier.

"**EURIBOR**" means the European Interbank Offered Rate and, with respect to each Interest Determination Date, the rate for deposits in Euro having the Index Maturity beginning on the relevant Interest Reset Date that appears on the Designated EURIBOR Page as of 11:00 a.m., Brussels time, on that Interest Determination Date.

The following procedures will apply if the rate cannot be set as described above:

(a) If such rate does not appear on the Designated EURIBOR Page as of 11:00 a.m., Brussels time, on the related Interest Determination Date, then the Calculation Agent will request the principal offices of four major banks (one of which may be an affiliate of the Calculation Agent) in the Euro-zone selected by the Issuer to provide such bank's offered quotation to prime banks in the Euro-zone interbank market for deposits in Euro having the Index Maturity beginning on the relevant Interest Reset Date as of 11:00 a.m., Brussels time, on such Interest Determination Date and in a Representative Amount. If at least two quotations are provided, EURIBOR for that date will be the average (if necessary rounded upwards) of the quotations.

(b) If fewer than two quotations are provided, EURIBOR will be the average (if necessary rounded upwards) of the rates quoted by major banks (which may include an affiliate of the Calculation Agent) in the Euro-zone, selected by the Issuer, at approximately 11:00 a.m., Brussels time, on the Interest Determination Date for loans in Euro to leading European banks for a period of time corresponding to the Index Maturity beginning on the relevant Interest Reset Date and in a Representative Amount.

(c) If no rates are quoted by major banks, the rate will be the same as the rate used for the prior interest period.

"**Designated EURIBOR Page**" means Capital Markets Report Screen EURIBOR01 of Reuters, or any other page as may replace such page on such service.

Treasury Rate Notes

Each Treasury Rate Note will bear interest at a specified rate that will be revised periodically based on the Treasury Rate and any Spread and/or Spread Multiplier.

"**Treasury Rate**" means, with respect to any Interest Determination Date, the rate for the most recent auction of direct obligations of the United States ("**Treasury bills**") having the specified Index Maturity as it appears under the caption "**INVEST RATE**" on either Reuters Screen USAUCTION10 Page or Reuters Screen USAUCTION11 Page (or any other pages as may replace such pages on such service).

The following procedures will apply if the rate cannot be set as described above:

(a) If the rate is not so published by 3:00 p.m., New York City time, on the Interest Determination Date, the rate will be the auction average rate for such Treasury bills (expressed as a bond equivalent, on the basis of a year of 365 or 366 days as applicable, and applied on a daily basis) for such auction as otherwise announced by the U.S. Department of the Treasury.

(b) If the results of the auction of Treasury bills are not so published by 3:00 p.m., New York City time, on the Interest Determination Date, or if no such auction is held, the Treasury Rate will be the rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) on such Interest Determination Date of such Treasury bills having the specified Index Maturity as published in H.15(519) under the caption "**U.S. Government Securities/Treasury Bills/Auction high**."

(c) If such rate is not so published in H.15(519) by 3:00 p.m., New York City time, on the related Interest Determination Date, the rate on such Interest Determination Date of such Treasury bills will be as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "**U.S. Government Securities/Treasury Bills/Auction high**."

(d) If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source, then the Treasury Rate will be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the average of the secondary market bid rates as of approximately 3:30 p.m., New York City time, on the Interest Determination Date, of three leading primary U.S. government securities dealers in The City of New York selected by the Issuer for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity.

(e) If fewer than three dealers are providing quotes, the rate will be the same as the rate used in the prior interest period.

Prime Rate Notes

Each Prime Rate Note will bear interest at a specified rate that will be reset periodically based on the Prime Rate and any Spread and/or Spread Multiplier.

"**Prime Rate**" means, with respect to any Interest Determination Date, unless otherwise specified in any applicable Final Terms, the rate set forth on that Interest Determination Date in H.15(519) under the heading "**Bank Prime Loan**."

The following procedures will apply if the rate cannot be set as described above:

(a) If the rate is not published in H.15(519) by 3:00 p.m., New York City time, on the Interest Determination Date, then the Prime Rate will be the rate as published on such Interest Determination Date in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate under the caption "**Bank Prime Loan**."

(b) If the rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, then the Prime Rate will be the average (rounded upwards, if necessary, to the next higher one-hundred thousandth of a percentage point) of the rates publicly announced by each bank on the Reuters Screen USPRIME1 Page as its prime rate or base lending rate for that Interest Determination Date.

(c) If fewer than four, but more than one, rates appear on the Reuters Screen USPRIME1 Page, the Prime Rate will be the average of the prime rates (quoted on the basis of the actual number of days in the year divided by a 360-day year) as of the close of business on the Interest Determination Date by four major money center banks in The City of New York selected by the Issuer.

(d) If fewer than two rates appear, the Prime Rate will be determined based on the rates furnished in The City of New York by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any State thereof, having total equity capital of at least US$500 million and being subject to supervision or examination by a Federal or State authority, as selected by the Issuer.

(e) If no banks are providing quotes, the rate will be the same as the rate used for the prior interest period.

Indexed Notes

Notes may be issued with the principal amount payable at maturity or interest to be paid thereon, or both, to be determined with reference to the price or prices of specified commodities or stocks, indices, formulae or other assets or bases of reference as may be specified in such Note and the applicable Final Terms ("**Indexed Notes**"). Holders of such Indexed Notes may receive a principal amount on the Maturity Date that is greater than or less than the face amount of the Indexed Notes, or an interest rate that is greater than or less than the stated interest rate on the Indexed Notes, or both, depending upon the structure of the Indexed Note and the relative value on the Maturity Date or at the relevant Interest Payment Date, as the case may be, of the specified indexed item. Information as to the method for determining the principal amount payable on the Maturity Date, the currency base rate (the "**Currency Base Rate**"), the manner of determining the interest rate, the determination agent (the "**Determination Agent**"), certain historical information with respect to the specified indexed item and tax considerations associated with an investment in Indexed Notes will be set forth in the applicable Final Terms.

A separate prospectus comprising the relevant Note will be used for the documentation of an issuance of Indexed Notes, including, but not limited to a discussion of market and settlement disruptions and adjustments. For further information regarding certain risks inherent in Indexed Notes, see "**Risk Factors— Risk Factors in Respect of the Issuer—Indexed Notes**." Indexed Notes will not be admitted to trading on the Luxembourg Stock Exchange's regulated market.

Dual Currency Notes

In general, "**Dual Currency Notes**" refer to Notes as to which the Issuer is permitted under certain specified circumstances to pay principal, premium, if any, and/or interest, in more than one currency or composite currency. The terms of any Dual Currency Notes will be as set forth in the applicable Final Terms related to any such Notes, including the face amount currency (the "**Face Amount Currency**"), the option value calculation agent (the "**Option Value Calculation Agent**"), the optional payment currency (the "**Optional Payment Currency**"), the option election date(s) (the "**Option Election Date(s)**"), and the designated exchange rate (the "**Designated Exchange Rate**").

For further information regarding certain risks inherent in Notes denominated in currencies other than U.S. Dollars, see "Risk Factors—Exchange rate risk and exchange controls."

Amortizing Notes

Amortizing Notes are Fixed Rate Notes for which payments combining principal and interest are made in installments over the life of the Note ("**Amortizing Notes**"). Unless otherwise specified herein and in the applicable Final Terms, interest on each Amortizing Note will be computed on the basis of a 360-day year of twelve 30-day months. Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. Further information concerning specific terms of any issue of Amortizing Notes, including the amortization schedule (the "**Amortization Schedule**"), will be provided in the applicable Final Terms. A table setting forth repayment information in respect of each Amortizing Note will be included in the applicable Final Terms and set forth on such Notes.

Original Issue Discount Notes

Original Issue Discount Notes are Notes issued at more than a *de minimis* discount from the principal amount payable at maturity. Certain additional considerations relating to Original Issue Discount Notes may be described in the applicable Final Terms relating thereto.

Additional Notes

The Issuer may issue Notes from time to time having terms identical to a prior Tranche of Notes but for the original issue date and the public offering price ("**Additional Notes**"). Any such Additional Notes that are Regulation S Global Notes will be issued in the form of a temporary global Note which will be exchangeable for a beneficial interest in a permanent global Note on or after the Exchange Date specified in the applicable Final Terms relating to such Additional Notes. Additional Notes may be issued prior to or after the Exchange Date relating to such prior Tranche of Notes of the same Series. In the event Additional Notes are issued prior to the Exchange Date for the prior Tranche, the Exchange Date relating to such prior Tranche shall be moved to a date not earlier than 40 calendar days after the original issue date of the related Additional Notes; provided, however, in no event shall the Exchange Date for a Tranche of Notes be extended to a date more than 160 calendar days after the date such Tranche was issued. Once any Additional Notes have been issued, whether Regulation S Global Notes or Rule 144A Global Notes, such Additional Notes together with each prior and subsequent Tranche of Notes of the same Series, shall constitute one and the same Series of Notes for all purposes to the extent specified in the applicable Final Terms (except that any such Additional Notes offered and sold in compliance with Regulation S will have temporary CUSIP, ISIN and Common Code numbers during a 40-day distribution compliance period commencing on the date of issuance of such Additional Notes); provided, however, that in the case of Regulation S Global Notes, or Notes to which the TEFRA D Rules apply, such consolidation of Additional Notes issued after the Exchange Date will occur only following the exchange of interests in the temporary global Note for interests in the permanent global Note upon receipt of certificates described below; and provided further that if the Additional Notes are not fungible with the earlier Notes for United States federal income tax purposes, the Additional Notes will have a separate CUSIP number. The Final Terms relating to any Additional Notes will set forth matters related to the issuance, exchange and transfer of Additional Notes, including identifying the prior Tranche of Notes, their original issue date and aggregate principal amount. Any Additional Notes that are Bearer Notes will be subject to the same restrictions as are set forth under "**Forms of Notes—Bearer Notes**" above.

Other Provisions

Any provisions with respect to Notes, including without limitation the determination of an Interest Rate Basis, the specification of an Interest Rate Basis, calculation of the interest rate applicable to a Floating Rate Note, its Interest Payment Dates or any other matter relating thereto may be modified by the terms specified under "**Other Provisions**" on the face thereof, if so specified on the face thereof or in the applicable Final Terms.

Covenants

The Issuer has agreed to restrictions on its activities for the benefit of holders of each Series of Notes. The following restrictions will apply separately to each Series of Notes:

Consolidation, Merger, Sale or Conveyance

The Issuer may not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any person, unless:

(i) the successor corporation shall (a) be organized and existing under the laws of the Republic of Chile, the United States (or any state thereof or the district of Columbia) or any country that is a member of the

Organisation for Economic Co-operation and Development (OECD), and (b) expressly assume, by a supplemental Fiscal Agency Agreement, executed and delivered to the Fiscal and Paying Agent, the due and punctual payment of the principal of (and premium, if any) and interest on all the outstanding Notes and the performance of every covenant in the Fiscal Agency Agreement on the part of the Issuer to be performed or observed;

(ii) immediately after giving effect to such transaction, no Event of Default shall have happened and be continuing; and

(iii) The Issuer shall have delivered to the Fiscal Agent an officers' certificate and an opinion of counsel stating that such consolidation, merger, conveyance or transfer and such supplemental Fiscal Agency Agreement comply with the foregoing provisions relating to such transaction.

In case of any such consolidation, merger, conveyance or transfer such successor corporation will succeed to and be substituted for the Issuer as obligor on each Series of Notes with the same effect as if it had issued such Series of Notes. Upon the assumption of its obligations by any such successor corporation in such circumstances subject to certain exceptions, the Issuer will be discharged from all obligations under the Notes and the Fiscal Agency Agreement.

Periodic Reports

The Fiscal Agency Agreement provides that if the Issuer is not required to file with the Securities and Exchange Commission information, documents, or reports pursuant to Section 13 or Section 15(d) of the Exchange Act, the Issuer shall make available, upon request, to any holder of the Notes, any owner of a beneficial interest in any Note or any prospective purchaser designated by a holder or owner of a beneficial interest in any Note, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Events of Default

An "Event of Default," with respect to each Series of Notes is defined in the Fiscal Agency Agreement as:

(i) The Issuer's default in the payment of any principal of any of the Notes of such Series, when due and payable, whether at maturity or otherwise; or

(ii) The Issuer's default in the payment of any interest or any Additional Amounts when due and payable on any of the Notes of such Series and the continuance of such default for a period of 30 days; or

(iii) The Issuer's default in the performance or observance of any other covenant or obligation of the Issuer in the Notes of such Series or the Fiscal Agency Agreement, not otherwise expressly defined as an Event of Default in (i) or (ii) above, and the continuance of such default for more than 60 days after written notice of such default has been received by the Issuer from the Fiscal and Paying Agent or the holders of at least 25% in aggregate principal amount of the Notes of such Series outstanding specifying such default and requiring it to be remedied and stating that such notice is a "Notice of Default;" or

(iv) if the Issuer or any of its Significant Subsidiaries fails to pay the principal of, or interest on, Relevant Indebtedness (as defined below) having a total principal amount exceeding US$100,000,000(or its equivalent in any other currency or currencies) when due (whether at maturity, upon redemption or acceleration or otherwise), if such default shall continue for more than the originally applicable period of grace, if any, and in each case all such Indebtedness shall have been declared due and payable; or

(v) the entry of a final order for relief against the Issuer under any Bankruptcy Law by a court or regulatory entity having jurisdiction in the premises adjudging the Issuer as bankrupt or insolvent, or the entry of such an order by such a court or regulatory entity appointing under any Bankruptcy Law a receiver, liquidator or trustee of the Issuer or of all or substantially all of its property or ordering the winding up or liquidation of its affairs, and in each case the continuance of any such order unstayed and in effect for a period of 90 consecutive days; or

(vi) the consent by the Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition seeking reorganization or relief with respect to its debts, in each case under any Bankruptcy Law, or the consent by it to the appointment under any Bankruptcy Law of a receiver, liquidator or trustee of the Issuer or of all or substantially all of its property.

The term "**Bankruptcy Law**" as used in this Section means (i) articles 120 et seq. of the Chilean Banking Law (D.F.L. 3 of 1997, as amended), (ii) the Chilean Law No. 20,720 on "*Reorganización y Liquidación de Activos de Empresas y Personas*" (The "**Law No. 20,720**") or (iii) any other applicable law that amends, supplements or supersedes the Chilean Banking Law and/or the Law No. 20,720, and any applicable bankruptcy, insolvency, reorganization or other similar law of any applicable jurisdiction.

For purposes of the above, "Relevant Indebtedness" means, with respect to any person (without duplication) (a) any liability of such person (1) for borrowed money or due and payable under any reimbursement obligation relating to a letter of credit, or (2) evidenced by a bond, note, debenture or other similar securities (other than a trade payable or a current liability arising in the ordinary course of business or a performance bond or similar obligation); and (b) any liability of others described in the preceding clause (a) that the person has guaranteed; provided that the term "Relevant Indebtedness" will not include any of the following liabilities or obligations incurred by the Issuer or any of its subsidiaries: (1) any deposits with or funds collected by the Issuer or any of its subsidiaries (but not other funds borrowed by the Issuer or any of its subsidiaries), (2) any check, note, certificate of deposit, draft or bill of exchange, issued, accepted or endorsed by the Issuer or any of its subsidiaries, (3) any transaction in which the Issuer or any of its subsidiaries act solely in a fiduciary or agency capacity, (4) any agreement to purchase or repurchase securities or loans or currency or to participate in loans, and (5) letters of credit to the extent they are issued by the Issuer or any of its subsidiaries. For the purpose of determining any particular amount of Relevant Indebtedness under this definition, guarantees of (or obligations with respect to letters of credit or financial bonds supporting) Relevant Indebtedness otherwise included in the determination of such amount shall also not be included.

The term "**Significant Subsidiary**" as used in this Section means a Subsidiary of the Issuer organized under the laws of the Republic of Chile which would be a "significant subsidiary" within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC in effect on the date of this Prospectus assuming for purposes of that definition that the Issuer is the registrant referred to in such definition, except that for purposes of the calculation under Rule1-02 under Regulation S-X all references therein to (i) "any of" and "; or" shall be changed to "each of" and "and" respectively and (ii) 10 percent shall be changed to 20 percent.

If an Event of Default described in paragraph (iv) above has occurred and is continuing with respect to any Series of Notes, such Event of Default will be automatically rescinded and annulled once the default triggering such Event of Default pursuant to clause (iv) is remedied or cured by the Issuer or waived by the holders of the relevant Indebtedness; provided that no declaration of acceleration has been made and is continuing with respect to such Series of Notes as a result of such Event of Default. No such rescission and annulment will affect any subsequent Event of Default or impair any right consequent thereto.

The Fiscal Agency Agreement provides that if an Event of Default with respect to any Series of Notes described in paragraphs (i), (ii), (iii) and (iv) above occurs and is continuing with respect to the Notes of any Series, then and in each and every such case, unless the principal of all the Notes of such Series shall have already become due and payable, the holders of not less than 25% in aggregate principal amount of the Notes of such Series then outstanding hereunder (each such Series acting as a separate class), by notice in writing to the Issuer and to the Fiscal Agent, may declare the principal amount of all the Notes of such Series then outstanding and all accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Fiscal Agency Agreement or in the Notes of such Series contained to the contrary notwithstanding. If an Event of Default described in paragraph (v) or (vi) of the above occurs and is continuing with respect to any Series of Notes, then the principal amount of such Notes then outstanding and all accrued interest thereon shall, without any notice to the Issuer or any other act on the part of the Fiscal Agent or any holder of such Notes, become and be immediately due and payable.

At any time after such a declaration of acceleration has been made with respect to the Notes of such Series and before a final judgment for payment of the money due has been obtained, the holders of a majority in aggregate principal amount of the outstanding Notes of such Series, by written notice to the Issuer and the Fiscal Agent, may rescind and annul such declaration and its consequences if: (1) the Issuer has paid or deposited with the Fiscal and Paying Agent a sum sufficient to pay: (i) all overdue installments of interest on the outstanding Notes of such Series, (ii) the principal of (and premium, if any, on) any outstanding Notes of such Series which have become due otherwise than by such declaration of acceleration, and interest thereon at the rate or rates prescribed therefor by the terms of the Notes of such Series, to the extent that payment of such interest is lawful, (iii) interest upon overdue installments of interest at the rate or rates prescribed therefor by the terms of the Notes of such Series, to the extent that payment of such interest is lawful, and all sums paid or advanced by the Fiscal and Paying Agent hereunder and the reasonable compensation, expenses, disbursements and advances of the Fiscal and Paying Agent, its agents and counsel and all other amounts due the Fiscal and Paying Agent under Section 11(a); and (2) all Events of Default with respect to such Series of Notes, other than the nonpayment of the principal of the Notes of such Series which have become due solely by such acceleration, have been cured or waived. No such rescission shall affect any subsequent default or impair any right consequent thereon.

Notes owned by the Issuer or any of its subsidiaries shall not be deemed to be outstanding for purposes of declaring the acceleration of the Notes.

Payment of Additional Amounts

The Issuer is required to make all payments in respect of each Series of Notes free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, fines, penalties, assessments or other governmental charges (or interest on those taxes, duties, fines, penalties, assessments or other governmental charges) (collectively, "Taxes") imposed, levied, collected, withheld or assessed by, within or on behalf of the Republic of Chile (or any political subdivision or governmental authority thereof or therein having power to tax), (in the event of a transaction permitted under "—Covenants—Consolidation, Merger, Sale or Conveyance" above) any jurisdiction where a successor corporation of the Issuer is incorporated or considered to be a resident, if other than the Republic of Chile (or any political subdivision or governmental authority thereof or therein having power to tax), or any other jurisdiction from or through which the Issuer (or a successor) makes any payment under a Series of Notes (or any political subdivision or governmental authority thereof or therein having power to tax) (each, a "Relevant Taxing Jurisdiction"), unless such withholding or deduction is required by law. In that event the Issuer will pay to the Holders of such Series of Notes, or the relevant Paying Agent, as the case may be, such additional amounts ("Additional Amounts") as may be necessary to ensure that the net amounts received by the Holders of such Series of Notes after such withholding or deduction shall not be less than the amounts of principal, interest and premium, if any, which would have been received in respect of such Series of Notes in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in respect of any Note:

(i) in the case of payments for which presentation of such Note is required, presented for payment more than 30 days after the later of:

  (a) the date on which such payment first became due, and

  (b) if the full amount payable has not been received in the place of payment by the relevant Paying Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Holders by the relevant Paying Agent, except to the extent that the Holder would have been entitled to such Additional Amounts on presenting such Note for payment on the last day of such period of 30 days;

(ii) for any estate, inheritance, gift, sales, transfer, excise, personal property or similar Taxes;

(iii) held by or on behalf of a Holder who is liable for Taxes imposed in respect of such Note by reason of such Holder (or fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, a nominee, a trust, a partnership, a limited liability company or a corporation) or a beneficial owner of the Note having some present or former direct or indirect connection with the Relevant Taxing Jurisdiction imposing such Taxes, other than the mere holding of such Note or the receipt of payments or the enforcement of rights in respect thereto;

(iv) for any Taxes which are payable other than by deduction or withholding from payments of principal of, or interest or premium on the Notes;

(v) with respect to Taxes imposed on a payment to a Holder that would not have been imposed but for the failure of the Holder or a beneficial owner of the Note to comply with any certification, documentation, information or other reporting requirements concerning the nationality, residence, identity or connection with a Relevant Taxing Jurisdiction or to make other similar claim for exemption to a Relevant Taxing Jurisdiction, if compliance is required by statute or by regulation of a Relevant Taxing Jurisdiction as a precondition to relief or exemption from such Taxes;

(vi) for any Taxes which would have been avoided by a Holder presenting the relevant Note (if presentation is required) or requesting that such payment be made to another Paying Agent in a member state of the European Union;

(vii) for any Taxes imposed under sections 1471-1474 of the Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations thereunder or interpretations thereof, any agreements entered into pursuant to section 1471(b) of the Code, any intergovernmental agreement entered into (or treated as being in effect) in connection with the implementation of such sections of the Code, and any fiscal or regulatory legislation, rules, or official practices adopted pursuant to any such intergovernmental agreement;

(viii) with respect to any payment on a Note to a Holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of the applicable Relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member, interest holder or beneficial owner been the Holder; or

(ix) any combination of (i) through (viii).

As used in this section, a "Holder" shall mean, (a) with respect to any Registered Note, the person in whose name at the time such Registered Note is registered or (b) with respect to any Bearer Note, the bearer thereof.

References to principal, interest, premium or other amounts payable in respect of any Series of Notes also refer to any Additional Amounts that may be payable. Refunds, if any, of Taxes with respect to which the Issuer pays Additional Amounts are for the Issuer's account.

The Issuer will pay when due any present or future stamp, transfer, court or documentary taxes or any other excise or property taxes, charges or similar levies imposed by the Republic of Chile (or any political subdivision or governmental authority thereof or therein having power to tax) or a jurisdiction where a successor corporation of the Issuer is incorporated or considered to be a resident, if other than the Republic of Chile (or any political subdivision or governmental authority thereof or therein having power to tax) with respect to the initial execution, delivery or registration of each Series of Notes or any other document or instrument relating thereto, except as described in the Fiscal Agency Agreement with respect to transfer or exchange of the Notes.

Modification of Fiscal Agency Agreement and Notes

The Fiscal Agency Agreement may be amended by the Issuer and the Fiscal Agent, without the consent of the holder of any Note of a Series for the purposes, among others, of curing any ambiguity, or of correcting or supplementing any defective or inconsistent provisions contained therein, to effect any assumption of the Issuer's obligations thereunder and under the Notes of a Series under the circumstances described under "**Consolidation, Merger, Sale or Conveyance**" above, to change the paying agent if such change is made to avoid or mitigate the Issuer's obligation to pay Additional Amounts with respect to any Series of Notes, or in any other manner which the Issuer and the Fiscal Agent may deem necessary or desirable or which, in the sole judgment of the Issuer, does not adversely affect in any material respect the interests of the holders of Notes of such Series outstanding on the date of such amendment. Nothing in the Fiscal Agency Agreement prevents the Issuer and the Fiscal Agent from amending the Fiscal Agency Agreement in such a manner as to only have a prospective effect on Notes issued on or after the date of such amendment.

Modifications and amendments to the Fiscal Agency Agreement and, to the terms of the Notes of a Series may also be made, and future compliance therewith or past Events of Default by the Issuer may be waived, by holders of a majority in aggregate principal amount of the Notes of such Series (or, in each case, such lesser amount as shall have acted at a meeting of holders of such Notes, as described below), provided, however, that no such modification or amendment to the Fiscal Agency Agreement, or to the terms of the Notes of a Series may, without the consent of the holders of each Note of such Series directly and adversely affected thereby:

(a) change the stated maturity of the principal of any Note of such Series or extend the scheduled date for payment of interest or Additional Amounts thereon;

(b) reduce the principal amount of any Note of such Series or reduce the stated rate of interest or Additional Amounts payable thereon or the amount payable thereon in the event of redemption or acceleration (or in the case of Original Issue Discount Notes, change the amount that would be due and payable upon an acceleration thereof);

(c) change the currency of payment of principal of, or any other amounts payable on, any Note of such Series;

(d) change the place where payment of principal of or interest on the Notes of any Series is made to the registered holder(s) of such Notes;

(e) amend the contractual right in the Notes of any Series to institute suit for any payment on or with respect to the Notes of such Series on or after the respective due dates provided for in such Notes;

(f) reduce the above-stated percentage of the principal amount of Notes of such Series, the consent of whose holders is necessary to modify or amend the Fiscal Agency Agreement, the terms of the Notes or reduce the percentage of Notes of such Series required for the taking of action or the quorum required at any such meeting of holders of Notes of such Series; or

(g) amend the foregoing requirements to reduce the percentage of outstanding Notes of such Series necessary to waive any future compliance or past default.

The persons entitled to vote a majority in principal amount of the Notes of a Series outstanding shall constitute a quorum at a meeting of Noteholders of such Series except as hereinafter provided. In the absence of such a quorum, a meeting of Noteholders called by the Issuer shall be adjourned for a period of not less than 10 days, and in the absence of a quorum at any such adjourned meeting, the meeting shall be further adjourned for another period of not less than 10 days, at which further adjourned meeting persons entitled to vote 25% in principal amount of Notes of a Series at the time outstanding shall constitute a quorum. Except for modifications or amendments in (a) to (f) above which require the consent of the holders of each Note of such series directly and adversely affected thereby, any modifications, amendments or waivers to the Fiscal Agency Agreement, the terms of the Notes of a Series at a meeting of Noteholders require a favorable vote of holders of the lesser of (i) a majority in principal amount of the outstanding Notes of such Series or (ii) a majority of the principal amount of Notes of such Series represented and voting at the meeting. Any such modifications, amendments or waivers will be conclusive and binding on all holders of Notes of such Series, whether or not they have given such consent or were present at such meeting and whether or not notation of such modifications, amendments or waivers is made upon the Notes, and on all future holders of Notes of such Series. Any instruments given by or on behalf of any holder of a Note of a Series in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such Note.

Replacement of Notes and Coupons

Any Notes or coupons that become mutilated, destroyed, lost or stolen or are apparently destroyed, lost or stolen will be replaced by the Issuer at the expense of the holder upon delivery of the Notes or coupons or satisfactory evidence of the destruction, loss or theft thereof to the Issuer and the Fiscal Agent. In each case, an indemnity satisfactory to the Issuer and the Fiscal Agent may be required at the expense of the holder of such Note or coupon before a replacement Note or coupon will be issued. For so long as the Notes are listed or admitted to trading on or by any other stock exchange, competent authority and/or market and the rules of such stock exchange(s), competent authority(ies) and/or market(s) so require, a noteholder shall be able to obtain a replacement Note or coupon at the offices of the paying agent located in each location required by the rules and regulations of such stock exchange(s), competent authority(ies) and/or market(s).

Applicable Law

The Fiscal Agency Agreement and the Notes will be governed by, and construed in accordance with, the laws of the State of New York, United States of America.

Notices

All notices concerning the Notes shall be published on the Luxembourg Stock Exchange's website, www.bourse.lu, if and for so long as the Notes are listed on the Luxembourg Stock Exchange and for so long as the rules of the Luxembourg Stock Exchange so require. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of the first such publication).

Notices to holders of Registered Notes will also be given by mailing such notices to each holder by first class mail, postage prepaid, at the respective address of each holder as that address appears upon the books of the relevant Registrar.

So long as no definitive Bearer Notes or definitive Registered Notes are in issue in respect of a particular Series, there may, so long as the global Note(s) for such Series is or are held in its or their entirety on behalf of DTC, Euroclear and/or Clearstream, Luxembourg, and/or another clearance system, as the case may be, and the Notes for such Series are not listed and/or admitted to trading on a stock exchange, competent authority and/or market, or if so listed or admitted to trading, for so long as the relevant stock exchange, competent authority and/or market so permits, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to DTC, Euroclear, Clearstream, Luxembourg and/or such other clearance system for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to DTC, Euroclear, Clearstream, Luxembourg and/or such other clearance system.

Notices to be given by a Noteholder shall be in writing and given by lodging the same, together with the related Note or Notes, with the Fiscal Agent. While any Notes are represented by a global Note, such notice may be given by a Noteholder to the Fiscal Agent via Euroclear, Clearstream, Luxembourg, and/or such other clearance system, as the case may be, in such manner as the Fiscal Agent and Euroclear, Clearstream, Luxembourg and/or such other clearance system may approve for this purpose.

If the Notes are no longer listed on the Luxembourg Stock Exchange, unless otherwise indicated, notices to holders of Bearer Notes will be valid if published (i) in a leading daily English language newspaper with general circulation in Europe, or (iii) so long as the Notes are listed on any other securities exchange, such newspaper or website as the rules of such exchange may require.

Consent to Service

The Issuer has designated CT Corporation System, presently located at 111 Eighth Avenue, 13th Floor, New York, New York, as authorized agent for service of process in any legal action or proceeding arising out of or relating to the Fiscal Agency Agreement or the Notes brought in any federal or state court in the Borough of Manhattan, the City of New York, State of New York.

Consent to Jurisdiction

(a) The Issuer irrevocably consents to the nonexclusive jurisdiction of any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, New York, United States of America, and any appellate court from any thereof, and waives any immunity from the jurisdiction of such courts over any suit, action or proceeding that may be brought by the Fiscal and Paying Agent or a holder in connection with the Fiscal Agency Agreement or the Notes. The Issuer irrevocably waives, to the fullest extent permitted by law, any objection to any suit, action or proceeding that may be brought in connection with the Fiscal Agency Agreement or the Notes in such courts on the grounds of venue or on the ground that any such suit, action or proceeding has been brought in an inconvenient forum. The Issuer agrees that final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon the Issuer and may be enforced in any court to the jurisdiction of which the Issuer is subject by a suit upon such judgment; provided that service of process is effected upon the Issuer in the manner provided by the Fiscal Agency Agreement. Notwithstanding the foregoing, any suit, action or proceeding brought in connection with the Fiscal Agency Agreement or the Notes against the Issuer may be instituted in any competent court in the Chile.

(b) The Issuer agrees that service of all writs, process and summonses in any suit, action or proceeding brought in connection with the Fiscal Agency Agreement or the Notes against the Issuer in any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, may be made upon CT Corporation System, presently located at 111 Eighth Avenue, 13th Floor, New York, New York.

(c) Nothing in this Section shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any action or proceeding against any other party or its property in the courts of other jurisdictions.

Judgment Currency

The Issuer agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of, or premium or interest, if any, on the Notes of any Series (the "**Required Currency**") into a currency in which a judgment will be rendered (the "**Judgment Currency**"), the rate of exchange used shall be the rate at which, in accordance with normal banking procedures, the Fiscal and Paying Agent could purchase the Required Currency with the Judgment Currency and (b) its obligations under the Fiscal Agency Agreement to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under the Fiscal Agency Agreement.

FORM OF FINAL TERMS

FINAL TERMS NO. [●]
Dated [●]

BANCO DE CRÉDITO E INVERSIONES (the "Issuer")
ISSUE OF MEDIUM-TERM NOTES
[●]% [Fixed Rate][Floating Rate] Notes Due [●]

Series No.: [●]

PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and must be read in conjunction with the base prospectus dated [●] [and the supplement(s) to it dated [●]] ([collectively,] the "**Base Prospectus**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus has been, and these Final Terms will be, published on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

1. <u>General Information:</u>

(i)	Series Number:	[●]
(ii)	Tranche Number:	[●] [The Notes will be fungible with, have identical terms and conditions (other than issue date and issue price) as, will constitute part of the same series as, and vote together as a single class with, the [●] notes due [●], issued on [●]]
(iii)	Trade Date:	[●]
(iv)	Settlement Date (Original Issue Date):	[●]
(v)	Maturity Date:	[●]
(vi)	Specified Currency:	[●]
(vii)	Principal Amount (in Specified Currency):	[●]
(viii)	Dealer's Discount or Commission:	[●]
(ix)	Price to Public (Issue Price):	[●]
(x)	Ranking:	[Senior][Subordinated]
(xi)	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [●] at [●] per cent. of their nominal amount[7].

7 The redemption price shall in no event be less than 100% of the outstanding principal amount of the Notes to be redeemed.

	[*For Renminbi Notes only*: The terms set forth under "Description of the Notes—Payments—Renminbi Notes" [do not] apply. [*If the terms set forth under "Description of the Notes—Payments—Renminbi Notes" are applicable*: The Issuer may settle payments due in Renminbi (in whole or in part) in U.S. dollars on the due date at the U.S. Dollar Equivalent or any such Renminbi amount in the circumstances described under "Description of the Notes—Payments–Renminbi Notes."]]
	[*For non-U.S. dollar denominated Notes only*: The provisions set out in "Special Provisions Relating to Foreign Currency Notes—Payments on Foreign Currency Notes" [do not] apply. [*If the provisions set out in "Special Provisions Relating to Foreign Currency Notes—Payments on Foreign Currency Notes" are applicable*: Payments of principal and interest in respect of Notes denominated in a Specified Currency other than U.S. dollars will be made in the Specified Currency unless the holder of such Notes elects to receive payments in U.S. dollars in accordance with the provisions set out in "Special Provisions Relating to Foreign Currency Notes—Payments on Foreign Currency Notes."]]
	[*For non-U.S. dollar denominated Notes where the Specified Currency (a) is unavailable due to imposition of exchange controls or other circumstances beyond the Issuer's control or (b) is no longer used by the government of the country issuing such Specified Currency*: The provisions set out in "Special Provisions Relating to Foreign Currency Notes—Changing the Specified Currency of Foreign Currency Notes" [do not] apply. [*If the provisions set out in "Special Provisions Relating to Foreign Currency Notes—Changing the Specified Currency of Foreign Currency Notes" are applicable*: The Issuer may settle any payment due in respect of the Notes in a currency other than the Specified Currency on the due date for such payment in the circumstances described in "Special Provisions Relating to Foreign Currency Notes—Changing the Specified Currency of Foreign Currency Notes."]]
2. Payment of Additional Amounts:	[Applicable/Not applicable]
3. Authorization/Approval:	
(i) Date Board approval for issuance of Notes obtained:	[●] [Not applicable]
4. Fixed Rate Notes Only Interest Rate:	[Applicable/Not applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(i) Fixed Interest Rate:	[●]
(ii) Interest Payment Period:	[Annual] [Semi-Annual] [Quarterly] [Monthly]

(iii)	Fixed Interest Payment Dates:	Each [●], commencing [●]
(iv)	Day Count Fraction:	[30/360] *[in the case of Notes denominated in U.S. Dollars]* [Actual/Actual (ICMA)] *[in the case of Notes denominated in a currency other than U.S. Dollars]*
(v)	Regular Record Dates (if any):	[The 15th calendar day prior to each Interest Payment Date] [The business day prior to each Interest Payment Date][relevant only to Registered Notes] [Not applicable]
(vi)	Determination Dates:	[Each [●]] [Not applicable] [relevant only to Registered Notes]
(vii)	Interest Commencement Date:	[●] [Not applicable]

5. **<u>Floating Rate Notes Only Interest Rate</u>:** [Applicable/Not applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i)	Interest Calculation:	[Regular Floating Rate] [Floating Rate/Fixed Rate] [Inverse Floating Rate]
(ii)	Interest Rate Basis:	[CD Rate] [Commercial Paper Rate] [Eleventh District Cost of Funds Rate] [Federal Funds Rate] [LIBOR] [EURIBOR] [Treasury Rate] [Prime Rate]
(iii)	Spread (Plus or Minus):	[plus/minus [●]%]
(iv)	Spread Multiplier:	[●]
(v)	Index Maturity:	[●] Months
(vi)	Designated LIBOR Currency:	[●]
(vii)	Maximum Interest Rate:	[●]
(viii)	Minimum Interest Rate:	[●][Not applicable] (*if no minimum interest rate is specified or if the Final Terms indicate that the minimum interest rate is "not applicable," then the minimum interest rate shall be zero*)
(ix)	Interest Payment Period:	[Daily/Monthly/Quarterly/Semi-annually]
(x)	Interest Payment Date:	Each [list interest payment dates]
(xi)	Initial Interest Rate Per Annum:	To be determined [●] Business Days prior to the Original Issue Date based upon [interest rate basis plus/minus the spread amount]
(xii)	Interest Reset Periods and Dates:	[Daily/monthly/quarterly/semi-annually] on each Interest Payment Date
(xiii)	Interest Determination Date:	[●] Business Days prior to each Interest Reset Date
(xiv)	Regular Record Dates (if any):	[The 15th calendar day prior to each Interest Payment Date] [The business day prior to each Interest Payment

		Date][relevant only to Registered Notes][Not applicable]
(xv)	Day Count Fraction:	[Actual/Actual] [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]
(xvi)	Calculation Agent:	[Fiscal Agent] [Other][if Other, insert name]

6. <u>Repayment and Redemption</u>:

(i)	Issuer Optional Redemption Date:	[Applicable/Not Applicable][if applicable, provide date]
(ii)	Redemption Price:	[●]
(iii)	Make Whole Redemption:	[Applicable/Not applicable] [if applicable, specify agent calculating the Make Whole Amount][if applicable, specify spread]
(iv)	Calculation Agent:	[Applicable/Not Applicable] [Fiscal Agent] [Other]

7. <u>Indexed Notes</u>:

(i)	Currency Base Rate:	[●]
(ii)	Determination Agent:	[●]

8. <u>Renminbi Notes</u>:

(i)	Spot Rate:	[Applicable/Not applicable]
(ii)	CNY Calculation Agent:	[Applicable/Not applicable][Fiscal Agent] [Other]

9. <u>Form of Notes</u>:

(i)	Temporary global Note to permanent global Note:	[Applicable/Not applicable]
(ii)	Permanent global Note:	[Applicable/Not applicable][Bearer/Registered]
(iii)	Bearer Note:	[Applicable/Not applicable]
(iv)	Registered Notes:	[Applicable/Not applicable]
(v)	New global Note:	[Applicable/Not applicable]
(vi)	Exchange of temporary global Notes into definitive Bearer Notes:	[Not applicable][Specify Exchange Date]
(vii)	Exchange of permanent global Notes into definitive Bearer Notes:	[Not applicable][Specify Exchange Date]
(viii)	Exchange of definitive Bearer Notes into Registered Notes:	[Not applicable][Specify Exchange Date]

(ix) Exchange of Registered Notes into Registered Notes in other authorized denominations:	[Not applicable][Specify Exchange Date]
10. **U.S. Selling Restrictions**:	[Rule 144A restrictions on transfers and Regulation S Compliance Category 2]; [TEFRA C/TEFRA D/TEFRA not applicable]
11. **Distribution**:	[Rule 144A/Regulation S]
12. **Denominations**:	The Notes will be available in denominations of [●] and integral multiples of [●] in excess thereof.
13. **Managers**:	[●]: [●](*List all Managers (legal names)* (*List amount*)
(i) The Notes are being purchased[, on a several and not joint basis,] by the following financial institutions (each a "Manager" and collectively, the "Managers") in the respective amounts set forth next to the name of each Manager pursuant to a Terms Agreement between Issuer and the Managers dated [●], executed under the Dealer Agreement. To the extent that any of the Managers are not named as Dealers in the Dealer Agreement, Banco de Crédito e Inversiones has appointed them as Dealers thereunder for this transaction pursuant to the relevant Terms Agreement.	Total: [●]
(ii) Stabilizing manager(s):	[●][Not applicable]

Part B Other Information

1. Admissions to Listing and Trading:

[(i) Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange.]

[(ii) Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market.]

[(iii) *Other admissions to listing and trading (including, but not limited to, the Euro MTF) to be specified if applicable*]

Estimated expenses related to the admission to trading:

2. Ratings:

The Notes to be issued [have been][are expected to be] rated:

(i) Moody's:	[●][Not applicable]

(ii) Standard & Poor's: [●][Not applicable]

(iii) Fitch: [●][Not applicable]

(iv) [Other]: [●][*Insert the full legal name of credit rating agency*]

[[*Insert the full legal name of credit rating agency*] is [not] incorporated in the European Union [or][and] registered under Regulation (EC) No 1060/2009, as amended by Regulation (EC) No 513/2011.]

A rating is not a recommendation to buy, sell or hold Notes issued under the Program and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Issuer may adversely affect the market price of the Notes issued under the Program.

3. Interests of Natural and Legal Persons Involved in the Issue:

[●]/[So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The Dealers and their affiliates have engaged, and/or may in the future engage, in investment banking and/or commercial banking transactions with, and/or may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

4. Fixed Rate Notes Only Yield:

(i) Indication of yield as of the Original Issue Date: [●][Not applicable]

5. Operational Information:

(i) ISIN: [●]

(ii) CUSIP: [●]

(iii) Common Code: [●]

(iv) Book-entry Clearing Systems: [Euroclear Bank S.A./N.V.][Clearstream Banking, *société anonyme*][The Depository Trust Company]

(v) Names and addresses of additional Paying Agent(s) (if any): [Not applicable] [●]

(vi) [Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank (ECB) being satisfied that Eurosystem eligibility criteria have been met.]//[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper.

Note that this does not necessarily mean that the Notes will then be recognized as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank (ECB) being satisfied that Eurosystem eligibility criteria have been met.]]

TAXATION

General

The following discussion summarizes certain Chilean tax and United States federal income tax consequences to beneficial owners arising from the acquisition, ownership and disposition of the Notes. This overview does not purport to be a comprehensive description of all potential Chilean tax and United States federal income tax considerations that may be relevant and is not intended as tax advice to any particular investor. This overview does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Chile and the United States. As of this date, there is no applicable income tax treaty in effect between the United States and Chile. However, the United States and Chile have signed an income tax treaty that will enter into force once the treaty is ratified by both countries. In this regard, only Chile has ratified the foregoing treaty, and there can be no assurance that the treaty will be ratified by the United States. The following overview will assume that there is no applicable income tax treaty in effect between the United States and Chile.

Investors should consult their own tax advisors as to the Chilean, United States or other tax consequences of the acquisition, ownership and disposition of the Notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of state, local, foreign or other tax laws.

Chilean Taxation

The following is a general overview of the principal consequences under Chilean tax law with respect to an investment in the Notes made by a Foreign Holder (as defined below). It is based on the tax laws of Chile as in effect on the date of this Prospectus, including the tax reform enacted by Law 20,780 which entered into force on September 29, 2014, as amended by Law No. 20,899 published in the Official Gazette of Chile on February 8, 2016, as well as regulations, rulings and decisions of Chile available on or before such date and now in effect. All of the foregoing is subject to change. Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign investors, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may be amended only by another law. In addition, the Chilean tax authorities enact rulings and regulations of either general or specific application and interpret the provisions of Chilean tax law. Chilean tax law may not be assessed retroactively against taxpayers who act in good faith relying on such rulings, regulations or interpretations, but Chilean tax authorities may change their rulings, regulations or interpretations prospectively. For purposes of this overview, the term “Foreign Holder” means either (1) in the case of an individual, a person who is not resident or domiciled in Chile (for purposes of Chilean taxation, (a) an individual holder is resident in Chile if he or she has remained in Chile for more than six months in one calendar year, or a total of more than six months in two consecutive fiscal years and (b) an individual is domiciled in Chile if he or she resides in Chile with the actual or presumptive intent of staying in Chile (such intention to be evidenced by circumstances such as the acceptance of employment in Chile or the relocation of one’s family to Chile)); or (2) in the case of a legal entity, a legal entity that is not organized under the laws of Chile, unless the Notes are assigned to a branch or a permanent establishment of such entity in Chile.

Under the Chilean Income Tax Law (Law Decree No. 824), payments of interest or premium, if any, made to a Foreign Holder in respect of the Notes will generally be subject to a Chilean withholding tax currently at the rate of 4.0%. Under existing Chilean law and regulations, a Foreign Holder will not be subject to any Chilean taxes in respect of payments of principal made by us with respect to the Notes. We have agreed, subject to specific exceptions and limitations, to pay to the holders of the Notes Additional Amounts in respect of the taxes described in the preceding sentence in order that the interest and premium, if any, the Foreign Holder receives, net of such taxes, equals the amount which would have been received by such Foreign Holder in the absence of such taxes.

The Income Tax Law provides that a Foreign Holder is subject to income tax on its Chilean source income. For this purpose, Chilean source income means earnings from activities performed in Chile or from the sale, disposition or other transactions in connection with assets or goods located in Chile. Pursuant to Ruling No. 604 of 2015 issued by the Chilean tax authority, capital gains earned by a Foreign Holder on the sale or disposition of a note issued outside of Chile by a Chilean company would not be deemed as Chilean-sourced income. Therefore, any capital gains realized on the sale or other disposition by a Foreign Holder of the Notes generally will not be subject to any Chilean taxes provided that such sales or other dispositions occur outside of Chile to a Foreign Holder (except that any premium payable on redemption of the Notes will be treated as interest and subject to the Chilean interest withholding tax, as described above).

A Foreign Holder will not be liable for estate, gift, inheritance or similar taxes with respect to its holdings unless Notes held by a Foreign Holder are either located in Chile at the time of such Foreign Holder's death, or, if the Notes are not located in Chile at the time of a Foreign Holder's death, if such Notes were purchased or acquired with cash obtained from Chilean sources. A Foreign Holder will not be liable for Chilean stamp, registration or similar taxes.

The issuance of the Notes is subject to a 0.8% stamp tax which is payable by us. If the stamp tax is not paid when due, Chile's Stamp Tax Law imposes a penalty of three times the amount of the tax plus inflation adjustments and interest. Until such tax (and any penalty) is paid, Chilean courts will not enforce any action brought with respect to the Notes. We have agreed, subject to specific exceptions and limitations, to pay any present or future stamp, court or documentary taxes that arise in the Republic of Chile from the initial execution, delivery or registration of the Notes or any other document or instrument in relation thereto. See "Description of the Notes—Payment of Additional Amounts."

United States Federal Income Taxation

The following is an overview of certain United States federal income tax consequences, as of the date hereof, of the purchase, ownership and disposition of Notes by United States Holders (as defined below).

Except where noted, this overview deals only with Notes that are held as capital assets, and does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- a tax-exempt organization;
- an insurance company;
- a person holding the Notes as part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a partnership or other pass-through entity for United States federal income tax purposes;
- a United States Holder whose "functional currency" is not the U.S. dollar; or
- a United States expatriate.

This overview is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below.

The discussion below assumes that all Notes issued under this program will be classified for United States federal income tax purposes as our indebtedness and you should note that in the event of an alternative characterization, the tax consequences would differ from those discussed below. In addition, United States Holders of Bearer Notes are subject to special tax rules that are not addressed in this discussion. We will summarize any special United States federal tax considerations relevant to a particular issue of the Notes in the applicable Final Terms.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding Notes, you should consult your tax advisors.

This discussion does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare contribution tax on net investment income, any alternative minimum tax consequences or the effects of any state, local or non-United States tax laws. **If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.**

As used herein, "United States Holder" means a beneficial owner of a Note that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

Payments of Interest

Except as set forth below, interest on a Note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes.

In addition to interest on the Notes (which includes any Chilean tax withheld from the interest payments you receive), you will be required to include in income any Additional Amounts paid in respect of such Chilean tax withheld. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign income taxes applies to all of your foreign income taxes for a particular tax year). Interest income (including any Additional Amounts) and any OID (as defined below) on a Note generally will be considered foreign source income and, for purposes of the United States foreign tax credit, generally will be considered "passive category" income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Original Issue Discount

If you own Notes issued with original issue discount ("OID" and such Notes, "Original Issue Discount Notes"), you will be subject to special tax accounting rules, as described in greater detail below. In that case, you should be aware that you generally must include OID in gross income (as ordinary income), as it accrues in accordance with a constant yield method described below, often in advance of the receipt of cash attributable to that income. However, you generally will not be required to include separately in income cash payments received on the Notes, even if denominated as interest, to the extent those payments do not constitute "qualified stated interest," as defined below. Notice will be given in the applicable Final Terms when we determine that a particular Note will be an Original Issue Discount Note.

Additional OID rules applicable to Notes that are denominated in or determined by reference to a currency other than the U.S. dollar ("Foreign Currency Notes") are described under "Foreign Currency Notes" below.

A Note with an "issue price" that is less than its stated redemption price at maturity (the sum of all payments to be made on the Note other than "qualified stated interest") generally will be issued with OID in an amount equal to that difference if that difference is at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity or, in the case of an Amortizing Note, the weighted average maturity. The "issue price" of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold to the public for cash. The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the issuer, and meets all of the following conditions:

- it is payable at least once per year;
- it is payable over the entire term of the Note; and
- it is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

We will give you notice in the applicable Final Terms when we determine that a particular Note will bear interest that is not qualified stated interest.

If you own a Note issued with *de minimis* OID, which is discount that is not OID because it is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity (or, in certain cases, the weighted average maturity), you generally must include the de minimis OID in income at the time principal payments on the Notes are made in proportion to the amount paid. Any amount of *de minimis* OID that you have included in income will be treated as capital gain.

Certain of the Notes may contain provisions permitting them to be redeemed prior to their stated maturity at our option and/or at your option. Original Issue Discount Notes containing those features may be subject to rules that differ from the general rules discussed herein. If you are considering the purchase of Original Issue Discount Notes with those features, you should carefully examine the applicable Final Terms and should consult your own tax advisors with respect to those features since the tax consequences to you with respect to OID will depend, in part, on the particular terms and features of the Notes.

If you own Original Issue Discount Notes with a maturity upon issuance of more than one year, you generally must include OID in income in advance of the receipt of some or all of the related cash payments using the "constant yield method" described in the following paragraphs.

The amount of OID that you must include in income if you are the initial United States Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which you held that Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period other than the final accrual period is an amount equal to the excess, if any, of:

- the Note's "adjusted issue price" at the beginning of the accrual period multiplied by its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period, over
- the aggregate of all qualified stated interest allocable to the accrual period.

OID allocable to a final accrual period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, determined without regard to the amortization of any acquisition or bond premium, as described below, and reduced by any payments previously made on the Note other than a payment of qualified stated interest. Under these rules, you generally will have to include in income increasingly greater amounts of OID in successive accrual periods. We are required to provide information returns stating the amount of OID accrued on Notes held by persons of record other than certain exempt holders.

Floating Rate Notes are subject to special OID rules. In the case of an Original Issue Discount Note that is a Floating Rate Note, the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if either:

- the interest on a Floating Rate Note is based on more than one interest index; or

- the principal amount of the Note is indexed in any manner.

The discussion above generally does not address Notes providing for contingent payments. You should carefully examine the applicable Final Terms regarding the United States federal income tax consequences of the holding and disposition of any Notes providing for contingent payments.

You may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. You should consult with your own tax advisors about this election.

Short-Term Notes

In the case of Notes having a term of one year or less after taking into account the last possible date the Notes could be outstanding under their terms ("Short-Term Notes"), all payments, including all stated interest, will be included in the stated redemption price at maturity and will not be qualified stated interest. As a result, you will generally be taxed on the discount instead of stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-Term Note, unless you elect to compute this discount using tax basis instead of issue price. In general, cash method United States Holders of Short-Term Notes are not required to include accrued discount in their income currently unless they elect to do so, but may be required to include stated interest in income as the income is received. United States Holders that report income for United States federal income tax purposes on the accrual method and certain other United States Holders are required to accrue discount on Short-Term Notes (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. If you are not required, and do not elect, to include discount in income currently, any gain you realize on the sale, exchange or retirement of a Short-Term Note will generally be ordinary income to you to the extent of the discount accrued by you through the date of sale, exchange or retirement. In addition, if you do not elect to currently include accrued discount in income, you may be required to defer deductions for a portion of your interest expense with respect to any indebtedness attributable to the Short-Term Notes.

Market Discount

If you purchase a Note for an amount that is less than its stated redemption price at maturity (or, in the case of an Original Issue Discount Note, its adjusted issue price), the amount of the difference generally will be treated as "market discount" for United States federal income tax purposes, unless that difference is less than a specified *de minimis* amount. Under the market discount rules, you will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Note as ordinary income to the extent of the market discount that you have not previously included in income and are treated as having accrued on the Note at the time of the payment or disposition.

In addition, you may be required to defer, until the maturity of the Note or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness attributable to the Note. You may elect, on a Note-by-Note basis, to deduct the deferred interest expense in a tax year prior to the year of disposition. You should consult your own tax advisors before making this election.

Any market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Note, unless you elect to accrue on a constant-yield method. You may elect to include market discount in income currently as it accrues, on either a ratable or constant-yield method, in which case the rule described above regarding deferral of interest deductions will not apply. An election to accrue market discount on a current basis will apply to all debt instruments acquired with market discount that you acquire on or after the first day of the first taxable year to which the election applies. The election may not be revoked without the consent of the Internal Revenue Service ("IRS").

Acquisition Premium, Amortizable Bond Premium

If you purchase an Original Issue Discount Note for an amount that is greater than its adjusted issue price but equal to or less than the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest, you will be considered to have purchased that Note at an "acquisition premium." Under the acquisition premium rules, the amount of OID that you must include in gross income with respect to the Note for any taxable year will be reduced by the portion of the acquisition premium properly allocable to that year.

If you purchase a Note (including an Original Issue Discount Note) for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest, you will be considered to have purchased the Note with "amortizable bond premium" and, if it is an Original Issue Discount Note, you will not be required to include any OID in income. You generally may elect to amortize the premium over the remaining term of the Note on a constant-yield method as an offset to interest when includible in income under your regular accounting method. Special rules limit the amortization of amortizable bond premium in the case of convertible debt instruments. In addition, if the Note has an optional redemption feature, special rules will apply that may reduce, eliminate or defer the amount of amortizable bond premium that you may amortize. If you do not elect to amortize amortizable bond premium, that premium will decrease the gain or increase the loss you would otherwise recognize on retirement or other disposition of the Note. An election to amortize bond premium applies to all taxable debt obligations then owned or thereafter acquired and may be revoked only with the consent of the IRS.

Sale, Exchange, Retirement or other Disposition of Notes

Your adjusted tax basis in a Note will, in general, be your cost for that Note, increased by OID, market discount or any discount with respect to a Short-Term Note that you previously included in income, and reduced by any amortized premium and any cash payments on the Note other than qualified stated interest. Upon the sale, exchange, retirement or other taxable disposition of a Note, you will recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other disposition (less an amount equal to any accrued but unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income) and the adjusted tax basis of the Note. Except as described above with respect to Short-Term Notes or market discount, or with respect to gain or loss attributable to changes in exchange rates as discussed below with respect to Foreign Currency Notes, that gain or loss will be capital gain or loss and will be long-term capital gain or loss if you have held the Note for more than one year at the time of the sale, exchange, retirement or other disposition. Long-term capital gains of non-corporate holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by you on the sale, exchange, retirement or other disposition of a Note will generally be treated as United States source gain or loss. Consequently, you may not be able to claim a credit for any Chilean tax imposed upon a disposition of a Note unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

Foreign Currency Notes

Payments of Interest

If you receive payments of qualified stated interest made in a foreign currency and you use the cash basis method of accounting for United States federal income tax purposes, you will be required to include in income the U.S. dollar value of the amount received, determined by translating the foreign currency received at the spot rate for such foreign currency on the date such payment is received regardless of whether the payment is in fact converted into U.S. dollars. You will not recognize exchange gain or loss with respect to the receipt of such payment.

If you use the accrual method of accounting for United States federal income tax purposes, you may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. Under the second method, you may elect to translate interest income at the spot rate on:

- the last day of the accrual period,
- the last day of the taxable year if the accrual period straddles your taxable year, or
- the date the interest payment is received if such date is within five business days of the end of the accrual period.

If you make such election, then you must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

In addition, if you use the accrual method of accounting, upon receipt of an interest payment on a Note (including, upon the sale of a Note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), you will recognize exchange gain or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating the foreign currency received at the spot rate for such foreign currency on the date such payment is received) and the U.S. dollar value of the interest income you previously included in income with respect to such payment. Any such exchange gain or loss will be treated as ordinary income or loss and generally will be United States source gain or loss.

Original Issue Discount

OID on a Note that is also a Foreign Currency Note will be determined for any accrual period in the applicable foreign currency and then translated into U.S. dollars, in the same manner as interest income accrued by a holder on the accrual basis, as described above. You will recognize exchange gain or loss, which is generally United States source ordinary income or loss, when OID is paid (including, upon the sale of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference between the U.S. dollar value of such payment (determined by translating the foreign currency received at the spot rate for such foreign currency on the date such payment is received) and the U.S. dollar value of the accrued OID (determined in the same manner as for accrued interest). For these purposes, all receipts on a Note will be viewed:

- first, as the receipt of any stated interest payments called for under the terms of the Note,
- second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first, and
- third, as the receipt of principal.

Market Discount and Bond Premium

The amount of market discount on Foreign Currency Notes includible in income will generally be determined by translating the market discount determined in the foreign currency into U.S. dollars at the spot rate on the date the Foreign Currency Note is retired or otherwise disposed of. If you have elected to accrue market discount currently, then the amount which accrues is determined in the foreign currency and then translated into U.S. dollars on the basis of the average exchange rate in effect during the accrual period. You will recognize exchange gain or loss, which is generally United States source ordinary income or loss, with respect to market discount which is accrued currently using the approach applicable to the accrual of interest income as described above.

Bond premium on a Foreign Currency Note will be computed in the applicable foreign currency. If you have elected to amortize the premium, the amortizable bond premium will reduce interest income in the applicable foreign currency. At the time bond premium is amortized, exchange gain or loss, which is generally United States source ordinary income or loss, will be realized based on the difference between spot rates at such time and the time of acquisition of the Foreign Currency Note.

Sale, Exchange, Retirement or other Disposition of Foreign Currency Notes

Upon the sale, exchange, retirement or other taxable disposition of a Foreign Currency Note, you will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less an amount equal to any accrued and unpaid qualified stated interest, which will be treated as a payment of interest for United States federal income tax purposes) and your adjusted tax basis in the Foreign Currency Note. Your initial tax basis in a Foreign Currency Note generally will be your U.S. dollar cost. If you purchased a Foreign Currency Note with foreign currency, your cost generally will be the U.S. dollar value of the foreign currency amount paid for such Foreign Currency Note determined at the time of such purchase. If your Foreign Currency Note is sold, exchanged, retired or disposed of for an amount denominated in foreign currency, then your amount realized generally will be based on the spot rate of the foreign currency on the date of sale, exchange, retirement or other disposition. If you are a cash method taxpayer and the Foreign Currency Notes are traded on an established securities market for United States federal income tax purposes, foreign currency paid or received is translated into U.S. dollars at the spot rate on the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment with respect to the purchase and sale of Foreign Currency Notes traded on an established securities market, provided that the election is applied consistently.

Except as described above with respect to Short-Term Notes or market discount, and subject to the foreign currency rules discussed below, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, retirement or other disposition, the Foreign Currency Note has been held for more than one year. Long-term capital gains of non-corporate holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by you on the sale, exchange, retirement or other disposition of a Foreign Currency Note will generally be treated as United States source gain or loss. Consequently, you may not be able to claim a credit for any Chilean tax imposed upon a disposition of a Foreign Currency Note unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

A portion of your gain or loss with respect to the principal amount of a Foreign Currency Note may be treated as exchange gain or loss. Exchange gain or loss will be treated as ordinary income or loss and generally will be United States source gain or loss. For these purposes, the principal amount of the Foreign Currency Note is your purchase price for the Foreign Currency Note calculated in the foreign currency on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined at the spot rate on the date payment is received or the Foreign Currency Note is disposed of (or deemed disposed of) and (ii) the U.S. dollar value of the principal amount determined at the spot rate on the date you acquired the Foreign Currency Note (or are deemed to acquire the Foreign Currency Note). The amount of exchange gain or loss recognized on the disposition of the Foreign Currency Note (with respect to both principal and accrued interest) will be limited to the amount of overall gain or loss realized on the disposition of the Foreign Currency Note.

Exchange Gain or Loss with Respect to Foreign Currency

Your tax basis in the foreign currency received as interest on a Foreign Currency Note or on the sale, exchange, retirement or other taxable disposition of a Foreign Currency Note, will be the U.S. dollar value thereof at the spot rate in effect on the date the foreign currency is received. Any gain or loss recognized by you on a sale, exchange or other disposition of the foreign currency will be ordinary income or loss and generally will be United States source gain or loss.

Certain Payment Elections

If so specified in the applicable Final Terms for a Foreign Currency Note, a holder may elect subsequent to the issuance thereof to have future payments under such Note paid in U.S. dollars. United States Holders considering the purchase of any such Foreign Currency Notes should carefully examine the applicable Final Terms and should consult their own tax advisors regarding the United States federal income tax consequences of the holding and disposition of such Foreign Currency Notes.

Dual Currency Notes

If so specified in an applicable Final Terms relating to a Foreign Currency Note, we may have the option to make all payments of principal and interest scheduled after the exercise of such option in a currency other than the specified currency. Applicable United States Treasury regulations generally (i) apply the principles contained in the regulations governing contingent debt instruments to Dual Currency Notes in the "predominant currency" of the Dual Currency Notes and (ii) apply the rules discussed above with respect to Foreign Currency Notes with OID for the translation of interest and principal into U.S. dollars. If you are considering the purchase of Dual Currency Notes, you should carefully examine the applicable Final Terms and should consult your own tax advisors regarding the United States federal income tax consequences of the holding and disposition of such Notes.

Reportable Transactions

Treasury regulations issued under the Code meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Foreign Currency Note or foreign currency received in respect of a Foreign Currency Note to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount, which differs depending on the status of the United States Holder. If you are considering the purchase of a Foreign Currency Note, you should consult with your own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Indexed Notes

The tax treatment of a United States Holder that owns Indexed Notes will depend on factors including the specific index or indices used to determine indexed payments on the Notes and the amount and timing of any contingent payments of principal and interest. United States Holders considering the purchase of Indexed Notes should carefully examine the applicable Final Terms and should consult their own tax advisors regarding the United States federal income tax consequences of the holding and disposition of such Notes.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain payments of principal and interest (including OID) paid on the Notes and to the proceeds of sale of a Note paid to you (unless you are an exempt recipient). A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or a certification of exempt status, or if you fail to report in full dividend and interest income.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the IRS.

FATCA

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as "FATCA"), certain entities in a broadly defined class of foreign financial institutions ("FFIs") may be subject to a 30% United States withholding tax on certain United States source payments made to the FFI (and beginning in 2019, a 30% withholding tax on gross proceeds from the sale of United States stocks and securities), unless the FFI is a "participating FFI," which is generally defined as an FFI that (i) enters into an agreement with the IRS pursuant to which it agrees to comply with a complicated and expansive reporting regime, (ii) complies with the requirements of an intergovernmental agreement entered into by the United States and another jurisdiction regarding the implementation of FATCA (an "IGA") or (iii) is otherwise deemed compliant with or exempt from FATCA.

The FATCA legislation also contains complex provisions requiring certain participating FFIs to withhold on certain “foreign passthru payments” made to FFIs that are not participating FFIs or otherwise exempt from FATCA withholding and to holders that fail to provide the information required by FATCA. Although the definition of a “foreign passthru payment” is still reserved under current regulations, the term generally refers to payments that are from non-United States sources but that are “attributable to” certain United States payments and gross proceeds described above. Debt obligations giving rise to foreign passthru payments will generally not be subject to withholding tax under FATCA if such obligations are issued on or prior to the date which is six months after the publication of final regulations defining the term foreign passthru payment. In addition, if applicable, withholding on foreign passthru payments would not be required with respect to payments made before January 1, 2019. It is unclear whether or to what extent payments on the Notes would be considered foreign passthru payments that are subject to withholding under FATCA.

On March 5, 2014, the United States and Chile entered into an IGA to implement the foregoing requirements. The IGA is intended to result in the automatic exchange of tax information through reporting by FFIs to the IRS. Prospective investors should consult their tax advisors regarding the application of the FATCA rules to an investment in the Notes.

The Proposed Financial Transactions Tax

The European Commission has published a proposal (the “Commission’s Proposal”) for a Directive for a common financial transactions tax (“FTT”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the “participating Member States”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT remains subject to negotiation between the participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

United Kingdom Provision of Information Requirements

The comments below are of a general nature and are based on current United Kingdom (“UK”) tax law as applied in England and published practice of HM Revenue & Customs (“HMRC”), the UK tax authorities. Such law may be repealed, revoked or modified and such practice may not bind HMRC and/or may change (in each case, possibly with retrospective effect), resulting in UK tax consequences different from those discussed below. The comments below deal only with UK rules relating to information that may need to be provided to HMRC in connection with the Notes. They do not deal with any other UK tax consequences of acquiring, owning or disposing of the Notes. Each prospective investor should seek advice based on its particular circumstances from an independent tax adviser.

Information relating to the Notes may be required to be provided to HMRC in certain circumstances. This may include (but is not limited to) information relating to the value of the Notes, amounts paid or credited with respect to the Notes, details of the holders or the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons who exercise control over entities that are, or are treated as, holders of the Notes, details of the persons to whom payments derived from the Notes are or may be paid and information and documents in connection with transactions relating to the Notes. Information may be required to be provided by, amongst others, the Issuer, the holders of the Notes, persons by or through whom payments derived from the Notes are made or credited or who receive such payments (or who would be entitled to receive such payments if they were made), persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. Accordingly, in order to enable these requirements to be met, holders of the Notes may be required to provide information to the Issuer or to other persons. In certain circumstances, the information obtained by HMRC may be exchanged with tax authorities in other countries.

The above overview is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES

General

Unless otherwise specified in the applicable Final Terms, the following provisions shall apply to Foreign Currency Notes which are in addition to, and to the extent inconsistent therewith replace, the description of general terms and provisions of the Notes set forth elsewhere in this Prospectus.

Payments on Foreign Currency Notes

Purchasers are required to pay for the Notes in the currency specified in the applicable Final Terms. In certain jurisdictions, there may be limited facilities for conversion of home currencies into foreign currencies, and vice versa. In addition, in certain jurisdictions, many banks may not offer foreign currency denominated checking or savings account facilities.

Payment of principal, premium, if any, and interest, if any, on each Note will be made in immediately available funds in the Specified Currency unless otherwise specified in the applicable Final Terms and except as provided under "Changing the Specified Currency of Foreign Currency Notes" below.

If so provided in the applicable Final Terms, a holder of the equivalent of US$1,000,000 or more aggregate principal amount of a definitive Registered Note denominated in a Specified Currency other than U.S. Dollars may elect subsequent to the issuance thereof that future payments be converted, or not be converted, as the case may be, at the Market Exchange Rate to U.S. Dollars by transmitting a written request for such payments to the relevant Paying Agent on or prior to the Regular Record Date or at least 16 days prior to maturity or earlier redemption or repayment, as the case may be. Such request shall include appropriate payment instructions and shall be in writing (mail or hand delivered) or by cable, telex or facsimile transmission. A holder may elect to receive all future payments of principal, premium, if any, and interest in either the Specified Currency or in U.S. Dollars, as specified in the written request, and need not file a separate election for each payment. Such election will remain in effect until revoked by a subsequent election made in the manner and at the times prescribed in this paragraph. Owners of beneficial interests in permanent global Notes or holders of definitive Bearer Notes should contact their broker or nominee to determine whether and how an election to receive payment in either U.S. Dollars or the Specified Currency may be made.

The **"Market Exchange Rate"** means, as of any time of determination which shall be two business days prior to payment date the Specified Currencies other than U.S. Dollars to U.S. dollar exchange rate as quoted by the Exchange Rate Agent for similar client driven orders.

All determinations made by the Exchange Rate Agent shall be at its sole discretion and, in the absence of demonstrable error, shall be conclusive for all purposes and binding on holders of the Notes and the Exchange Rate Agent shall have no liability therefor. Under no circumstances shall Bci bear any responsibility for losses incurred by a holder due to fluctuations in the Market Exchange Rate.

Specific information about the Specified Currency in which a particular Foreign Currency Note is denominated will be set forth in the applicable Final Terms. Any information therein concerning exchange rates is furnished as a matter of information only and should not be regarded as indicative of the range of or trends in fluctuations in currency exchange rates that may occur in the future.

Minimum Denominations, Restrictions on Maturities, Repayment and Redemption

General. Notes denominated in Specified Currencies other than U.S. Dollars shall have such minimum denominations and be subject to such restrictions on maturities, repayment and redemption as are set forth below or as are set forth in the applicable Final Terms in the event different restrictions on minimum denominations, maturities, repayment and redemption may be permitted or required from time to time by any relevant central bank or equivalent governmental body, however designated, or by such laws or regulations as are applicable to the Notes or the Specified Currency. Certain restrictions related to the distribution of Notes denominated in Specified Currencies other than U.S. Dollars are set forth under "Plan of Distribution" in this Prospectus. Any other restrictions applicable to Notes denominated in Specified Currencies other than U.S. Dollars will be set forth in the applicable Final Terms relating to such Notes.

Minimum Denominations. Unless permitted by then current laws, regulations and directives, Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are received by the Issuer in the United Kingdom and which have a maturity of less than one year will only be issued if (a) the redemption value of each such Note is at least £100,000 as determined at the time of issuance or an amount of equivalent value denominated wholly or partly in a currency other than Sterling, (b) no part of any Note may be transferred unless the redemption value of that part is at least £100,000, or such an equivalent amount, and (c) such Notes are issued to a limited class of professional investors, unless the relevant Note(s) can be issued and sold without contravention of Section 19 of the FSMA. See "Plan of Distribution."

Restrictions on Maturities, Repayment and Redemption. All Notes (irrespective of the Specified Currency in which they are denominated) will comply with applicable legal, regulatory and/or central bank requirements in respect of minimum required maturities and limitations on redemption by the Issuer or holder of such Note.

Redenomination

The Issuer may, without the consent of holders of Notes denominated in a Specified Currency of a member state of the European Union, which on or after the issue date of such Notes participates in the European Economic and Monetary Union, on giving at least 30 days' prior notice (the "**Redenomination Notice**") to the holders of such Notes and on prior notice to the Fiscal Agent, and Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, elect that, with effect from the date specified in the Redenomination Notice (the "**Redenomination Date**"), such Notes shall be redenominated in Euro.

The election will have effect as follows:

(a) the Notes shall be deemed to be redenominated into Euro in the denomination of €0.01 with a nominal amount for each Note equal to the nominal amount of that Note in the Specified Currency, converted into Euro at the Established Rate (defined below); provided that, if the Issuer determines after consultation with the Fiscal Agent that the then market practice in respect of the redenomination into Euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the holders of Notes, any stock exchange on which the Notes may be listed, the Fiscal Agent and the relevant Paying Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice (defined below) has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;

(c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued, subject to compliance with all applicable laws and regulations, at the expense of the Issuer in the denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the relevant Paying Agent may approve) €0.01 and such other denominations as the Issuer shall determine and notify to the Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement Euro-denominated Notes and coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes so issued will also become void on that date although such Notes will continue to constitute valid exchange obligations of the Issuer. New Euro-denominated Notes and coupons, if any, will be issued in exchange for Notes and coupons, if any, denominated in the Specified Currency in such manner as the relevant Paying Agent may specify and as shall be notified to the holders of

Notes in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(e) after the Redenomination Date, all payments in respect of the Notes and the coupons, if any, including payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in Euro as though references in the Notes to the Specified Currency were to Euro. Payments will be made in Euro by credit or transfer to a Euro account outside the United States (or any other account to which Euro may be credited or transferred) specified by the payee;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Fixed Interest Rate to each specified denomination, multiplying such sum by the applicable Fixed Day Count Fraction specified in the applicable Final Terms, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;

(g) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and

(h) such other changes shall be made as the Issuer may decide, after consultation with the relevant Paying Agent and the Calculation Agent (if applicable), and as may be specified in the Redenomination Notice, to conform them to conventions then applicable to instruments denominated in Euro.

"**Established Rate**" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into Euro established by the Council of European Union pursuant to Article 109L(4) of the treaty establishing the European Communities, as amended by the Treaty on European Union.

"**sub-unit**" means, with respect to any Specified Currency other than Euro, the lowest amount of such Specified Currency that is available as legal tender in the country of such Specified Currency and, with respect to Euro, means one cent.

Changing the Specified Currency of Foreign Currency Notes

Unless otherwise specified in the Final Terms, payments of principal, premium, if any, and interest, if any, on any Note denominated in a Specified Currency other than U.S. Dollars shall be made in U.S. Dollars if, on any payment date, such Specified Currency (a) is unavailable due to imposition of exchange controls or other circumstances beyond the Issuer's control or (b) is no longer used by the government of the country issuing such Specified Currency or for the settlement of transactions by public institutions in that country or within the international banking community. Such payments shall be made in U.S. Dollars on such payment date and on all subsequent payment dates until such Specified Currency is again available or so used as determined by such Issuer.

Amounts so payable on any such date in such Specified Currency shall be converted into U.S. Dollars at a rate determined by the Exchange Rate Agent (as defined below) on the basis of the most recently available Market Exchange Rate. The "**Exchange Rate Agent**" at the date of this Prospectus is Bank of America, National Association, (operating through its London branch). Any payment required to be made on Foreign Currency Notes denominated in a Specified Currency that is instead made in U.S. Dollars under the circumstances described above will not constitute a default of any obligation of the Issuer under such Notes.

The provisions of the two preceding paragraphs shall not apply in the event of the introduction in the country issuing any Specified Currency of the Euro pursuant to the entry of such country into European Economic and Monetary Union. In such an event, payments of principal, premium, if any, and interest, if any, on any Note denominated in any such Specified Currency shall be effected in Euro at such time as is required by, and otherwise in conformity with, legally applicable measures adopted with reference to such country's entry into the European Economic and Monetary Union.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear, CBL or CBF (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been accurately reproduced and far as the Issuer is aware and able to ascertain from information published by such third-party Clearing Systems, no facts have been omitted that would render the reproduced information inaccurate or misleading. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Fiscal Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Book-Entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("**Direct Participants**"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Transfer and Selling Restrictions*."

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear, CBL and CBF

Euroclear, CBL and CBF each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear, CBL and CBF provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear, CBL and CBF also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear, CBL and CBF have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear, CBL and CBF customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear, CBL and CBF is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-Entry Ownership of and Payments in Respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective principal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including the respective depositories of Euroclear and CBL. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and CBL will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of notes in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. However, as discussed above, such exchanges will generally not be available. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Transfer and Selling Restrictions*," cross-market transfers between DTC, on the one hand, and directly or indirectly through CBL or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the relevant Registrar, the relevant Paying Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Original Issue Date for any Series, transfers of Notes of such Series between accountholders in CBL and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in CBL or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Transfers of interests in the relevant Registered Global Notes will be effected through the relevant Registrar, the relevant Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or CBL accountholders and DTC participants cannot be made on a delivery versus payment basis. The notes will be delivered on a free delivery basis and arrangements for payment must be made separately. However, in the case of transfers within DTC or within Euroclear or CBL, transfers can be made on a delivery versus payment basis.

DTC, CBL and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, CBL and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents nor any Dealer will be responsible for any performance by DTC, CBL or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

PLAN OF DISTRIBUTION

In connection with an offering of the Notes, one or more Dealers designated as Managers in the relevant Final Terms will initially propose to offer the Notes for resale at the issue price that appears in the relevant Final Terms. After the initial offering, the relevant Managers may change the offering price and any other selling terms. Managers may offer and sell Notes through certain of their affiliates.

In connection with any offering of Notes, the Managers may purchase and sell such Notes in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions.

Short sales involve the sale by a Manager of a greater principal amount of Notes than it is required to purchase in the offering. A Manager may close out any short position by purchasing Notes in the open market. A short position is more likely to be created if a Manager is concerned that there may be downward pressure on the price of the Notes in the open market prior to the completion of the offering.

Stabilizing transactions consist of various bids for or purchases of the Notes made by a Manager in the open market prior to the completion of the offering.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of the Notes. Additionally, these purchases may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market. However, there is no assurance that the Managers will undertake stabilization transactions. If the Managers engage in stabilizing or short-covering transactions, they may discontinue them at any time, and if begun, must be brought to an end after a limited period. Any over-allotment stabilizing and short- covering transaction must be conducted by the relevant managers, or persons acting on their behalf, in accordance with applicable laws. These transactions may be effected in the over-the-counter market or otherwise.

Some of the Dealers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. If any of the Managers or their affiliates has a lending relationship with the Issuer, certain of those Managers or their affiliates routinely hedge, and certain other of those Managers or their affiliates may hedge, their credit exposure to the Issuer consistent with customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of any issuance of Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with the issue of any Tranche of Notes under the Program, the Dealer or Dealers (if any) named as the stabilizing manager(s) in the applicable Final Terms (the "Stabilizing Managers") (or persons acting on their behalf) may over-allot Notes, or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on their behalf) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the Issuer received the proceeds of the relevant Tranche of Notes or no later than 60 days after the date of the allotment of the relevant Tranche of Notes, whichever is earlier.

TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in the Dealer Agreement, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Description of the Notes.*" In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Program and the issue of Notes under the Program and to indemnify the Dealers for certain liabilities incurred by them in connection therewith.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes. Each purchaser of Registered Notes or person wishing to transfer an interest from one Registered Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (ii) it is outside the United States and is not a U.S. person;

(b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(c) that, unless it holds an interest in a Regulation S Global Note, the applicable distribution compliance period has elapsed and it is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so only (i) to the Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A and which takes delivery in the form of an interest in the Rule 144A Global Note, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to another available exemption from registration under the Securities Act or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(d) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (c) above, if then applicable;

(e) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(f) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE NOTES EXCEPT IN ACCORDANCE

WITH THE FISCAL AGENCY AGREEMENT AND OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A UNDER THE SECURITIES ACT FOR RESALE OF THIS NOTE."

THIS LEGEND CAN ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

(g) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the 40-day distribution compliance period which commences upon completion of distribution of all the Notes of the Tranche of which the Notes being resold or otherwise transferred forms a part of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act and (ii) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE FISCAL AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF FORTY DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.";

(h) that either: (i) no portion of the assets used by it to purchase and hold the Notes constitutes assets of (a) any employee benefit plan subject to Title I of ERISA, (b) any plan, individual retirement account or other arrangement subject to section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), (c) any entity whose underlying assets are considered to include "plan assets" (as defined in ERISA) of any such employee benefit, plan, account or arrangement or (d) any non-U.S., governmental or church plan subject to any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code ("Similar Law") and/or laws or regulations that provide that the assets of the Issuer could be deemed to include "plan assets" of such plan (each, an "Other Plan Investor"), or (ii) the purchase and holding of the Notes by such purchaser will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of Other Plan Investors, will not result in a non-exempt violation of any applicable Similar Law and will not subject the Issuer to any laws, rules, or regulations applicable to such Other Plan Investor solely as the result of the investment in the Issuer by such Other Plan Investor; and such purchaser acknowledges that the Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"EACH PURCHASER OR TRANSFEREE OF THIS NOTE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER: (i) no portion of the assets used by it to purchase and hold the Notes constitutes assets of (a) any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (b) any plan, individual retirement account or other arrangement subject to section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), (c) any entity whose underlying assets are considered to include "plan assets" (as defined in ERISA) of any such employee benefit, plan, account or arrangement or (d) any non-U.S., governmental or church plan subject to any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code ("Similar Law") and/or laws or regulations that provide that the assets of the Issuer could be deemed to include "plan assets" of such plan (each, an "Other Plan Investor"), or (ii) the purchase and holding of the Notes by such purchaser will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of Other Plan Investors, will not result in a non-exempt violation of any applicable Similar Law and will not subject the Issuer to any laws, rules, or regulations applicable to such Other Plan Investor solely as the result of the investment in the Issuer by such Other Plan Investor;

(i) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Notes in the United States to any one purchaser will be for less than US$100,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least US$100,000 (or its foreign currency equivalent) of Registered Notes.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

In connection with any Notes which are offered or sold outside the United States in reliance on the safe harbor from the registration requirements of the Securities Act provided under Regulation S ("**Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until forty days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Program will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until forty days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers, directly or through their respective U.S. broker dealer affiliates, may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is US$100,000 (or the approximate equivalent thereof in any other Specified Currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4) so long as the Notes are considered "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by United States Treasury

Regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The applicable Final Terms will specify whether the TEFRA C Rules or the TEFRA D Rules are applicable to the Bearer Notes, or whether neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

In the case of Bearer Notes to which the TEFRA D Rules have been specified to apply, the Notes may not be delivered, offered, sold or resold, directly or indirectly, in connection with their original issuance or during the Restricted Period in the United States to or for the account of any United States person, other than to certain persons as provided under United States Treasury Regulations. An offer or sale will be considered to be made to a person within the United States if the offeror or seller has an address within the United States for the offeree or purchaser with respect to the offer or sale. In addition, each Dealer has represented and agreed (and each further Dealer appointed under the Program will be required to represent and agree) that:

(a) except to the extent permitted under the TEFRA D Rules, (i) it has not offered or sold, and during the Restricted Period will not offer or sell, Notes in bearer form to a person who is within the United States or to a United States person, and (ii) such Dealer has not delivered and will not deliver within the United States definitive Notes in bearer form that are sold during the Restricted Period;

(b) it has and throughout the Restricted Period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the Restricted Period to a person who is within the United States or to a United States person, except as permitted by the TEFRA D Rules;

(c) if such Dealer is a United States person, it represents that it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and, if such Dealer retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of United States Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and

(d) with respect to each affiliate (if any) that acquires from such Dealer Notes in bearer form for the purposes of offering or selling such Notes during the Restricted Period, such Dealer either (i) hereby represents and agrees on behalf of such affiliate (if any) to the effect set forth in sub-paragraphs (a), (b) and (c) of this paragraph or (ii) agrees that it will obtain from such affiliate (if any) for the benefit of the Issuer the representations and agreements contained in sub-paragraphs (a), (b) and (c) of this paragraph.

Where the TEFRA C Rules are specified in the applicable Final Terms as being applicable to any Tranche of Bearer Notes, such Notes must be issued and delivered outside the United States in connection with their original issuance. Accordingly, each Dealer has represented and agreed (and each additional Dealer appointed under the Program will be required to represent and agree) in respect of such Notes that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any such Notes within the United States in connection with the original issuance. Further, each Dealer has represented and agreed (and each further Dealer appointed under the Program will be required to represent and agree) in connection with the original issuance of such Notes in bearer form, that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such purchaser is within the United States or its possessions and will not otherwise involve the U.S. office of such Dealer in the offer and sale of Notes.

Each Dealer has agreed, and each further Dealer appointed under the Program will be required to agree, that it has not entered and will not enter into any contractual arrangements with respect to the distribution or delivery of Notes except with its affiliates (if any) or with the prior written consent of the Issuer.

Each Bearer Note having a maturity of more than 365 days (including unilateral rights to rollover) and interest coupons pertaining to such Note, if any, will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

Each issuance of Indexed Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive, as defined below (each, a "**Relevant Member State**"), each Dealer, severally and not jointly, represents and agrees that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Notes to the public in that Relevant Member State, other than under the following exemptions under the Prospectus Directive:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Bank for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this paragraph (f), the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State, and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes included in this offering in circumstances in which Section 21(1) of the FSMA does not apply to the Bank;

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes included in this offering in, from or otherwise involving the United Kingdom; and

(c) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments(as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Bank.

France

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) offer to the public in France:

it has only made and will only make an offer of Notes to the public (*offre au public*) in France in the period (i) beginning (A) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* ("**AMF**"), on the date of such publication or (B) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Directive 2003/71/EC, on the date of notification of such approval to the AMF and (ii) ending at the latest on the date which is twelve months after the date of approval of such prospectus – all in accordance with Articles L.412-1 and L.621-8 of the French Code *monétaire et financier* and the *Règlement général* of the AMF; or

(b) private placement in France:

in connection with their initial distribution, it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France this Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (i) provider of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French Code *monétaire et financier*.

This Prospectus has not been submitted to the clearance procedure of the AMF.

Italy

To the extent that the offering of the Notes has not been registered pursuant to Italian securities legislation and, therefore, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*) as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer will be required to represent and agree, that any Notes with a maturity of less than twelve months and a denomination of less than Euro 50,000 will only be offered in the Netherlands to professional market parties as defined in the Financial Supervision Act and the decrees issued pursuant thereto.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the "**Financial Instruments and Exchange Act**") and each Dealer has agreed and each further Dealer appointed under the Program will be required to agree that it has not offered or sold and it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Act (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

People's Republic of China

Each of the Dealers has represented, warranted and undertaken that the Notes may not be offered or sold directly or indirectly within the PRC. This Prospectus or any information contained herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This Prospectus, any information contained herein or the Notes have not been, and will not be, submitted to, approved by, verified by or registered with any relevant governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC. The Notes may only be invested in by PRC investors that are authorized to engage in the investment in the Notes of the type being offered or sold. Investors are responsible for obtaining all relevant governmental approvals, verifications, licences or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange, the China Securities Regulatory Commission, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and/or other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

Hong Kong

Each Dealer has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This Prospectus has not been registered as a Prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the securities are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then securities, debentures and units of securities and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the securities under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

Australia

No prospectus or other disclosure document (as defined by the Corporations Act 2001 of Australia (the "Corporations Act")) in relation to the Program or any Notes has been, or will be, lodged with the Australian Securities and Investments Commission ("ASIC").

Each Dealer has represented and agreed that unless the applicable Final Terms (or a supplement to this Prospectus) otherwise provides, it:

(a) has not made offers or invited applications (directly or indirectly), and will not make offers or invite applications, for the issue, sale or purchase of the Notes in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this Prospectus, any Supplement, any other prospectus, any disclosure document, advertisement or other offering material relating to the Notes in Australia,

unless:

(i) the offeree is a "wholesale client" within the meaning of section 761G(4) of the Corporations Act;

(ii) the aggregate consideration payable by each offeree is at least A$500,000 (or its equivalent in any alternative currency but, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act;

(iii) such action complies with all applicable laws, regulations and directives (including, without limitation, the licensing requirements of Chapter 7 of the Corporations Act); and

(iv) such action does not require any document to be lodged with ASIC.

Section 708(19) of the Corporations Act provides that an offer of debentures for issue or sale does not need disclosure to investors under Part 6D.2 of the Corporations Act if the Issuer is an Australian ADI (as defined in the Corporations Act). As at the date of this Prospectus, Banco de Crédito e Inversiones is an Australian ADI for the purposes of the Corporations Act.

Switzerland

The Dealers have agreed, and each further dealer appointed under the Program will be required to agree, that it will comply with any laws, regulations or guidelines in Switzerland from time to time, including, but not limited to, any regulations made by the Swiss Federal Banking Commission and/or the Swiss National Bank (if any) in relation to the offer, sale, delivery or transfer of the Notes or the distribution of any offering material in Switzerland in respect of such Notes.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module of the DFSA rulebook.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Brazil

The offer of Notes described in this Prospectus will not be carried out by any means that would constitute a public offering in Brazil under Law No. 6,385, of December 7, 1976, as amended, and under CVM Rule (Instrução) No. 400, of December 29, 2003, as amended. The offer and sale of the Notes have not been and will not be registered with the Comissão de Valores Mobiliários in Brazil. The Notes have not been offered or sold, and will not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Peru

The Notes and the information contained in this Prospectus are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to the Issuer or the sellers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in this Prospectus have not been and will not be reviewed, confirmed, approved or in any way submitted to the SMV nor have they been registered under the Peruvian Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

The Notes may be registered with the Foreign Investment and Derivatives Instruments Registry (*Registro de Instrumentos de Inversión y de Operaciones de Cobertura de Riesgo Extranjeros*) of the Peruvian Superintendency of Banks, Insurance and Private Pension Funds Administrators (*Superintendencia de Bancos, Seguros y Administradoras*

Privadas de Fondos de Pensiones) in order to make the Notes eligible for investment by Peruvian Private Pension Funds Administrators.

The Notes may not be offered or sold in Peru except in compliance with the securities law thereof.

Chile

The Notes will not be registered under Law 18,045, as amended, of Chile with the Superintendencia de Valores y Seguros (Chilean Securities Commission), nor with the Superintendency of Banks, and accordingly, they may be not be offered to persons in Chile, except in circumstances that do not constitute a public offering under Chilean law.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Program.

General

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

LEGAL MATTERS

Certain legal matters of U.S. law will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York and for the Dealers by Davis Polk & Wardwell LLP, New York, New York. Certain matters of Chilean law will be passed upon for us by Larraín, Rencoret, Urzúa & Cía. Limitada, Santiago, Chile, and for the Dealers by Carey y Cia. Ltda., Santiago, Chile.

INDEPENDENT AUDITORS

The consolidated financial statements as of and for the years ended December 31, 2014 and 2015, included in this Prospectus, have been audited by Deloitte Auditores y Consultores Limitada, independent auditors, as stated in their reports (which report expresses an unqualified opinion and includes explanatory paragraphs which refer to: 1) the acquisition of CM Florida Holding Inc. in October 2015 as discussed in Note 4 of these financial statements; and 2) referring to the fact that these financial statement have, as a convenience, been translated to English) appearing herein.

The consolidated financial statements as of and for the years ended December 31, 2015 and 2016, included in this Prospectus, have been audited by Deloitte Auditores y Consultores Limitada, independent auditors, as stated in their reports appearing herein.

GENERAL INFORMATION

1. The Bank is identified with the tax identification number 97,006,000-6.

2. The Notes have been accepted for clearing and settlement through Euroclear, Clearstream Luxembourg and DTC. The Common Code for the Bearer Notes, together with the relevant ISIN Code or CUSIP number for the Registered Notes, will be contained in the Final Terms relating thereto.

3. There has been no material adverse change in the prospects of the Issuer since December 31, 2016.

4. So long as any Notes are listed on the Luxembourg Stock Exchange, the Issuer will maintain a Paying Agent and a Transfer Agent in Luxembourg. The Issuer has appointed Bank of America, National Association, (operating through its London branch) as its Listing Agent and as its Paying Agent in Luxembourg. The Issuer has also appointed Bank of America, National Association, (operating through its London branch) as Fiscal Agent, Registrar, Paying Agent and Transfer Agent. The Issuer reserves the right to vary such appointment.

5. The Issuer is involved in routine litigation and other proceedings in the ordinary course of business. The Issuer is not engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) which might have or have had during the 12 months prior to the date of this Prospectus a material adverse effect on our financial position or profitability.

6. Except as disclosed on page 41 of this Prospectus, there has been no significant change in our financial position since December 31, 2016.

7. So long as Notes are outstanding and listed on the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, the Issuer will make available copies of its by-laws, latest annual report, annual financial statements and any three-month interim financial statements, as well as this Base Prospectus and any supplements to this Base Prospectus, each Final Terms and the Fiscal Agency Agreement, free of charge, at the specified office of the Paying Agent in Luxembourg during normal business hours.

8. In connection with the offering, the Agents are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for providing advice in relation to the offering.

9. As of the date of this Prospectus, there were no material contracts that are reasonably likely to have a material effect on the Issuer.

10. There are no potential conflicts of interest between any duties to the bank by any of the members of either the directive board or management in respect of their private or other duties.

11. We have approved the establishment of this program through a resolution of our executive committee dated July 21, 2016.

CLEARING SYSTEMS

The relevant Final Terms will specify which clearing system or systems (including DTC, CBL and/or Euroclear) had/have accepted the relevant Notes for clearance and provide any further appropriate information.

DOCUMENTS ON DISPLAY

So long as Notes are capable of being issued under the Program, copies of the following documents will be available from the Issuer and from the specified office of the Fiscal Agent for the time being in London:

(a) the by-laws (with an English translation where applicable) of the Issuer;

(b) the Issuer's audited consolidated financial statements as of and for the years ended December 31, 2015 and 2016;

(c) the Issuer's audited consolidated financial statements of Bci as of and for the years ended December 31, 2014 and 2015;

(d) the Dealer Agreement, the Fiscal Agency Agreement, and the forms of the Notes;

(e) a copy of this Prospectus; and

(f) any future supplements to this Prospectus and Final Terms to this Prospectus.

ANNEX A

SIGNIFICANT DIFFERENCES BETWEEN CHILEAN GAAP AND IFRS

Chilean banks prepare their financial statements in accordance with the Compendium of Accounting Standards as prescribed by the Chilean Superintendency of Banks and Financial Institutions ("SBIF"). The Compendium requires the application of Chilean Financial Information Standards as prescribed by the *Colegio de Contadores de Chile A.G.* (Chilean Institute of Accountants), which are generally consistent with the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Boards ("CHFIS"), with certain modifications introduced by the SBIF.

The Compendium of Accounting Standards differs in certain significant respects from IFRS. Such differences might be material to the financial information contained in this Prospectus. An overview of the significant differences is presented below. We have made no attempt to identify or quantify the impact of those differences. In making an investment decision investors must rely upon their own examination of the Bank, the terms of this Prospectus and the financial information contained herein. Potential investors should consult their own professional advisors for an understanding of the differences between the Compendium of Accounting Standards and IFRS, and how those differences might affect the financial information contained herein.

This overview should not be taken as exhaustive of all differences between the Compendium of Accounting Standards and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in the Financial Statements, including the notes thereto.

Set forth below is a description of the significant differences between the Compendium of Accounting Standards and IFRS:

Allowance for Loan Losses

Chile

The rules for the classification and rating of loan portfolios of Chilean banks and the creation of related reserves set forth under the Compendium of Accounting Standards, provide a methodology for the classification, rating and creation of allowances for loan losses for each type of loan, divided in two components: individual and collective. The methodology provides for the assigning to each borrower or group of a rating depending on its risks (country, financial and industry), payment records and the value of its guarantees, among others.

Based on this methodology, a specific percentage established by the SBIF is applied to the individual category of the loan portfolio. This rating is used, among other things, to estimate a potential loan loss provision.

Under the Compendium of Accounting Standards, loans may be write-off when collection efforts have been exhausted or when they have been fully provisioned.

Other provisions required by the SBIF:

Country Risk Provisions

The SBIF established a methodology to determine potential provisions in order to cover the country risk of maintaining and committing resources in foreign countries. Based on this methodology, a specific percentage established by the SBIF is applied to each category of assets or operations in accordance with a classification of countries issued by the SBIF.

Special Provisions for Credits to Foreign Operations

The SBIF established a methodology to recognize additional provisions for credits to foreign operations payable in foreign currencies, if these credits exceed certain limits established by the SBIF. This methodology is based on a classification of operations issued by the SBIF.

IFRS

Under IFRS, a loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan.

If there is objective evidence that a loss for impairment in value has been incurred, the amount of the loss is quantified as the difference between the book value of the asset and the present value of the estimated future cash flows. Interest income is recognized based on the reduced amount at the original effective interest rate of the asset. The loans, along with their related allowance, are written off when there is no realistic estimate of future recovery and guarantees have been sold or transferred. All impaired loans that exceed specific thresholds are individually assessed for impairment.

If there is no objective evidence of individual impairment the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Segmentation takes into account such factors as the type of asset, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets as they are indicative of the borrower’s ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

For the portfolios of smaller balance homogenous loans allowances are calculated for groups of assets taking into account historical cash flow experience and probability of default. For the group’s other lending portfolios, allowances are established on a case-by-case basis.

Under IFRS, an estimated period between a loss occurring and its identification has to be determined for each identified portfolio.

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realizing any available security have been received or there is no realistic prospect of recovery (as a result of the customer’s insolvency, ceasing to trade or other reason) and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

Non-Accrual Loans

Chile

Under the Compendium of Accounting Standards, the recognition of interest income is discontinued when certain loans become past due based on the number of periods in default, as established by the SBIF.

IFRS

Under IFRS, the accrual of interest on non-performing loans should not be discontinued, although it should be provisioned accordingly.

Fair Value Option

Chile

In accordance with the Compendium of Accounting Standards, banks and financial institutions are not allowed to use the option to measure assets or liabilities at fair value in replacement of the general criteria of amortized cost.

IFRS

The option to measure assets or liabilities at fair value in replacement of the general criteria of amortized cost is permitted under IFRS.

IFRS 9 and IAS 39

Changes to IAS 39 originated by the issuance of IFRS 9 as prescribed under IFRS, will not be applicable for Banks in Chile until the SBIF does not stipulate this guidance as mandatory.

Investment Accounting

The SBIF considers investment accounting as prescribed by IFRS, except for the following significant modifications to:

a) Mutual funds

Chile

For purposes of presentation of the consolidated statements of financial position, investments in mutual funds will be classified as trading, adjusted at their fair value through profit or loss.

IFRS

Under IFRS, there is no restriction for the classification of the mutual funds in the different categories.

b) Embedded derivatives

Chile

Under the Compendium of Accounting Standards, financial instruments that have an embedded derivative that should be bifurcated but which are not possible to measure separately, have to be included in the category of instruments for trading and be measured at fair value through profit or loss.

IFRS

Under IFRS, an option exists to designate the entire hybrid contract as a financial asset or financial liability at fair value through profit or loss, unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract or it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative is prohibited.

c) Equity instruments

Chile

Under the Compendium of Accounting Standards, in the extraordinary event of equity investments that comply with the following characteristics: a) are classified as trading, b) cease to be quoted, and c) it is not possible to obtain a reliable estimate of their fair value, these investments will be classified as an available for sale investments.

IFRS

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative instruments that are linked thereto and must be settled by delivery of such unquoted equity instruments, are measured at cost.

d) Accounting date

Chile

Financial instruments trading operations, including foreign currency, shall be shown in the consolidated statement of financial position on the date of trading.

IFRS

Under IFRS, purchase or sale of financial assets should be recognized using either trade date accounting or settlement date accounting. The method used should be applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.

Goodwill and Long-Lived Intangible Assets

Chile

Goodwill and long-lived intangible assets, generated before December 31, 2008, will be amortized during the original amortization term.

IFRS

Under IFRS, goodwill and long-lived intangible assets do not amortize and must be tested at least annually for impairment, or when an indicator of impairment exists.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To Shareholders and the Board of Directors of
Banco de Crédito e Inversiones

We have audited the accompanying consolidated financial statements of Banco de Crédito e Inversiones and Subsidiaries (the "Bank"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of income, statements of other comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting standards and instructions issued by the Superintendency of Banks and Financial Institutions. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco de Crédito e Inversiones and Subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting standards and instructions issued by the Superintendency of Banks and Financial Institutions.

Deloitte

February 24, 2017
Santiago, Chile

Mauricio Farias N.
Partner

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2016 and 2015 (In millions of Chilean pesos - MCh$)

	Note	As of December 31 2016 MCh$	2015 MCh$
ASSETS			
Cash and deposits in banks	**6**	1,577,565	1,272,552
Items in course of collection	**6**	264,265	434,550
Trading portfolio financial assets	**7**	1,267,979	1,298,131
Investments under agreements to resell	**8**	116,461	206,105
Derivative financial agreements	**9**	1,360,247	1,499,423
Loans and receivables to banks, net	**10**	223,228	169,416
Loans and receivables to customers, net	**11**	21,954,346	19,770,529
Financial investments available for sale	**12**	2,524,500	2,407,882
Financial investments held to maturity	**12**	872	708
Investments in other companies	**13**	187,958	170,103
Intangible assets	**14**	177,516	175,551
Property, plant and equipment, net	**15**	279,496	282,556
Current income tax	**16**	31,247	5,093
Deferred income taxes	**16**	198,094	203,686
Other assets	**17**	686,130	788,116
TOTAL ASSETS		**30,849,904**	**28,684,401**
LIABILITIES			
Current accounts and demand deposits	**18**	8,194,263	8,047,288
Items in course of collection	**6**	132,507	255,800
Liabilities under agreements to repurchase	**8**	799,844	449,128
Term deposits and savings accounts	**18**	9,957,688	9,301,896
Derivative financial agreements	**9**	1,420,086	1,535,191
Borrowings from financial institutions	**19**	1,648,764	1,790,090
Debt issued	**20**	4,398,430	3,822,650
Other financial liabilities	**20**	953,246	746,946
Current income tax	**16**	-	-
Deferred income taxes	**16**	55,655	42,611
Provisions	**21**	263,495	255,132
Other liabilities	**22**	507,249	437,144
		28,331,227	**26,683,876**
TOTAL LIABILITIES			
SHAREHOLDERS' EQUITY			
Attributable to equity holders of the Bank:			
Capital		2,276,820	1,781,396
Reserves		109	109
Accumulated other comprehensive income		3,256	(12,790)
Retained earnings:			
Net income for the year	**24**	340,121	330,819
Less: Accrual for minimum dividends	**24**	(102,049)	(99,247)
TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK		2,518,257	2,000,287
Non-controlling interest		420	238
TOTAL SHAREHOLDERS' EQUITY		**2,518,677**	**2,000,525**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**30,849,904**	**28,684,401**

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2016 and 2015 (In millions of Chilean pesos - MCh$)

	Note	For the year ended December 31 2016 MCh$	2015 MCh$
Interest income	25	1,513,339	1,344,842
Interest expense	25	(608,286)	(544,336)
Net interest income		**905,053**	**800,506**
Fee and commission income	26	344,507	304,289
Fee and commission expense	26	(72,878)	(70,019)
Net fee and commission income		**271,629**	**234,270**
Trading and investment income, net	27	145,873	111,278
Foreign exchange results, net	28	(65,609)	(19,378)
Other operating income	33	28,376	31,370
Operating income		**1,285,322**	**1,158,046**
Provisions for loan losses	29	(183,412)	(189,206)
OPERATING INCOME, NET OF PROVISIONS FOR LOAN LOSSES< INTERESTS AND COMMISSIONS		**1,101,910**	**968,840**
Staff costs	30	(372,631)	(304,611)
Administrative expenses	31	(225,489)	(189,442)
Depreciation and amortization	32	(55,108)	(43,450)
Impairment of property, plant and equipment and intangible assets	32	(92)	(6,896)
Other operating expenses	33	(42,837)	(37,224)
TOTAL OPERATING EXPENSES		**(696,157)**	**(581,623)**
TOTAL NET OPERATING INCOME		**405,753**	**387,217**
Share of profit/loss of investments accounted using the equity method	13	19,136	13,495
Income before income tax		**424,889**	**400,712**
Income tax expense	16	(84,724)	(69,889)
Net income from continuing operations		**340,165**	**330,823**
CONSOLIDATED NET INCOME FOR THE YEAR		**340,165**	**330,823**
Attributable to:			
Equity holders of the Bank		340,121	330,819
Non-controlling interest		44	4
Earnings per share attributable to equity holders of the Bank: (stated in Ch$)			
Basic earnings per share		$2,970	2,758
Diluted earnings per share		$2,970	2,758

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
For the years ended December 31, 2016 and 2015
(In millions of Chilean pesos - MCh$)

	Note	For the year ended December 31	
		2016	**2015**
		MCh$	**MCh$**
CONSOLIDATED NET INCOME FOR THE YEAR		340,165	330,823
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO THE STATEMENTS OF INCOME			
Net gain/(loss) resulting on revaluation of financial investments available for sale		27,551	(36,656)
Net loss on cash flow hedge derivatives		(811)	(6,407)
Accumulated (loss)/gain adjustment for translation differences		(3,416)	6,990
Other comprehensive income before income tax		**23,324**	**(36,073)**
Income tax for other comprehensive income	**16**	(7,278)	9,527
Total other comprehensives (loss) income that may be reclassified to the statements of income in subsequent periods		**16,046**	**(26,546)**
OTHER COMPREHENSIVE INCOME (LOSS) THAT WILL NOT BE RECLASSIFIED TO THE STATEMENTS OF INCOME IN SUBSEQUENT PERIODS		-	**-**
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		16,046	(26,546)
CONSOLIDATED TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**356,211**	**304,277**
Attributable to:			
Equity holders of the Bank		356,167	304,273
Non-controlling interest		44	4

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2016 and 2015
(In millions of Chilean pesos - MCh$)

			Accumulated other comprehensive income					Retained earnings			
	Capital	Reserves	Instruments Revaluation reserve	Cash flow hedges reserve	Cumulative translation adjustment reserve	Income Tax	Total	Retained earnings	Net Income for the period	Minimum dividends Provision	To
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MC**
As of January 1, 2016	**1,781,396**	**109**	**(27,381)**	**(15,867)**	**21,866**	**8,592**	**(12,790)**	**-**	**330,819**	**(99,247)**	**23**
Transfer to retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	330,819	(330,819)	-	
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(110,803)	-	99,247	**(11**
Capitalization of reserves	220,016	**-**	**-**	**-**	**-**	**-**	**-**	(220,016)	-	-	**(220**
Paid-in Capital (*)	275,408	-	**-**	**-**	**-**	**-**	**-**	-	-	-	
Other comprehensive income	**-**	**-**	27,551	(811)	(3,416)	(7,278)	**16,046**	-	-	-	
Net income for the year 2016	**-**	**-**	-	-	-	-	**-**	-	340,121	-	**34**
Provision for minimum dividends 2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	(102,049)	**(102**
As of December 31, 2016	**2,276,820**	**109**	**170**	**(16,678)**	**18,450**	**1,314**	**3,256**	**-**	**340,121**	**(102,049)**	**23**
As of January 1, 2015	**1,547,126**	**-**	**9,275**	**(9,460)**	**14,876**	**(935)**	**13,756**	**-**	**342,972**	**(102,891)**	**24**
Transfer to retained earnings	-	-	-	-	-	-	**-**	342,972	(342,972)	-	
Dividends paid	-	-	-	-	-	-	**-**	(108,702)	-	102,891	**(5**
Capitalization of reserves	234,270	-	-	-	-	-	**-**	(234,270)	-	-	**(234**
First adoption adjustment	-	109	-	-	-	-	**-**	-	-	-	
Other comprehensive income	-	-	(36,656)	(6,407)	6,990	9,527	**(26,546)**	-	-	-	
BCI Financial Group Purchase	-	-	-	-	-	-	**-**	-	-	-	
Net income for the year 2015	-	-	-	-	-	-	**-**	-	330,819	-	**33**
Provision for minimum dividends 2015	-	-	-	-	-	-	**-**	-	-	(99,247)	**(99**
As of December 31, 2015	**1,781,396**	**109**	**(27,381)**	**(15,867)**	**21,866**	**8,592**	**(12,790)**	**-**	**330,819**	**(99,247)**	**23**

(*) (See Note 24.a)

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015
(In millions of Chilean pesos - MCh$)

	Note	For the year ended December 31 2016 MCh$	2015 MCh$
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES:			
INCOME BEFORE INCOME TAX		**424,889**	**400,712**
Charges (credits) to income not representing cash flows:			
Depreciation and amortization	32	55,108	43,450
Impairment of property, plant and equipment and intangible assets	32	92	6,896
Provision for loan losses		228,906	239,829
Impairment of repossessed assets		-	219
Adjustment to fair value of financial instruments		(9,004)	(4,151)
Share of (profit) loss of investments accounted using equity method	13	(19,136)	(13,495)
Net loss (gain) from sale of repossessed assets	33	(2,610)	(4,224)
Gain from sale of property, plant and equipment	33	(248)	(600)
Loss on sale of property, plant and equipment	33	472	340
Write-off of repossessed assets	33	6,500	2,398
Other changes (credits) to income not representing cash flows		(17,661)	(295,339)
Net interest and indexation income		(905,053)	(800,506)
Net fee and commission income		(271,629)	(234,270)
Changes in assets and liabilities affecting operating cash flows:			
Net increase in loans and receivables to banks		(53,183)	159,838
Net increase in loans and receivables to customers		(2,360,661)	(4,457,744)
Net (increase) decrease in investments in other companies		(118,510)	(1,221,168)
Net increase in current accounts and other demand deposits		136.586	3,284,051
Net increase (decrease) in liabilities under agreements to repurchase		220,078	(20,561)
Net increase in term deposits and savings accounts		666,114	1,078,228
Net increase in borrowing from financial institutions		41,609	161,300
Net increase in other financial liabilities		185,706	609,093
Proceeds from loans from Central Bank of Chile (long-term)		15,283	1,661
Repayment of loans from Central Bank of Chile (long-term)		(15,056)	-
Proceeds from foreign borrowings (long-term)		5,022,881	4,622,092
Repayment of foreign borrowings (long term)		(5,186,720)	(4,687,341)
Income tax paid		(84,724)	(69,889)
Interest and indexation received	16	1,512,160	1,203,587
Interest and indexation paid		(404,287)	(188,415)
Fees and commissions received	26	344,507	304,289
Fees and commissions paid	26	(72,878)	(70,019)
Total cash flows (used in) provided by operating activities		**(660,469)**	**50,261**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	15	(9,644)	(18,858)
Proceeds from sale of property, plant and equipment		33	141
Purchase of BCI Financial Group, Inc. and Subsidiaries	4	-	(393,544)
Increase of investments in other companies	13	(7,469)	(2,607)
Sale of investments in other companies	14	(24,134)	(46,708)
Proceeds from sale of intangible assets		-	28
Dividends received from investments	13	5,977	2,946
Sale of repossessed assets		3,772	8,625
Net changes in other assets and liabilities		183,228	(169,399)
Total cash flows provided by (used in) investing activities		**151.763**	**(619,376)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Redemption of letters of credit		(5,614)	(7,498)
Bond issuance		652,751	766,065
Bond redemption		(151,118)	(319,598)
Paid-in capital	24	275,408	-
Dividends paid	24	(110,803)	(108,702)
Total cash flows provided by financing activities		**660,624**	**330,267**
NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**(31,871)**	**(86,044)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**183,789**	**(152,804)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1,674,910**	**1,913,758**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	**1,826,828**	**1,674,910**

Notes No. 1 to No. 39 are an integral part of the Consolidated Financial Statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015
(In millions of Chilean pesos - MCh$)

Reconciliation of provisions for loan losses to Consolidated Statements of Cash Flows for the period

		As of December 31	
		2016	**2015**
	Note	**MCh$**	**MCh$**
Provisions for loan losses presented in the Consolidated Statements of Cash Flows		228,906	239,829
Recovery of loans previously written off		(45,494)	(50,623)
Provisions for loan losses	29	183,412	189,206

Net cash flows from acquisition of BCI Financial Group, Inc. and Subsidiaries acquisition, whose acquisition date was October 16, 2015

		As of October 16, 2015
		MCh$
BCI Financial Group, Inc. and Subsidiaries acquisition		
Consideration paid in form of cash and cash equivalents		(639,150)
Cash and cash equivalents of the acquired subsidiary		245,606
Net cash and cash equivalents paid on acquisition	4	(393,544)

NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

a) The Bank

Banco de Crédito e Inversiones or Banco BCI (hereinafter the "Bank") is a bank incorporated in Chile and regulated by the Superintendence of Banks and Financial Institutions (hereinafter the "SBIF"). The registered office of the Bank is located at El Golf Avenue, 125, Las Condes. The Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015 include financial information of the Bank and its subsidiaries listed below, as well as its Miami Branch. The Bank's business consists of all of the businesses and transactions permitted by the General Banking Law, including retail, corporate and real estate banking, large and medium size companies' services, private banking and asset management services.

b) Basis of Preparation of the Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with the Compendium of Accounting Standards and Instructions issued by SBIF, the regulatory agency set up under Article 15 of the General Banking Law, which stipulates that, pursuant to legal provisions, banks must apply the accounting criteria issued by that Superintendence and, in all such matters not specifically covered by it, provided they do not contradict its instructions, banks must follow generally accepted accounting criteria established in International Financial Reporting Standards (hereinafter the "IFRS") issued by the International Accounting Standards Board (hereinafter the "IASB"). In case of any discrepancy between IFRS and SBIF, the latter are followed.

The Consolidated Statements of Income include the net income for the years and the Consolidated Statements of Other Comprehensive Income reflect other comprehensive income recognized in equity, including translation exchange differences between Chilean Pesos and US Dollars originated by BCI Financial Group, Inc. and Subsidiaries and BCI Securities. The financial result to be considered for distribution of dividends is the net income for the year attributable to the equity holders of the Bank, as stated in the Consolidated Statements of Income.

Notes to the Consolidated Financial Statements contain additional information to the presented in the Consolidated Statements of Financial Position, Statements of Income, Statements of Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows. Narrative descriptions and breakdowns of these Statements are supplied in clear, relevant, reliable and comparable way.

Consolidated Financial Statements of the Bank and Subsidiaries as of December 31, 2016 have been approved and authorized for issuance by the Board at meeting held on February 23, 2016.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

c) Controlled Companies (subsidiaries)

The Consolidated Financial Statements as of December 31, 2016 and December 31, 2015 include financial information of the Bank and controlled companies (subsidiaries) (hereinafter the "Group"). Control is achieved when the following conditions are met:

I. Power over the investee (i.e.: has the rights that give it the current ability to direct relevant activities of the investee);
II. Is exposed, or has rights, to variable returns from its involvement with the investee; and
III. Has the capacity to use its power over the investee to affect its returns.

When the Bank has less than a majority of voting rights of an investee, it has power over the investee, when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of Bank's voting rights relative to the size and dispersion of the other vote holders.
- Potential voting rights held by the Bank, other vote holders or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate the Bank has, or does not have, the current ability to direct relevant activities, at the time decisions need to be taken, including voting patterns at previous shareholders' meetings.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate there are changes in one or more of the three elements of control listed above.

Consolidation of a subsidiary ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary disposed of during the year are included in the consolidated statements of income until the date when the Bank ceases to control the subsidiary.

The Consolidated Financial Statements, include individual financial information of the Bank and its subsidiaries, as well as adjustments and reclassifications made to the financial statements of subsidiaries to bring their accounting policies into line with Bank's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Consolidated Financial Statements, consider the separate financial statements (individual) of the Bank and the companies involved in the consolidation, and include the adjustments and reclassifications required to unify the accounting policies and valuation criteria applied by the Bank, as well as the elimination of all balances and transactions between consolidated companies.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

In addition, third party interest in the equity of the Group is presented as "Non-controlling Interest" in the Consolidated Statements of Financial Position. Its share in profit or loss is presented as "Consolidated net income for the year attributable to non-controlling Interest" in the Consolidated Statements of Income. Its share in total comprehensive income for the year is presented as "Total comprehensive income for the year attributable to non-controlling Interest" in the Consolidated Statements of Other Comprehensive Income.

The following table represents the entities over which the Bank exercises control:

i. Entities controlled by the Bank through interest ownership:

	Ownership			
	Direct		**Indirect**	
Entity	**2016**	**2015**	**2016**	**2015**
	%	%	%	%
Análisis y Servicios S.A. (1)	99,00	99,00	1,00	1,00
BCI Asset Management Administradora de Fondos S.A.	99,90	99,90	0,10	0,10
BCI Asesoría Financiera S.A.	99,00	99,00	1,00	1,00
BCI Corredor de Bolsa S.A.	99,95	99,95	0,05	0,05
BCI Corredores de Seguros S.A.	99,00	99,00	1,00	1,00
BCI Factoring S.A.	99,97	99,97	0,03	0,03
BCI Securitizadora S.A.	99,90	99,90	-	-
Banco de Crédito e Inversiones Sucursal Miami	100,00	100,00	-	-
Servicio de Normalización y Cobranza, Normaliza S.A.	99,90	99,90	0,10	0,10
BCI Securities INC (2)	99,90	99,90	0,10	0,10
BCI Corredores de Bolsa de Productos S.A. (3)	99,00	99,00	1,00	1,00
BCI Financial Group, INC. and Subsidiaries (4)	100,00	100,00	-	-

(1) On August 1, 2015, Análisis y Servicios S. A.'s employees were integrated into the management model of BCI business and customers, becoming employees of the latter. Análisis y Servicios S.A. is still in force and operational as a support business company.

(2) BCI Securities Inc. is a subsidiary located in the State of Florida, United States of America, whose principal business is stockbrokerage. The investment in this entity was authorized by the SBIF on January 10, 2013 and by the Central Bank of Chile on February 21, 2013. The subsidiary started operations on March 1, 2016.

(3) BCI Corredores de Bolsa de Productos S.A. is a company whose principal business focus is sale of commercial papers traded on the Products Stock Exchange. It is registered with the Superintendence of Securities and Insurance (hereinafter the "SVS") since November 2, 2015.

(4) On October 16, 2015, Banco de Crédito e Inversiones acquired City National Bank of Florida (hereinafter "CNB"). BCI acquired 100% of CM Florida Holding (currently BCI Financial Group, Inc. and Subsidiaries), which owns and controls CNB. See Note 4 to the Consolidated Financial Statements.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Information and corporate purposes of the entities controlled by the Bank, as the following:

Análisis y Servicios S.A. was established as a closely held corporation by public deed dated August 19, 1996, and started its operations on November 1, 1996. Its corporate purpose is actions on behalf of financial institutions pre-evaluation of all financial products and services these institutions are involved in, and performance of all activities or operations necessary for the pursuit of its objective.

BCI Asset Management Administradora de Fondos S.A. was incorporated by public deed dated January 7, 1988. Its corporate purpose is management of all types of mutual funds, investment funds and individual portfolios regulated by Law No. 20,712, including the development of voluntary pension savings plans "Voluntary Pension Savings" ("APV" for its acronym in Spanish) and "Collective Voluntary Pension Savings" ("APVC" for its acronym in Spanish), other complementary activities authorized by the SVS through Circular No. 1,566 of 2001, and the administration of third parties' funds and portfolios, authorized by Circular No. 1,897 of 2008.

BCI Asesoría Financiera S.A. was established as a closely held corporation by public deed dated October 23, 1992. Its corporate purpose is provision of advices on the analysis, evaluation and search of alternative financing sources, on the restructuring of liabilities, on the negotiations to acquire, capitalize, sell or merge companies, on the issuance and placement of bonds and debentures and on the placement of equity.

BCI Corredor de Bolsa S.A. was incorporated by public deed dated July 24, 1987. Its corporate purpose is provision of financial instruments brokering operations, and in general of all the activities permitted to a stockbroker by the law.

BCI Corredores de Seguros S.A. was incorporated by public deed dated January 15, 1997. Its corporate purpose is provision of remunerated brokering operations with general and life insurance contracts with any insurance company located in the country, and the provision of advisory services and services related to the contracting of insurance.

BCI Factoring S.A. was incorporated by public deed dated December 13, 1994. Its corporate purpose is provision of all kinds of factoring services; acquisition and discounting of documents and commercial papers, in general, development and operation of different types of factoring businesses; investment, reinvestment and acquisition of dues, shares or rights, all types of movable, corporeal or incorporeal property, real estate and companies, whether civil, commercial or communities; or realisation of takeovers, investment in all kinds of securities; management and exploitation of such property under any title; and receiving profit from them.

BCI Securitizadora S.A. was established as a closely held corporation by public deed dated March 1, 2001. Its corporate purpose is the acquisition of the credits referred to in Article No. 135 of Law No. 18,045 or the rules that replace or complement it, and the issuance of debt securities, short or long term, causing for each issuance the formation of capital separate from its own, supervised by the SVS.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Banco de Crédito e Inversiones Sucursal Miami, Is a branch of Banco de Crédito y Inversiones, established in the State of Florida in the United States of America. The branch was initially authorized to operate as an international banking agency by the Department of Banking and Finance of the State of Florida on May 10, 1999. The branch is not a separate legal entity, it carries out banking activities that provide a complete range of banking services to national and foreign physical persons and legal entities, mainly from Latin America.

Servicio de Normalización y Cobranza, Normaliza S.A. is closely held corporation, which was incorporated by public deed dated June 8, 1990. Its corporate purpose is the provision of extrajudicial collection services, on its own account or on behalf of others, on any document representing liability, as well as performance of the background check of physical persons or legal entities, the delivery of commercial reports and any other business that the stockholders agree to execute.

BCI Securities INC. was established in the State of Florida, United States of America on July 6, 2011. Its corporate purpose is to buy and sell stocks, mutual funds, corporate debt, US government bonds, sovereign debt, and call and put options for its customers, primarily residents of South America. BCI Securities INC may establish network agreements with banks, savings banks or credit unions.

BCI Corredores de Bolsa de Productos S.A. was established by public deed dated April 16, 2015. Its sole corporate purpose is to act as intermediary in operations with agricultural products, as established in articles fourth and fifth of the Law No. 19,920, as broker of agricultural products, including the purchase or sale of products in the Agricultural Products Stock Exchange for its own account with the aim of transferring rights thereto, and the complementary activities authorized by the SVS, for which it may execute all actions and enter into all contracts and act as intermediary in operations of the Agricultural Products Stock Exchange, according to the regulation in force.

BCI Financial Group, INC. and Subsidiaries, a parent company of CNB, was acquired in 2015 (see Note 4). CNB is a banking financial institution established in 1946 with headquarter in Miami, offering a wide range of financial products (including real estate, commercial and consumer banking) to more than 22,000 customers, with 26 branches in four Florida counties.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

ii. Entities controlled by the Bank through other considerations:

Although the Bank holds less than majority of voting rights, in the following companies, they are considered subsidiaries since the Bank exercises control through ability to direct the relevant activities and oversight financial and operational policy decisions:

	Ownership interest			
	Direct		**Indirect**	
Entity	**2016**	**2015**	**2016**	**2015**
	%	%	%	%
BCI Activos Inmobiliarios Fondo de Inversión Privado	40.00	40.00	-	-
Incentivos y Promociones Limitada (1)	SE	SE	SE	SE

(1) Structured Entity ("SE") is responsible for the promotion of credit and debit cards products. The Bank does not hold any ownership interest in that company.

d) Associates:

An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operational policy decisions of the investee but is not control or joint control.

In general, if the Bank holds more than 20% but less than 50% of the voting power of an investee, it is presumed that the Bank has significant influence over an investee. The following factors also might be indicators of significant influence: Having representatives on the Board of Directors, participating in policy-setting processes, significant transactions between the Bank and the associate, interchange of managerial personnel and provision of essential technical information.

These investments are accounted under equity method. The investment in an associate is originally recognized at cost. As of the acquisition date, the investment is recognized in the statements of financial position based on the share of its equity that Bank's interest represents in its capital.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

The following entities are considered associates:

	Ownership interest	
Company	**2016**	**2015**
	%	%
Artikos Chile S.A.	50.00	50.00
Servipag Ltda.	50.00	50.00
Centro de Compensación Automatizado S.A.	33.33	33.33
AFT S.A.	20.00	20.00
Nexus S.A.	12.90	12.90
Redbanc S.A.	12.71	12.71
Servicio de Infraestructura de Mercado OTC S.A. (*)	13.61	11.48
Combanc S.A.	10.33	10.33
Transbank S.A.	8.72	8.72
Sociedad Interbancaria de Depósitos de Valores S.A.	7.03	7.03
Credicorp Ltda.	1.93	1.93

(*) During June and July of 2016 the Bank acquired 206 shares of the associate, increasing its ownership by 2.3 percentage points in comparison to December 31, 2015.

Entities in the table above, in which Bank holds less than 20%, are still considered associates given the Bank's ability to have a representative in their Board of Directors, which indicate the Bank has significant influence over them.

iv. Investments in other Companies:

In this category are presented those entities in which the Bank has no control neither significant influence. These investments are recognized at the acquisition cost.

e) Basis of consolidation

The Consolidated Financial Statements comprise financial information of the Bank and its subsidiaries as of December 31, 2016 and 2015, and for the years then ended.

The Financial Statements of subsidiaries (including the Structured Entity controlled by the Bank), were aligned with the financial statements of the Bank according to the rules laid down in the Compendium of Accounting Standards and Instructions issued by the SBIF.

The intercompany balances and any income or expense arising from intercompany transactions between Group entities are eliminated in full on consolidation. The unrealized income or expense arising from transactions with associates are eliminated to the extent of the Group's interest in these companies.

For consolidation purposes, the assets and liabilities of BCI Financial Group, Inc. and Subsidiaries and BCI Securities Subsidiaries are translated into Chilean Pesos using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the monthly average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interest as appropriate).

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

f) Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank. Non-controlling interest are presented separately in the Consolidated Statements of Income, the Consolidated Statements of Other Comprehensive Income and Consolidated Statements of Financial Position.

g) Functional currency

The Bank has determined its functional currency and presentation currency as Chilean Peso (Ch$). Likewise, all the entities of the Group have determined the Chilean Peso as the functional currency, except for BCI Financial Group, Inc. and Subsidiaries and BCI Securities subsidiary, which have determined the US dollar as their functional currency.

All the information presented in Chilean Pesos has been rounded to the closest millions of Chilean Peso.

h) Transactions in foreign currency

Balances and transactions denominated in currencies different to the Chilean peso are considered denominated in “foreign currency”. Transactions carried out by each entity in currency other than its functional currency are recognized using the exchange rates prevailing at the date of the transaction. During the period, the differences that arise between the prevailing exchange rate at the date of the transaction and the exchange rate as of the date of collection or payment are recognized as “Foreign exchange results, net” in the Consolidated Statements of Income.

The differences that arise on translation of the balances denominated in foreign currency into functional currency are recognized as “Foreign exchange gains, net” in the Consolidated Statements of income.

As of December 31, 2016 and 2015, the assets and liabilities of the Bank nominated in foreign currency are shown at their equivalent value in Chilean pesos.

i) Operating segments

Operating segments are determined by the Bank on the basis of its different business units, considering that they are the components:

(i) That engage in business activities from which the Bank may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank).
(ii) Whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
(iii) For which discrete financial information is available.

These operating segments deliver products and services subject to different risks and returns and therefore the chief operating decision makers of the Bank separately evaluate the performance of them.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

j) Measurement of assets and liabilities

Measurement criteria of the assets and liabilities recognized in the Consolidated Statements of Financial Position are the following:

i. Assets and liabilities measured at amortized cost:

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

In the case of financial assets, the amortized cost also includes adjustments to their value caused by any recognized impairment.

In the case of financial instruments, the systematic part reflected in the profit and loss is recognized by the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

ii. Assets and liabilities measured at fair value:

For financial instruments traded in active markets, the determination of fair values is based on their listed or recent transaction prices. This includes instruments traded in domestic or international stock markets.

A financial instrument is considered quoted on an active market, if prices are regularly and freely available on a stock, index, broker, dealer, supplier prices or regulatory agency and those prices represent current and regular market transactions. If the market does not meet that condition, it is considered inactive. The lack of recent transactions or a too wide spread between bid-offer prices, are indications that the market is inactive.

For all other financial instruments, fair value is determined using valuation techniques. The valuation techniques used should maximize the use of relevant observable inputs with respect to similar financing instruments. The fair value is estimated using models to estimate the present value of the expected cash flows or other valuation techniques, using inputs (e.g. deposits, swaps, exchange rates, volatilities, etc.) observable at the date of the Consolidated Financial Statements.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

As of the dates of the Consolidated Financial Statements, the Bank has no instruments whose fair value had been determined based on unobservable data. However, for this type of instruments, the Bank has models developed internally, which are based on techniques and methods generally recognized in the industry. When the data used in the models is unobservable, the Bank must develop assumptions in order to estimate the fair values. These valuations are known as Level 3 valuations. Instruments classified according to their valuation level are detailed in Note 35 to the Consolidated Financial Statements.

The results of the models are always an estimate or approximation of the value and cannot be determined with certainty. Valuations are adjusted, when applicable, in order to reflect additional factors, such as liquidity or credit risks of the counterparty. Based on the model and the credit risk policies of the Bank,

Management estimates that these adjustments to the valuations are necessary and appropriate in order to reasonably present the values of the financial instruments in the Consolidated Financial Statements. The information, prices and parameters used in the valuations are carefully and regularly checked, and adjusted if necessary.

iii. Assets and liabilities measured at acquisition cost:

Acquisition cost measurement is the recognition of the asset at the consideration paid for the purchase of the asset, less impairment losses if applicable.

The Consolidated Financial Statements have been prepared based on a historical cost basis, except for:

- Derivative financial agreements, measured at their fair value.
- Repossessed assets, measured at the lower of carrying amount or fair value less costs to sell.
- Trading portfolio financial assets, measured at their fair value.
- Financial investments available for sale, measured at their fair value.

Property, Plant and Equipment are measured at fair value when Management decided to revaluate such assets and consider this value as deemed cost for the first adoption.

iv. Derecognition of financial assets and liabilities:

The accounting treatment of transfers of financial assets depends on the extent and the manner in which the risks and rewards associated with the financial assets are transferred to third parties:

1. If the Bank transfers substantially all the risks and rewards of ownership of the financial asset to third parties, such as the unconditional sales, sales with resale agreements at the fair value on the date of resale, the sale of financial assets with the option to repurchase or a sale issued with a high probability that it will not be finalized, the use of assets where the transferring entity does not retain subordinated financing or give up a credit improvement to the new owners, among other similar cases, the transferred financial asset is derecognized from the Consolidated Financial Statements, recognizing simultaneously any right or obligation retained or created as a result of the transfer.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

2. If retained substantially all the risks and rewards of the transferred financial asset, such as the financial assets sale with a resale agreement at a fixed price or at sale price plus interest, the contracts for securities in which the borrower has the obligation to return the same or similar assets, among other similar cases, the transferred financial asset is not derecognized from the Consolidated Financial Statements and continuous measuring under the same criteria which were applied before the transfer.

Consequently, it recognizes:

a) A financial liability for an amount equivalent to the consideration received that is subsequently measured at amortized cost.

b) Any income on the transferred (but not derecognized) financial asset and any expenses incurred on the new financial liability.

3. If the Bank neither transfers nor retains substantially all the risks and rewards of the financial asset transferred, such as the sale of financial assets with the option to buy or sell issued with a high or low probability of exercising it, the use of assets where the grantor does not retain subordinated financing or give up a credit improvement for a portion of the transferred asset among other similar cases, it distinguishes between:

a) If the Bank does not retain the control of the transferred financial asset: then it is derecognized from the Consolidated Statements of Financial Position and any withheld right or obligation is recognized or created as a consequence of the transfer.

b) If the Bank maintains control of the financial asset: then it continues recognizing the asset in the Consolidated Statements of Financial Position and recognizes a financial liability associated with the financial asset. The net amount of the asset and the associated liability will be the amortized cost of the withheld rights and obligations if the asset is measured by its amortized cost or the fair value of the withheld rights and obligations if the asset is measured by its fair value.

Accordingly, financial assets are derecognized from the Consolidated Statements of Financial Position when, and only when, the contractual rights to the cash flows from the financial asset expire; or when the Bank transfers the financial assets and substantially all the risks and rewards of ownership of the assets to third parties.

Similarly, financial liabilities are derecognized from the Consolidated Statements of Financial Position when, and only when, the obligations are extinguished, cancelled or expired

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

k) Investment instruments

Investment instruments are classified into two categories: held to maturity and available for sale. The category of financial assets held to maturity includes only those instruments which the Bank has the capacity and intention of holding until their maturity. The rest of the investment instruments are considered as available for sale.

Investment instruments are initially recognized at their fair value, including transaction costs. The available for sale instruments are then marked to market at their fair value according to market prices or valuations obtained from models. The unrealized gains or losses originated by the change in their fair value are recognized in other comprehensive income. When these investments are sold the available for sale investment instruments' reserve accumulated in other comprehensive income associated with these instruments is reclassified to the Consolidated Statements of Income and recognized under "Trading and investment income, net" heading as well as any realized gain/loss on disposal. In the case of a significant or prolonged decline in the fair value of any of these instruments, an impairment is recognized by a reclassification from other comprehensive income to the line item "Impairment" in the statements of income.

The investments in held to maturity financial assets are subsequently measured at their amortized cost plus interest and indexation for inflation, less impairment constituted when its carrying amount exceeds the estimated recovery value.

The interests and indexation for inflation of held to maturity and available for sale investments are included in "Interest income" line in the Consolidated Statements of Income.

The purchases and sales of investment instruments that must be submitted within the period established by the market's regulations or conventions are recognized at their trade date, on which the purchase or sale of the asset is agreed. All other purchases and sales are recognized at their settlement date.

l) Trading investments

The trading investments correspond to securities acquired with the intention to generate profits from the price fluctuation in the short-term or through gross earnings' margins, or that are included in a portfolio in which there is a short-term profit taking strategy.

Trading investments are measured at their fair value in accordance with the market prices at the reporting date of the Consolidated Financial Statements. The transaction costs are recognized directly in the Consolidated Statements of Income. The mark to market adjustments, as well as the realized income/loss from trading activities, are included under the "Trading and investment income, net" heading in the Consolidated Statements of Income.

The interest and indexation for inflation are recognized in "Trading and investment income, net" line in the Consolidated Statements of Income.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

All the purchases and sales of trading investments that must be delivered within the period established by the market's regulations or conventions are recognized at the trade date, on which the purchase or sale of the asset is agreed. Any other purchase or sale is recognized on its settlement date.

m) Transactions with repurchased agreements and securities lending

Reverse repurchase agreement is an agreement to receive a financial asset from another party in exchange for cash or other consideration and a concurrent obligation to resell the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as investing transactions. Assets purchased under reverse repurchase agreements are recognized in the consolidated financial statements as "Investments under agreements to resell" and are measured at amortized cost.

Repurchase agreement is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repurchase agreements are retained in the consolidated financial statements in "Trading portfolio financial assets" or "Financial investments available for sale" categories, and consideration received under these agreements is recognized as collateralized liability within "Liabilities under agreements to repurchase" line, and measured at amortized cost.

n) Financial derivative instruments

The financial derivative instruments, which include foreign currency and Unidades de Fomento (UF) forwards, interest rate futures, currency and interest rate swaps, currency and interest rate options and other financial derivative instruments are initially recognized in the Consolidated Statements of Financial Position at their fair value (including transaction costs), which is usually their acquisition cost, and subsequently measured at their fair value. The fair value is obtained from corresponding market pricings, discounted cash flow models and pricing valuation models. The derivative instruments are recognized as an asset when their fair value is positive and as a liability when they are negative in "Derivative financial agreements" line of the Consolidated Statements of Financial Position.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related with those of the host contract and when such host contracts are not measured at fair value through profit or loss.

At the moment of subscribing to a derivative agreement, the Bank must designate it either as a derivative instrument for trading or for hedge accounting purposes.

The changes in the fair value of derivative instruments held for trading are included in "Trading and investment income, net" line of the Consolidated Statements of Income.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

If the derivative instrument is classified for hedge accounting purposes, the hedge can be: (1) a fair value hedge of existing assets or liabilities or firm commitments or (2) a cash flow hedge of existing assets or liabilities or forecast transactions. A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met: (a) at the inception of the hedge there is formal designation and documentation of the hedging relationship; (b) the hedge is expected to be highly effective; (c) the effectiveness of the hedge can be reliably measured and; (d) the hedge is assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting periods for which the hedge was designated.

Certain transactions with derivatives that do not qualify for being classified as hedging derivatives are treated and recognized as trading derivatives, even when they provide effective economic hedge of the risk positions.

When a derivative hedges the exposure to changes in the fair value of an existing item of the asset or liability, such hedged item is measured at fair value from the designation of the fair value hedge until its expiration, termination, etc. The mark to market adjustments for both the hedged item and the hedging instrument are recognized in the Consolidated Statements of Income.

If the item hedged in a fair value hedge is a firm commitment, the changes in the fair value of the firm commitment regarding the covered risk are recognized as assets or liabilities with effect on the Consolidated Statements of Income for the period. Gains or losses from the changes in fair value measurement of the hedging derivative are recognized with effect on the Consolidated Statements of Income for the period. When a new asset or liability is acquired as a result of the firm commitment, the initial recognition of the acquired asset or liability is adjusted to incorporate the accumulated effect of the fair value valuation of the firm commitment recognized in the Consolidated Statements of Financial Position.

When a derivative hedges exposure to changes in the cash flows of existing assets or liabilities, or forecast transactions, the effective portion of changes in fair value related to the hedged risk is recognized in other comprehensive income and accumulated in equity. Any ineffective portion is recognized directly in the Consolidated Statements of Income for the period.

The cumulative loss or gain in cash flow hedge reserve is transferred to the statements of income to the extent that the hedged item impacts the income because of the hedged risk, offsetting the effect in the same line of the Consolidated Statements of Income.

In case of fair value hedge of interest rate risk of a portfolio with the hedged item representing currency value instead of individual assets or liabilities, gains or losses from the fair value measurement for both the hedged item and the hedging instrument, are recognized in the Consolidated Statements of Income, but the fair value adjustment of the hedged instrument is presented in the Consolidated Statements of Financial Position under "Other assets" or "Other liabilities" lines, depending on the hedged item position as of reporting date.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

The adjustment for counterparty credit risk in derivatives (Credit Valuation Adjustment "CVA") determines the expected losses from counterparty risk in OTC derivatives contracts. The CVA of a derivative is defined as the difference between the value of free derivative counterparty risk (equivalent to the original derivative but without the risk of default of either party) and the value of risky derivative (corresponding to the original derivative, which has an inherent risk) that considers the possibility of counterparty default. In this way, a customer CVA can be obtained from the expected exposure (EE) for counterparty risk (how much is expected to lose) and the expected loss rate ("PE" for its acronym in Spanish) associated with the default of the counterparty.

The valuation adjustment for the existence of the spread bid/ask on financial instruments markets which applies to all financial instruments recognized at market value, both in normal market conditions and financial stress conditions, is based on best practices, the recommendations of the Basel Committee and the requirements SBIF and the Central Bank of Chile.

In order to make the bid/ask adjustment to financial instruments of Banco de Crédito e Inversiones portfolios, the following methodology was established:

i. Define market makers or BCI customer condition:

On an annual basis the Bank condition will be redefined to be considered market makers (the Bank must be within 4 main markets) or customers for each of the financial products it operates. This will be done based on information get from two principal brokers of the domestic market: TRADITION and ICAP.

ii. Condition of Market Makers:

For products (markets) where BCI is considered creditor, the instrument shall be valued at mid-price and bid/ask adjustment will not be applied.

iii. Customer status:

For products (markets) where BCI is considered debtor, the instrument shall be valued at mid-price and adjusted for bid/ask, or, in case of high liquidity, valued at bid price.

o) Hedge of a net investment in a foreign operation

According to IAS 21 and IAS 39 the requirements to recognize hedge accounting are the following: IAS 21 requires that an entity should determine the functional currency of each of its foreign operations as the currency of the primary economic environment in which it operates. When financial situation and results of a foreign operation are translated from a currency different to functional currency of the parent, the entity will recognize the exchange differences thorough other comprehensive income in equity, under Cumulative Translation Adjustment Reserve, until the sale or disposal by other means of the foreign operation. The accumulated difference is to be transferred to the Consolidated Statements of Income for the period in which the sale or disposal occurs.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

The hedge of a net investment in a foreign operation seeks to mitigate the foreign exchange rate risk associated with the valuation of the foreign investment.

IAS 39 stablishes the following conditions in order to apply hedge accounting:

a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
b) The hedge is expected to be highly effective;
c) The effectiveness of the hedge can be reliably measured;
d) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The hedged item is the initial investment made for the purchase of BCI Financial Group INC. and Subsidiaries.

p) Loans and receivables to customers

Loans receivable are non-derivative financial assets with fixed or determined payments that are not quoted in an active market and which the Bank does not intend to sell immediately or in the short-term.

Loans receivable are initially recognized at their fair value plus direct transaction costs and subsequently measured at their amortized cost using the effective interest method.

i. Financial lease contracts

Accounts receivable from lease contracts, included under "Loans and receivables to customers" heading, correspond to periodic instalments of lease contracts that comply with the requirements to be qualified as financial leases and are measured at amortized cost.

ii. Factoring Operations

The Bank and its subsidiary BCI Factoring S.A. perform operations with their clients, in which they receive invoices and other credit representative trading instruments with or without recourse to the transferor, anticipating a percentage of the total amount receivable of the borrower upon collection.

q) Allowances for loan losses

The allowances required to cover the expected losses a certain financial assets have been recognized in accordance with the regulations and instructions of the SBIF. The assets are presented net of such allowances, or at a new cost basis in the case of investments. Provision on credit commitments is presented as liability under "Provisions" heading.

The Bank and subsidiaries uses models and methodologies based on individual and collective analysis of the borrowers, approved by the Board of Directors, to recognize the allowance for loan losses as indicated in the Accounting Standards Compendium issued by the SBIF.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

i. Individual assessment:

Individual assessment of borrowers is performed when the customer, due to its size, complexity or exposure, is required to be identified and analysed on an individual basis.

Naturally, the analysis of the borrowers should be focused on their capacity and ability to comply with their credit obligations, evaluated based on sufficient and reliable information. Analysis should consider collateral, terms, interest rates, currency, indexation for inflation related to the loan, etc.

Allowance is assessed based on the classification of the borrowers and their operations related loans and to credit commitments in their corresponding risk category, after being assigned to one of the following portfolio categories: normal, substandard and non-compliant.

ii. Normal and substandard portfolios:

The normal portfolio includes those whose borrowers, whose payment capacity allows them to comply with their obligations and commitments, and this condition according to evaluation of their economic and financial situation, is not expected to change. The classifications assigned to this portfolio are categories A1 to A6.

The substandard portfolio includes the borrowers which have financial difficulties, or whose payment capacity worsened significantly, presenting reasonable doubt regarding the probability of reimbursement of total principal and interest under the contractually agreed terms, indicating that they are less likely to comply with their financial obligations in the short term.

In addition, borrowers that recently hold loans in default for over 30 days also form the part of the substandard portfolio. The classifications assigned to this portfolio are categories B1 to B4.

As a result of an individual analysis of these borrowers, the banks must classify them under the following categories, assigning to them, subsequently, the probability percentages of noncompliance and loss given default, resulting in the consequent percentage of expected loss:

Type of portfolio	Borrower Category	Probability of Default (PD) (%)	Loss given default (LGD) (%)	Expected Loss (%)
Normal portfolio	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
	A3	0.25	87.5	0.21875
	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
Substandard portfolio	B1	15.00	92.5	13.87500
	B2	22.00	92.5	20.35000
	B3	33.00	97.5	32.17500
	B4	45.00	97.5	43.87500

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

iii. Collective assessment of normal and substandard portfolios:

In order to determine the amount of allowances to be established for the normal and substandard portfolios as the first step it must be estimated the exposure, to which the respective loss percentages (expressed in decimals) will be applied. This expected loss percentage is comprised of the probability of default (PD) and loss given default (LGD) established for the category in which the borrower and/or guarantor is classified, as applicable.

The exposure subject to allowances corresponds to the loans and receivables plus loan commitments, less the amount to be recovered by collateral execution. Likewise, loans and receivables are understood as the carrying value of loans and receivables to the respective borrower, while loan commitments are understood as the amount resulting from applying the clause indicated in N°3 of Chapter B-3 of the Accounting Standards Compendium.

iv. Non-compliant portfolio:

Non-compliant portfolio includes the loans to borrowers for which recovery is considered remote, given that they have suffered a loss event resulting in impairment. This portfolio includes borrowers with evident signs of possible bankruptcy, as well as those in which a forced debt renegotiation is required in order to avoid non-compliance, and also includes any borrower with loans in default for equal to or greater than 90 days in the payment of interests or principal of any loan. This portfolio includes borrowers classified under categories C1 to C6 in the classification scale established below and all their loans, including 100% of the loan commitments that those borrowers maintain.

For the effects of allocating allowances on the non-compliant portfolio, loss rate percentages are used, which must be applied to the exposure, corresponding to the sum of loans and receivables and loan commitments held by the same borrower. In order to apply this percentage, an expected loss rate must be estimated first, deducting from the exposure the amounts expected to be recovered by execution of collateral and, in the case of having solid data that justifies them, deducting also the net present value of expected recoveries that can be obtained by execution of collection actions, net of expenses associated with them. That loss rate must be classified into one of the six categories defined according to the range of losses effectively expected by the Bank for all the operations of an individual borrower.

These categories and the loss rates which must be applied on the exposures are indicated in the following table:

Type of portfolio	Risk Scale	Expected Loss Range	Loss Rate (%)
Non-Compliant portfolio	C1	Up to 3 %	2
	C2	More than 3% up to 20%	10
	C3	More than 20% up to 30%	25
	C4	More than 30 % up to 50%	40
	C5	More than 50% up to 80%	65
	C6	More than 80%	90

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

v. Collective assessment:

Collective evaluation is focused on the following portfolios: Commercial Loans, Consumer Loans and Mortgage Loans.

For the determination of the collective allowance, loan portfolios with homogeneous features, such as the type of borrower and loan terms, are analysed. Thus, allowances are based on expected losses based on a certain probability of default (PD) and a loss given default (LGD), both parameters are based on historical information and technically substantiated estimates.

Allowances are established by multiplying the exposure of the respective portfolio by the estimated percentages of PD and LGD.

a. Commercial Loans:

This portfolio includes receivables to customers holding commercial loans and/or leasing operations, and which are not assessed individually.

Allowance determination is based on statistical models of expected loss, which estimates the probability of default for each customer (PD) and loss give default (LGD) for each operation. Both parameters are defined in terms of customer behaviour and characteristics of each loan, including delinquencies (internal and/or external), loan/collateral ratio (loan-to-value), non-compliant portfolio, customer seniority and type of product, among others.

b. Consumer Loans:

This portfolio includes receivables associated with consumption of individuals, as well as loans resulting from the use of overdraft credit lines, emergency credit lines, credit cards and consumer loans.

Allowance determination is based on statistical models of expected loss, which estimates the probability of default (PD) and loss given default (LGD) for each customer. Both parameters are defined in terms of customer behaviour, highlighting delinquencies (internal and/or external), indebtedness level, non-compliant portfolio, renegotiations, customer seniority, overdrafts not agreed and protests, among others.

c. Mortgage Loans:

This portfolio includes loans which have the following characteristics: the objective is the financing of the acquisition, extension, repair or construction of housing; the borrower is a physical person who is buying or owns the housing, and the value of the mortgage collateral covers the total amount of loan.

As of December 31, 2015 the allowance determination was based on statistical models of expected loss, which estimated the probability of default for each customer (PD) and loss given default (LGD) for each operation. Both parameters were defined in terms of customer behaviour and characteristics of each loan, including delinquencies (internal and/or external), loan/collateral ratio (loan-to-value), overdue status, credit conditions, and customer behaviour in other products of the Bank, among others.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Beginning January 1, 2016 the Bank adopted the "Standard Method for Provisioning the Residential Mortgage Loan" established by SBIF in its Circular No. 3,573. This circular stablishes provisioning factors, representing expected losses over the amount of the loan, applied based on the level of delinquency of each loan, and the loan/collateral ratio (Loan-to-Value or LtV) at the end of each month, as shown in the following table.

Provisioning Factor according to delinquency status and LtV						
		Days in default as of the end of the month				Non-Compliant
LtV (loan-to-value)	**Concept**	**Current**	**1-29**	**30-59**	**60-89**	**(more than 90 days in default)**
LtV ≤ 40%	PD (%)	1,0916	21,3407	46,0536	75,1614	100,0000
	LGD (%)	0,0225	0,0441	0,0482	0,0482	0,0537
	EL (%)	0,0002	0,0094	0,0222	0,0362	0,0537
40% < LtV ≤ 80%	PD (%)	1,9158	27,4332	52,0824	78,9511	100,0000
	LGD (%)	2,1955	2,8233	2,9192	2,9192	3,0413
	EL (%)	0,0421	0,7745	1,5204	2,3047	3,0413
80% < LtV ≤ 90%	PD (%)	2,5150	27,9300	52,5800	79,6952	100,0000
	LGD (%)	21,5527	21,6600	21,9200	22,1331	22,2310
	EL (%)	0,5421	6,0496	11,5255	17,6390	22,2310
LtV > 90%	PD (%)	2,7400	28,4300	53,0800	80,3677	100,0000
	LGD (%)	27,2000	29,0300	29,5900	30,1558	30,2436
	EL (%)	0,7453	8,2532	15,7064	24,2355	30,2436

Where:

PD = Probability of default
LGD = Loss given default
EL = Expected loss
LtV = Outstanding principal/Value of the collateral

In cases where the same client has more than one mortgage loan outstanding and one of them is past-due more 90 days or more, all such loans will be classified as "Non-Compliant" the allowance for each one of them will be calculated in accordance with their respective level of Loan-to-Value.

The application of this new rule resulted in an increase in the allowances for residential mortgage loans amounting to MCh$ 14,028 as of January 1, 2016, and a reduction in the same amount of additional provisions recognized as of December 31, 2015. Accordingly, the application of this new regulation has no effect on the Consolidated Statements of Income for the year ended December 31, 2016.

d. Write-off of loans:

Generally, when expire contractual rights expire cash flows, assets have to be written off. In the case of loans, even if this does not happen, respective asset balances are written off in accordance with the requirements established by Title II of Chapter B-2 of the Compendium of Accounting Standards and Instructions issued by the SBIF.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

The write-off in question refer to the write-offs of the assets previously recognized in the Consolidated Statements of Financial Position corresponding to the respective transaction, including, therefore, the portion that may be not expired if a loan is to be repaid in instalments, or in case of a leasing operation (there are no partial write-offs).

Write-offs are always recognized against allowances for loan losses, according to Chapter B-1 of the Compendium of Accounting Standards, regardless of the reason. Subsequent repayments of the assets previously written off are recognized in the Consolidated Statements of Income for the year, as recoveries of loans written-off.

Write-offs of loans and receivables are made on overdue, past due and current instalments, and should be made in accordance with the following deadlines since their first default:

Type of loan	**Write-off period**
Consumer loans secured and unsecured	6 months
Other unsecured operations	24 months
Commercial loans secured	36 months
Mortgage loans	48 months
Consumer leasing	6 months
Other non-property leasing	12 months
Property leasing (commercial or residential)	36 months

Write-off period is the maximum period between due date to pay of all or part of the obligation that is in default of payment and the date of write-off.

e. Recovery of written off loans:

The recoveries of loans that were written-off are recognized directly as income, as recoveries of previously written off loans.

r) Fee and commission income and expense

Fee and commission income and expense are recognized in the Consolidated Statements of Income using different criteria according to their nature. The most significant are:

- Those corresponding to operations which happen at the moment of time are recognized when the operation which originates them has been complete.
- Those originated from transactions or services performed over time are recognized over the life of these transactions or services.
- Those relating to financial assets and liabilities are recognized as an adjustment to the effective rate within the operation.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

s) Impairment

I. Financial Assets:

A financial asset is assessed on each reporting date to determine if objective evidence of impairment exists. A financial asset is considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets recognized at amortized cost, impairment is calculated as the difference between the carrying value of the asset and the net present value of the estimated future cash flows, discounted using the effective interest rate.

An impairment of financial investments available for sale is calculated in relation to their fair value.

Financial assets that are individually significant are individually assessed for impairment. The remaining financial assets are assessed on the collective basis in groups of assets that share similar credit risk characteristics.
Impairment is recognized in the Consolidated Statements of Income for the year. Any impairment of financial investments available for sale previously accumulated as negative revaluation reserve in equity is transferred to the Consolidated Statements of Income for the year.

The previously recognized impairment is reversed only if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. For the financial assets measured at amortized cost and debt financial investments available for sale, the reversal of impairment loss is recognized in the Consolidated Statements of Income. In respect of equity financial investments available for sale, impairment losses previously recognized in the Consolidated Statements of Income are not reversed through Consolidated Statements of Income. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

For loans and receivables to customers the impaired loans are defined according to Chapter B-2 of the Accounting Standards Compendium of the SBIF as “borrower loans on which there is evidence they will not meet any of their obligations under the agreed-upon payment conditions, without the possibility of recovering the loan by repossessing collateral, by means of judicial collection actions or by renegotiation”.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Impairment policies indicate that impairment is measured monthly, and consider the following criteria:

i. Impaired Portfolio:

Impaired Portfolio includes loans classified by the Bank as individually significant which have a credit risk classified as substandard in categories B3 and B4 or loans in the non-compliant portfolio.

The remaining impaired loans are classified in the following groups:

- Loans in default more than or equal to 90 days.
- Renegotiated loans.
- 100% of the loans associated with the client any loan of which is classified as impaired are reclassified to the impaired portfolio.

Operations related to residential mortgage loans or students loans for higher education under Law No. 20,027 are excluded from the requirements of this classification as long as non-compliance conditions as established in Circular No. 3,454 dated December 10, 2008 are not presented.

The behaviour in the financial system it is not considered in determining income on the impaired portfolio.

<u>Exit Conditions</u>

- <u>Individual assessment:</u> improvement in risk rating, movement to B3 and above category of the individual classification.

- <u>Collective assessment:</u>

a) Non-renegotiated loans: loans of the impaired portfolio may be reclassified back to the normal portfolio only upon compliance with the following conditions:

- Receipt of at least six consecutive instalments of principal and interest, paid on time in accordance with the schedule of payments or with a maximum delay of 30 days.
- All obligations up to date and no other loans in the impaired portfolio.
- In any case, there must be no instalments in default with other banks in the Chilean financial system in the last 90 days (last three periods informed to the SBIF at the date of inquiry).

b) Renegotiated loans: loans of the impaired portfolio may be reclassified back to the normal portfolio only upon compliance with the following conditions:

- Receipt of at least six consecutive instalments of principal and interest, paid on time in accordance with the schedule of payments or with a maximum delay of 30 days.
- All obligations up to date and no other loan operations of the borrower in the impaired portfolio.
- No other renegotiations of the borrower's loans within the last six months.
- In any case, there must not be any instalments in default with other banks in the Chilean financial system in the last 90 days (last three periods informed to the SBIF at the date of inquiry).

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

c) Collectively renegotiated portfolio written-off: written-off loans that had been renegotiated may be reclassified back to the normal portfolio only upon compliance with the following conditions:

- Payment of 30% of the originally renegotiated balance or payment of the first six payments agreed for the renegotiated loan.
- Principal and interests payments up to date.
- No other loans of the borrower in the impaired portfolio.
- No instalments in default in the Chilean financial system in the last 90 days.

ii. Interest and indexation for inflation income and expenses:

Income and expenses from interest and indexation for inflation are recognized in the Consolidated Statements of Income for the year based on the accrual principle using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

However, in the case of past-due loans or the current loans with high credit risk, a prudent criterion is followed to suspend the accrual of interest and indexation for inflation. Such items are recognized only when they are received.

• Amounts to suspend:

The amount of suspended income on an accrual basis corresponds to the amount calculated between the date of suspension and the Consolidated Statements of Financial Position reporting date that corresponds to the last day of the month.

• Date of suspension:

Individually assessed loans:

Case a) Loans classified as C5 and C6: the accrual is suspended when the loan is classified as non-compliant.

Case b) Loans classified as C3 and C4: the accrual is suspended when the loan has been classified as non-compliant for more than three months.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Collectively assessed loans:

For the loans with collateral whose fair value is less than 80% of the loan balance, accrual of income is suspended when the loan or one of the instalments has not been paid for six months.

The 80% percent of collateral refers to the ratio, measured at the time the loan becomes impaired, including the value of the collateral and the estimated value of all assets covered by the same collateral, including credit commitments.

II. Non-financial assets:

Non-financial assets of the Bank, including goodwill, intangible assets with an indefinite useful life and assets not yet available for use, and excluding investment property and deferred taxes are evaluated at least annually or more frequently, should circumstances warrant, in order to determine if indicators of impairment exist. If such indicators exist, then the recoverable amount of the asset is calculated.

Impairment of goodwill and intangible assets with indefinite lives is not reversed. Impairment losses of other non-financial assets recognized in previous periods are evaluated to determine if events or circumstances indicate the need in reversal of the impairment loss. A loss from impairment is reversed if a change in the estimate has occurred. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

t) Intangible assets

Software

The software acquired by the Bank is recognized at cost less the accumulated amortization and impairment, if any.

An internally-generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

The capitalized costs of the software developed internally include all the direct costs attributable to the development of the software, and it is amortized over the course of its useful life. Software developed internally is recognized at cost less the accumulated amortization and impairment, if any.

The subsequent expenditures associated with any software are capitalized only when the Bank may derive future economic benefits from them. The rest of the expenditures are recognized in the Consolidated Statements of Income for the year.

Amortization is recognized in the Consolidated Statements of Income using the straight-line method according to the estimated useful life of the software, starting on the date it is ready for use. The estimated useful life of the software it is usually six years.

Intangibles acquired in a business combination

Intangible assets with finite and indefinite useful lives were recognized as a consequence of the purchase of BCI Financial Group, INC. and Subsidiaries at the acquisition date, in October 2016. These intangible assets were identified in Purchase Price Allocation (PPA) process.

According to IFRS 3 “Business Combinations”, amounts presented as of December 31, 2015 were determined as preliminarily and could be adjusted during up to one year period from the acquisition date.

Intangible assets with finite useful life are amortized on a straight-line basis over their estimated useful life.

Intangible with indefinite useful life are subject to annual impairment review. In accordance with the SBIF rules, under the Compendium of Accounting Rules, Chapter A2 number 7, two independent appraisers different from the Bank’s auditors performed an impairment test over indefinite life intangible assets. This review was performed at an interim date, June 30, 2106, and as of the year end.

Goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired entity to those units or groups of units assigned.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

An impairment loss recognised for goodwill is not reversed in subsequent periods.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

u) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs generally recognized in the Consolidated Statements of Income as incurred.

In a business combination, an independent expert is used to make a determination of fair value of net assets acquired and is intangible assets identified. For the estimation of recovery of these intangibles identified in a business combination, cash flow projections are used based on yield estimates of acquired businesses.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at their fair value, except for the following:

- The deferred tax assets or liabilities, and assets or liabilities related to agreements of employee benefits are recognized and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits”, respectively;

- Liabilities or equity instruments related to share-based arrangements of the acquiree or share-based company agreements entered into agreements to replace share-based payments of the acquired payment transactions, are measured in accordance with IFRS 2 “Share-based Payment” in acquisition date; and

- Assets (or group of assets for disposal) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that Standard.

The goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held interest in acquiree (if any) over the net amounts of the acquisition-date amount of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in statements of income as a bargain purchase gain.

Non-controlling interests that are represent ownership interest and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest’s proportionate share of the recognized amounts of the acquire’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

The measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which may not exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date (see Note 4.vi).

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

v) Property, Plant and Equipment

The items of property, plant and equipment are measured at acquisition cost, net of accumulated depreciation and impairment, if any.

In addition to the price paid to acquire each item, the cost also includes, where applicable, the capitalized cost. The capitalized cost includes expenses attributed directly to the asset acquisition and any other costs directly attributable to the process of placing the asset in conditions to be used.

When some part of an item of the property, plant and equipment has a different useful life to that property, plant and equipment, it is recognized as a separate component (Real Estate Remodelling).

Depreciation is recognized in the Consolidated Statements of Income on the straight-line basis over the useful life of the item or each component of an item of the property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful life, unless it is certain that the Bank will retain the property at the end of the leasing period.

The estimated useful lives for the property, plant and equipment as of December 31, 2016 and 2015 are the following:

	As of December 31	
	2016	**2015**
Buildings	50 years	50 years
Machinery and equipment	3 - 10 years	3 - 10 years
Facilities	7 - 10 years	7 - 10 years
Furniture and fixtures	7 years	7 years
Computing equipment	3 - 6 years	3 - 6 years
Real estate improvements	10 years	10 years
Other property, plant and equipment	3 - 6 years	3 - 6 years

w) Repossessed assets

Repossessed assets are classified under “Other assets” heading and recognized at the lesser of their adjudicated-in-court value and net realizable value, net of regulatory write-offs required by the SBIF. Repossessed assets are presented net of impairment. Asset not sold within one year from the adjudication date have to be written off.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

x) Staff benefits

i. Unused Vacations:

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

ii. Short-term benefits:

The entity provides for its employees an annual incentive plan for meeting certain objectives. The incentive is defined as a determined number or portion of monthly remunerations. Corresponding provision is recognized on the basis of the estimated amount to be distributed.

iii. Indemnification for years of service:

The Bank and its subsidiaries have no agreements with their employees with respect to indemnification for years of service.

y) Leases

i. Operating lease:

When the Bank or the subsidiaries act as lessee and the contract qualifies as an operating lease, operating lease payments are recognised as an expense on a straight-line basis over the lease term

At the end of the operating lease period, any payment for penalties arising under operating leases are recognised as an expense in the period in which they are incurred.

ii. Financial lease:

Amounts due from lessees under finance leases are recognised as receivables at the amount of the net investment in the leases under the heading “Loans and receivables to customers”. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Inter-company leased assets are treated as own-use assets in the Consolidated Financial Statements.

z) Cash flow statement

Indirect method was applied for presentation of the Consolidated Statements of Cash Flows. In accordance with this method non-cash transactions are included as adjustments to the Bank’s profit, as well as revenues and expenses associated with cash flows from investing or financing activities.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

The following concepts are applied for the Consolidated Statements of Cash Flows:

Cash flows: the inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are readily convertible to know amount of cash and which are subject to an insignificant risk of changes in value, such as: deposits with the Central Bank of Chile, with domestic and foreign banks.

Operating activities: are the principal revenue-producing activities of the Bank and other activities that are not investing or financing activities.

Investing activities: are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities: are activities that result in changes in size and composition of net equity and borrowings and that do not form part of the operating and investing activities.

aa) Provisions and contingent assets and liabilities

Provisions are liabilities for which there is uncertainty regarding their amount or maturity. Provisions are recognized in the Consolidated Statements of Financial Position when they comply with the following requirements:

- It is a present obligation as a result of a past event, and, at the date of the Consolidated Financial Statements it is probable that an outflow of economic benefits will be required by the Bank or its subsidiaries to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

a. a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
b. a present obligation that arises from past events but is not recognised because:
    - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    - the amount of the obligation cannot be measured with sufficient reliability.

Provisions (which are measured considering the best available information regarding the consequences of the related event and are reviewed at the end of each reporting period and adjusted to reflect the current best estimate) are used to cover specific obligations for which they were originally recognized which are reversed or utilized upon non-occurrence or occurrence of the event.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Provisions are recognized for the following categories:

- Provisions for staff benefits and remunerations.
- Provisions for minimum dividends.
- Provisions for contingent credit risk.
- Provisions for contingencies (include additional provisions).

i. Additional provisions:

The SBIF has defined that the additional provisions are those not deriving from the application of valuation models to the portfolio in order to compensate deficiencies in them, and that their establishment must be justified by assumed risk as defined in unpredictable economic fluctuations.

The Bank has formal criteria and procedures for the use and constitution for the determination of additional provisions, which must be approved by the Board of Directors.

These provisions, in accordance with the established under No. 10 of Chapter B-1 of the Compendium of Accounting Standards issued by the SBIF, has to be recognized as liabilities.

ii. Minimum provisions required for the normal individual portfolio:

The SBIF has determined that the Bank must maintain a percentage of minimum provision of 0.50% on loans and credit commitments from the normal individual portfolio in accordance with Chapter 2.1.3 of the number B-1 Compendium of Accounting Standards. These minimum provisions are to be presented as liabilities.

ab) Use of estimates and judgments

In the application of the Bank's accounting policies the Bank management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the information regarding the most significant areas of uncertainties and critical judgments in the application of accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements are described in the following notes:

- Impairment of certain assets (Note 32).
- Valuation of financial instruments (Notes 7, 9 and 12).
- Useful life property, plant and equipment and intangible assets (Notes 14 and 15).
- Use of tax loss carry-forward (Note 16).
- Contingencies and Commitments (Note 23).

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

ac) Income tax and deferred tax

The Bank calculates first category income tax at each year end, according to the current tax law.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The effects of changes in the tax regulations or in tax rates are recognized in deferred taxes as of the date of the law enactment.

As of December 31, 2016 and 2015, the Bank recognized net deferred tax assets, for which Management has assessed that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

In accordance of Law No. 20,780 published on September 29, 2014 and modified by Law 20,899 published on February 8, 2016, from 2018 the Bank will be subject to a 27% income tax rate on a permanent basis. Meanwhile, the Bank will be subject to a 24% income tax rate in 2016, and to a 25% income tax rate in 2017.

ad) Non-current assets held for sale

Non-current assets (or an identifiable group that comprises assets and liabilities) those carrying amount is expected to be recovered principally through sale transaction, rather than through continuing use, are classified as non-current assets and disposal groups held for sale. Immediately before this classification, the assets (or elements of an identifiable group) are re-measured according to the accounting policies of the Bank. From this moment, the assets (or identifiable group) are measured at the lower of their previous carrying amount and fair value less cost to sell.

ae) Dividends on common shares

Dividends on common shares must be approved by the Board of Directors.

The Bank recognizes a liability for the portion of the year's profit that must be distributed among the shareholders in compliance with Corporate Law, establishing that the minimum of 30% of net income for the year, or more, must be distributed as dividend, or according to the dividends policy.

af) Earnings per share

Basic earnings per share are determined by dividing the consolidated net income for the year attributable to the Bank by the weighted average number of shares during that year.

Diluted earnings per share is calculated similarly to basic earnings, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of stock options, warrants and convertible debt.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

ag) Collection operations and Protected Assets No. 27 formed by the direct subsidiary BCI Securitizadora S.A.

i. Collection Operations:

The securitization companies may acquire assets in order to form a separate equity (“Protected Assets Fund”) that support the issuance of securitized bonds. These assets must be similar in nature. A separate equity has to be formed for each separate issuance.

These assets may represent future cash flows (a “business plan” or future cash flows to be obtained from a specific asset or group of assets or entity) or existing asset (a portfolio of receivables, mortgage loans, etc.).

Accounting of debt to be issued depends on the type of assets: debt secured by assets representing future cash flows has be recognized by both the Protected Assets Fund and the originator, while debt secured by existing assets has to be recognized only by the Protected Assets Fund.

These collection operations form part of the securitization process. In fact, the Securities Market Law itself, foreseeing the practical difficulty of forming a Protected Assets Fund, contemplates the possibility of acquiring assets that form a Protected Assets Fund equity even before the placement of the respective bonds.

Since there is a possibility that the respective Protected Assets Fund never will be created or securitized bond will not be issued for any reason (legal, market, etc.), these transactions contemplate a put option to resell account receivables back to the customer under certain circumstances (mainly in case when an entity cannot issue securitized bond for the reasons discussed above). This option has to be recognized as a contingent liability by the customer.

ii. Protected Assets Fund No. 27:

The Bank through the direct subsidiary BCI Securitizadora S.A., as of December 31, 2016, maintains in its Consolidated Financial Statements a balance of MCh$ 25,075, corresponding to loan receivables forming equity of the Protected Assets Fund No. 27. In order to create the latter, BCI Securitizadora S.A. acquired a loans portfolio originated by Inversiones S.C.G. S.A. On November 7, 2011 La Polar Companies filed a preventive legal agreement to the Board of Creditors. This agreement in its part related to Protected Assets Fund No. 27, mentions the conditions agreed with BCI Securitizadora S.A. on July 28, 2011. In accordance with these conditions, confirmed by Inversiones S.C.G. S.A, the collection process of the assets forming structure of Protected Assets Fund No. 27 was established as follows:

- Cash payment on acquisition of portfolio: MCh$ 23,820.
- Schedule of portfolio repayments, starting the sixth year (2018), as follows:
  Years 2018, 2019 and 2020: 5% of portfolio twice a year.
  Years 2021 and 2022: 7.5% of portfolio twice a year.
  Years 2023 and 2024: 10% of portfolio twice a year.
- Commissions recognized on October 16, 2012, for compliance with the precedent agreement condition: MCh$ 1,255.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Partial portfolio repayment will be made every 6 months in accordance with the percentages indicated above, on January 31 and July 31 of the respective year, corresponding to the first day on January 31, 2018 and so on the following, to the last on July 31, 2024.

Commissions: commissions to be accrued corresponded to 4% of the portfolio per year between July 1, 2012 and until fulfilment of the precedent condition. These commissions will be capitalized from the date of capitalization subject to interest at BCP 10 rate (in pesos for 10 years) in force on the previous day to the date of compliance with the precedent condition plus 1% per annum. This interest rate to be used throughout the course of the operation, and to be paid semi-annually starting from July 31, 2013. Interest paid for the year ended December 31, 2016 totalled MCh$ 680 (MCh$ 680 for the year ended December 31, 2015).

On October 25, 2012, external auditors of La Polar companies issued to its management the report on implementation of agreed procedures. This report confirms that on October 16, 2012 the funds raised from the effected capital increase exceed MCh$ 120,000. This fact, in compliance with the suspensive condition agreed in the legal agreement to the Board of Creditors, provoked establishment of new conditions for debts payment and change of agreement structures starting from October 16, 2012. Thus the balance of account receivables to Inversiones S.C.G. S.A. as of December 31, 2016 amounted to MCh$ 25,755.

As of December 31, 2016 the Bank recognizes and presents this account receivable related to Protected Assets Fund No. 27 in the category “Loans and receivables to customers”.

ah) Consolidated Statements of Changes in Equity

The Consolidated Statements of Changes in Equity presented in these Consolidated Financial Statements, present changes in the total consolidated equity during the year. This information is related to: the Consolidated Statements of Other Comprehensive Income and Consolidated Statements of Changes in Equity. The main features of the information contained in the two statements are explained below:

- **Consolidated Statements of Other Comprehensive Income** - Other comprehensive income comprises items of income and expense as a result of Bank’s activities during the period, distinguishing between those recognized as income, in the consolidated statements of income, and other income and expenses recognized in equity.

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Therefore, in the Consolidated Statements of Other Comprehensive Income, the following are presented:

i) Net income for the year.

ii) The net income and expenses temporarily recognized as valuation adjustments in equity.

iii) The net amount of revenues and expenses permanently recognized in equity.

iv) The earned income tax on items described above in ii) and iii), except for valuation adjustments arising from investments in associates, accounted for the equity method, which are presented on a net basis.

v) The total recognized income and expense, calculated as the sum of the above, presenting separately the parent entity amounts and the corresponding non-controlling interests.

- **Consolidated Statements of Changes in Equity -** this part of the Consolidated Statements of Changes in Equity discloses all changes in consolidated net equity, including those arising from changes in accounting policies and corrections of errors. Therefore, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all items comprising equity, grouping the changes according to their nature into the following items:

i) Adjustments for changes in accounting policies and corrections of errors including changes in equity arising as a result of the retrospective restatement of balances of financial statements due to changes in accounting policies or to correct errors. During the reporting year there were no adjustments for changes in accounting policies and corrections of errors.

ii) Income and expenses recognized in a period: total of the items recognized in the Consolidated Statements of Income, in the aggregate.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

ai) Accounting pronouncements by the International Accounting Standards Board (IASB).

Application of new and revised International Financial Reporting Standards (IFRS)

a) New and revised IFRS effective in the current year

The following new and revised IFRS have been adopted in these financial statements:

New Standards	**Effective date**
IFRS 14 *Regulatory Deferral Account.*	Annual periods beginning on or after January 1, 2016.
Amendments to Standards	**Effective date**
Accounting for Acquisitions of interests in Joint Operations (Amendments to IFRS 11).	Annual periods beginning on or after January 1, 2016.
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38).	Annual periods beginning on or after January 1, 2016.
Agriculture: Bearer Plants (amendments to IAS 16 and IAS 41).	Annual periods beginning on or after January 1, 2016.
Equity Method in Separate Financial Statements (Amendments to IAS 27).	Annual periods beginning on or after January 1, 2016.
Disclosure Initiative (Amendments to IAS 1).	Annual periods beginning on or after January 1, 2016.
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	Annual periods beginning on or after January 1, 2016.
Annual Improvements 2012-2014 Cycle.	Annual periods beginning on or after January 1, 2016.

IFRS 14 *Regulatory Deferral Accounts*

On January 30, 2014 the IASB issued IFRS 14 *Regulatory Deferral Accounts.* This standard is applicable to first-time adopter of IFRS and for entities which are involved in rate-regulated activities and recognized regulatory deferral account balances under its previous general accepted accounting principles. This standard requires separate presentation of regulatory deferral account balances in the statements of financial position and statements of comprehensive income. IFRS 14 is effective for an entity's firs annual IFRS financial statements for a period beginning on or after January 1, 2016, with earlier application permitted.

The application of this new standard does not have any effect on the consolidated financial statements of Bank.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

Accounting for Acquisitions of interests in Joint Operations (Amendments to IFRS 11)

On May 6, 2014 the IASB has issued “Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11)”, the amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11;
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted but corresponding disclosures are required. The amendments apply prospectively.

The application of these amendments does not have any effect on the consolidated financial statements of Bank.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

On May 12, 2014 the IASB has published “Clarification of Acceptable Methods of depreciation and amortization (amendments to IAS 16 and IAS 38)”.

The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

The application of these amendments does not have any effect on the consolidated financial statements of Bank.

Equity Method in Separate Financial Statements (Amendments to IAS 27)

On August 12, 2014, the IASB has published “Equity Method in Separate Financial Statements (Amendments to IAS 27)”. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost,
- in accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted IFRS 9), or
- using the equity method as described in IAS 28 *Investments in Associates and Joint Ventures*.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

The accounting option must be applied by category of investments.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 *Consolidated Financial Statements* and to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are to be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The application of these amendments does not have any effect on the consolidated financial statements of Bank.

Disclosure initiative (Amendments to IAS 1)

On December 18, 2014 the IASB added an initiative on disclosure to its work program in 2013 to complement the work being done in the Conceptual Framework project. The initiative is made up of a number of smaller projects that aim at exploring opportunities to see how presentation and disclosure principles and requirements in existing Standards can be improved.

They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

The application of these amendments does not have any significant effect on the consolidated financial statements of Bank.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

On December 18, 2014 the IASB has published "Investment Entities: Applying the Consolidation Exception, Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures* (2011)" to address issues that have arisen in the context of applying the consolidation exception for investment entities.

They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

The application of these amendments does not have any significant effect on the consolidated financial statements of Bank.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

Annual Improvements 2012-2014 Cycle

IFRS	Topic	Amendment
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	Changes in methods of disposal.	Adds specific guidance in IFRS 5 for cases in which an entity reclassify an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
IFRS 7 *Financial Instruments: Disclosures* (with consequential amendments to IFRS 1)	Servicing contracts.	Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.
IAS 19 *Employee Benefits*	Discount rate	Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).
IAS 34 *Interim Financial Reporting*	Disclosure of information "elsewhere in the interim financial report"	Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The application of these amendments does not have any significant effect on the consolidated financial statements of Bank.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

b) New and revised IFRS in issue but not yet effective:

New Standards	Effective date
IFRS 9 *Financial Instruments*	Annual periods beginning on or after January 1, 2018.
IFRS 15 *Revenue from Contracts with Customers*	Annual periods beginning on or after January 1, 2018.
IFRS 16 *Leases*	Annual periods beginning on or after January 1, 2019.
Amendments to Standards	**Effective date**
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	Annual periods beginning on or after January 1, 2017.
Disclosure Initiative (Amendments to IAS 7)	Annual periods beginning on or after January 1, 2017.
Clarifications to IFRS 15 "Revenue from Contracts with Customers"	Annual periods beginning on or after January 1, 2018.
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	Annual periods beginning on or after January 1, 2018.
Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (Amendments to IFRS 4)	Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.
Transfers of Investment Property (Amendments to IAS 40)	Annual periods beginning on or after January 1, 2018.
Annual Improvements to IFRS Standards 2014-2016 Cycle	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018. The amendment to IFRS 12 for annual periods beginning on or after January 1, 2017.
New Interpretations	**Effective date**
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after January 1, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

IFRS 9 *Financial Instruments*

In 2014 IASB issued a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39 *Financial Instruments: Recognition and Measurement*, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition. The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018. Early adoption is permitted.

The Bank, in accordance with the rules of the SBIF, will not anticipate the adoption of this standard. The standard will be adopted once the SBIF authorizes to do so.

IFRS 15 *Revenue from Contracts with Customers*

On May 28, 2014, the IASB has published its new standard, IFRS 15 Revenue from contracts with customers. At the same time, the Financial Accounting Standards Board (FASB) has published its equivalent revenue standard, ASU 2014-09.

The new standard provides a single, principles based five-step model to be applied to all contracts with customers, i) identify the contract with the customer, ii) identify the performance obligations in the contract, iii) determine the transaction price, iv) allocate the transaction price to the performance obligations in the contracts, v) recognize revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

IFRS 15 must be applied in an entity's firs annual IFRS financial statements for periods beginning on or after 1 January 2018. Application of the Standard is mandatory and early adoption is permitted. An entity that chooses to apply IFRS 15 earlier than 1 January 2018 must disclose this fact.

Management is currently assessing the impact of applying IFRS 15, however, it is not practicable to provide a reasonable estimate of the effects that these IFRS will have until Management finalizes a detail review.

IFRS 16 Leases

On January 13, 2016 the IASB has published a new standard, IFRS 16 "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has also been applied.

Management is currently assessing the impact of applying IFRS 16, however, it is not practicable to provide a reasonable estimate of the effects that these IFRS will have until Management finalizes a detail review.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

On September 11, 2014, the IASB has published "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)". The amendments address a conflict between the requirements of IAS 28 *Investments in Associates and Joint Ventures* and IFRS 10 *Consolidated Financial Statements* and clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 *Business Combinations*)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

On December 17, 2015 IASB has published final amendments to "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The amendments defer the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded.

Management is currently assessing the impact of applying these amendments, however, it is not practicable to provide a reasonable estimate of the effects that these IFRS will have until Management finalizes a detail review.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

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

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

- The carrying amount of an asset does not limit the estimation of probable future taxable profits.

- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

Management is currently assessing the impact of applying these amendments, however, it is not practicable to provide a reasonable estimate of the effects that these IFRS will have until Management finalizes a detail review.

Disclosure Initiative (Amendments to IAS 7)

The amendments are part of the IASB´s Disclosure initiative project and introduce additional disclosure requirements intended to address investors´ concerns that financial statements do not currently enable them to understand the entity´s cash flows; particularly in respect of the management of financing activities. The amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financial activities. Although there is no specific format required to comply with the new requirements, the amendments include illustrative examples to show how an entity can meet the objective of these amendments.

Management is currently assessing the impact of applying these amendments, however, it is not practicable to provide a reasonable estimate of the effects that these IFRS will have until Management finalizes a detail review.

Clarifications to IFRS 15 "Revenue from Contracts with Customers"

On April 12, 2016, the IASB has published final clarifications to IFRS 15 "Revenue from Contracts with Customers".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

These clarifications focus on the following areas:

- Identifying performance obligations
- Principal versus agent considerations, and
- Guidance licensing application

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 (same effective date as IFRS 15 itself). Earlier application is permitted.

Management is currently assessing the impact of applying these amendments, however, it is not practicable to provide a reasonable estimate of the effects that these IFRS will have until Management finalizes a detail review.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB has published final amendments to IFRS 2 “Share-based Payment” that clarify the classification and measurement of share-based payment transactions. The amendments address several requests that the IASB and the IFRS Interpretations Committee received and that the IASB decided to deal with in one combined narrow-scope project.

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

Management does not anticipate that the application of these amendments will have any effect on the consolidated financial statements of Bank.

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)

On September 12, 2016, the IASB has published 'Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts''. The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard (expected as IFRS 17 within the next six months).

As it has become obvious that the effective date of IFRS 17 can no longer be aligned with the effective date of IFRS 9 Financial Instruments there have been calls for the IASB to delay application of IFRS 9 for insurance activities and align the effective date of IFRS 9 for those activities with the effective date of the new insurance contracts standard.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

The amendments in Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after 1 January 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes 1 April 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following 1 January 2018. Predominance is only reassessed if there is a change in the entity’s activities.

Management does not anticipate that the application of these amendments will have any effect on the consolidated financial statements of Bank.

Transfers of Investment Property (Amendments to IAS 40)

On December 8, 2016, the IASB has issued “Transfers of Investment Property (Amendments to IAS 40)” to clarify transfers of property to, or from, investment property.
The amendments to IAS 40 *Investment Property*:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted.

Management does not anticipate that the application of these amendments will have any effect on the consolidated financial statements of Bank.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

Annual Improvements to IFRS Standards 2014-2016 Cycle

On December 8, 2016, the IASB has issued "Annual Improvements to IFRS Standards 2014–2016 Cycle". The pronouncement contains amendments to three IFRSs as result of the IASB's annual improvements project.

IFRS	**Subject of amendment**
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	*Deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.*
IFRS 12 *Disclosure of Interests in Other Entities*	*Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.*
IAS 28 *Investments in Associates and Joint Ventures*	*Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.*

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

Management does not anticipate that the application of these amendments will have any effect on the consolidated financial statements of Bank.

aj) Standards and instructions issued by the Superintendence of Banks and Financial Institutions (SBIF)

i) Circulars No. 3,573 and No. 3,584 issued on December 30, 2014 and June 22, 2015, respectively, modified the Compendium of Accounting Standards, B-1, B-2 and E chapters, establishing the use of the standardized method for provisioning residential mortgage loans from January 1, 2016.

Complementary instructions are provided on the assessment of portfolio of non-compliant loans subject to individual evaluation, including certain conditions that need to be met in order to remove such loans from this portfolio. Same conditions are established for loans evaluated on a collective basis. To remove a borrower from the non-compliant portfolio, once the circumstances that led to its classification in this portfolio have been overcome, at least the following conditions must be complied:

(i) No obligation of the borrower presents a delay over 30 calendar days.

(ii) The borrower has not been granted new refinancing to pay its obligations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

(iii) At least one of the payments includes amortization of principal.

(iv) If the borrower had any loan with partial payment in less than six months periods, it has already made two payments.

(v) If the borrower must pay monthly instalments for one or more loans, he had paid four consecutive instalments.

(vi) The borrower does not appear with unpaid direct loans on the information system of the SBIF, except for insignificant amounts.

ii) On May 25, 2016 Circular No. 3,583 was issued, modifying and complementing the Compendium of Accounting Standards, Chapter C-3, student loans, establishing new instructions for the classification of loans for higher education within Commercial Loans. This new classification include:

- Loans for higher education in accordance with Law No. 20,027.
- Secured Loans CORFO.
- Other loans for higher education.

iii) On February 18, 2016 Circular No. 3,601 was issued, introducing new instructions to the Compendium of Accounting Standards, Chapter C-3, complementary information, in order to report losses arising from operational risk events. In order to do so, the SBIF has requested the Banks to report on a monthly basis operational risk quantification and exposure identification according to the rules of Basel. These rules were applied for first time in the MC1 and MC2 monthly reports as of June 30, 2016.

iv) On March 29, 2016 Circular No. 3,604 was issued, modifying the percentage of credit equivalent for available credit lines. The SBIF has concludes that the credit equivalent for available credit lines, when the client has no overdue loans, can be set at 35% of the available balance. This modification came in force from May 2016.

v) On December 12, 2016 Circular No. 3,615 was issued. In order to increase the level of transparency of the information provided by the banks, the SBIF has instructed that from June 30, 2017, interim financial statements as of June 30 will be subject to a review by independent auditors in accordance with NAGA No. 63, AU 930, or its international equivalent, SAS No. 122, section AU-C930; which should be filed with the SBIF the same day of its publication, or the business day before or after it.

The Bank has implemented the new regulations described above in its financial statements as of December 31, 2016.

NOTE 2 - ACCOUNTING CHANGES

During the year ended December 31, 2016, no accounting changes over the previous year affecting these Consolidated Financial Statements have occurred.

NOTE 3 - SIGNIFICANT EVENTS

a) Issuance and bonds placements

- **During 2016 no issuance of subordinated bonds took place.**

- **During the year 2016, the following bonds nominated in UF were issued:**

Bonds Series	Issuance Date	Notional amount, UF	Nominal Interest rate	Maturity Date
SERIE_AL1	09.09.2016	3,000,000	1.89%	01.06.22
SERIE_AL2	18.08.2016	3,000,000	2.15%	01.06.23
SERIE_AL3	04.08.2016	3,000,000	2.40%	01.06.24
SERIE_AL4	18.08.2016	3,000,000	2.36%	01.06.28
SERIE_AL5	12.09.2016	3,000,000	2.50%	01.06.31
SERIE_AJ2	22.12.2016	500,000	2.23%	01.10.24
SERIE_AJ2	22.12.2016	775,000	2.23%	01.10.24
SERIE_AJ2	27.12.2016	2,000,000	2.20%	01.10.24
SERIE_AJ2	29.12.2016	1,000,000	2.10%	01.10.24
SERIE_AJ2	29.12.2016	1,210,000	2.10%	01.10.24

- **During the year 2016, the following bonds nominated in Chilean pesos were issued:**

Bonds Series	Issuance Date	Notional amount, Pesos	Nominal interest rate	Maturity Date
BBCIAM0616	21.09.16	50,000,000,000	4.90%	01.06.2023

- **During the year 2016, the following bonds nominated in Euros were issued:**

Bonds Series	Issuance Date	Notional amount, Euros	Nominal Interest rate	Maturity Date
XS1493734971	23.09.2016	20,000,000	0.88%	23.09.2024

- **During the year 2016, the following bonds nominated in Swiss Franc (CHF) were issued:**

Bonds Series	Issuance Date	Notional amount, CHF	Nominal interest rate	Maturity Date
XS1520623627	17.11.2016	90,000,000	0.0%	17.11.2021

NOTE 3 - SIGNIFICANT EVENTS, Continued

b) Distribution of dividends and capitalization of earnings

At the Annual Shareholder's Meeting held on March 22, 2016, the distribution of net income for the year 2015 was approved, amounting to MCh$ 330,819, as follows:

- Distribute a dividend of Ch$ 1,000 per share among the total 110,806,999 shares issued and registered in the Register of Shareholder's, which amounts to the sum of MCh$ 110,803.

- Allocate the remaining balance of MCh$ 220,016 to future capitalization reserve fund, as follows:

1) MCh$ 165.411 from retained earnings; and
2) MCh$ 54.605 through the issuance of 2.019.920 bonus shares.

This capital increase was approved by the SBIF by means of Resolution No. 163 on May 13, 2016, which extract was ratified on June 16, 2016. Both documents were published in the Official Gazette on May 20 and July 4, 2016, respectively.

c) Capital increase

At Extraordinary Shareholder's Meeting held on October 27, 2015, it was approved the annulment of capital increase of MCh$ 198,876, which was approved by the Extraordinary Shareholder's Meeting held on September 26, 2013, and which was neither subscribed nor paid. Additionally, it was agreed to increase the share capital through the issuance of 10,737,300 shares for payment, which shall be subscribed and paid within three years from the date of the aforesaid meeting. Such increase was subscribed and paid during 2016 as follows:

- 308,023 shares were subscribed and paid on March 31, 2016 for a total of MCh$ 7,494.

- On April 19, 2016 ended a preferred option period, in which entitled shareholders subscribed and paid a total of 10,148,941 shares for MCh$ 260,205.

- On April 26, 2016 the remaining balance of 280,336 shares was subscribed and paid for a total of MCh$ 7,709.

As a result, the approved capital increase was completed for a total of MCh$ 275,408, and the share capital of Banco de Crédito e Inversiones, amounts to MCh$ 2,276,820 divided into 123,564,219 shares of a singles series without par value, as of December 31, 2016.

NOTE 4 - BUSINESS COMBINATION

i. General Operation

On October 16, 2015, Banco de Crédito e Inversiones (BCI) acquired City National Bank of Florida (“CNB”) through the acquisition of 100% of CM Florida Holding, currently BCI Financial Group, INC. and Subsidiaries, which owned and controlled 99.96% of CNB. The remaining 0.04% ownership, is held by the six directors of the CNB Bank in equal proportions. These directors according to Federal Standard of the United States of America (hereinafter "United States"), should hold shares to exercise their roles as directors.

With this transaction, BCI strengthens its growth and internationalization strategy, becoming the first Chilean financial institution that has a banking subsidiary in the United States. The acquisition payment totalled US$ 946.9 million, or its equivalent in Chilean peso of MCh$ 639,150.

ii. Description of the Acquired Subsidiaries

BCI Financial Group, INC. and Subsidiaries, is an investment company whose sole corporate purpose is to hold investment in CNB as well as other financial instruments to a lesser extent.

CNB is a banking financial institution, which is recognized as one of the oldest banks in the State of Florida. It was established in 1946 and headquartered in Miami. CNB is a commercial full service bank offering a range of financial products, including real estate, commercial and consumer banking, to more than 22,000 customers, with 26 branches and 478 employees in four counties in Florida. Historically it was focused on a small and medium enterprises as a target segment of the market.

At the acquisition time, CNB hold loans of MCh$ 2,694,027, deposits of MCh$ 2,949,446 and equity of MCh$ 629,500, equivalent to 11%, 12% and 3% of total assets of the Bank, respectively, according to the Consolidated Balances of the Bank as of October 31, 2015.

NOTE 4 - BUSINESS COMBINATION, Continued

iii. Primary reasons for the acquisition

This acquisition represents an important step in the internationalization strategy of BCI, which aims to generate new sources of income, geographically diversify its business, and accompany Chilean and Latin American customers in their regional operations and, at the same time, strengthen their participation in the State of Florida, in which it already operates for 16 years, through the branch which is currently located in Miami.

This acquisition represents an important business opportunity for the Bank in the State of Florida, the third largest state in the United States in terms of population, with more than 21 million inhabitants and with a per capita income above US$ 40,000. This state is the fourth in the Unites States in terms of deposits. It is distinguished by very dynamic and attractive economy, demographic and economic growth, which is above the average of the rest of states in the United States. Projected economic growth for Florida is 3.3% in comparison with 1.6% at national level; demographic growth is 2.2% in comparison with average of 0.8% in the country, unemployment rate is 4.8% while the rate at national level is 6%. Additionally, it is highly connected to Latin America being the gateway for Latin American investments to the United States, and vice versa.

Particularly, CNB stands out as one of the oldest banks and one of the leaders in the market, being inside the 5 biggest banks in the State of Florida. CNB management has a long history of successful operations. The excellent position and performance of CNB, together with the know-how accumulated by BCI in its 70-year history, represent a key pillar for the future development of BCI in the US market.

NOTE 4 - BUSINESS COMBINATION, Continued

iv. Details of assets acquired and liabilities assumed

The following is the Consolidated Statements of Financial Position of the CNB as of the acquisition date as well as fair value measurement adjustments as of October 16, 2015:

	Pre-acquisition balance	Adjustments on acquisition	Reference	Post-acquisition balance
	MCh$	MCh$		MCh$
ASSETS				
Cash and deposits in banks	272,337	(26,731)	a	245,606
Items in course of collection	-	-		-
Trading portfolio financial assets	9,465	-		9,465
Investments under agreements to resell	48,782	-		48,782
Derivative financial agreements	2,141	-		2,141
Loans and receivables to banks, net	-	-		-
Loans and receivables to customers, net	2,681,665	12,362	b	2,694,027
Financial investments available for sale	881,671	126,043	c	1,007,714
Financial investments held to maturity	124,132	(123,456)	c	676
Investments in other companies	37,017	-		37,017
Intangible assets	143,369	(81,872)	d	61,497
Property, plant and equipment, net	47,493	4,397	e	51,890
Current income tax	-	-		-
Deferred income taxes	91,016	34,449	f	125,465
Other assets	11,200	-		11,200
TOTAL ASSETS	**4,350,288**	**(54,808)**		**4,295,480**
LIABILITIES				
Current accounts and demand deposits	2,949,446	-		2,949,446
Items in course of collection	-	-		-
Liabilities under agreements to repurchase	119,058	-		119,058
Term deposits and savings accounts	259,349	541	g	259,890
Derivative financial agreements	2,147	-		2,147
Borrowings from financial institutions	-	-		-
Debt issued	-	-		-
Other financial liabilities	321,010	-		321,010
Current income tax	1,379	-		1,379
Deferred income taxes	-	-		-
Provisions	5,773	-		5,773
Other liabilities	7,277	-		7,277
TOTAL LIABILITIES	**3,665,439**	**541**		**3,665,980**
SHAREHOLDERS' EQUITY				
Attributable to equity holders of the Bank:				
Capital and reserves	658,261	(28,761)	h	629,500
Accumulated other comprehensive income	1,621	(1,621)	i	-
Retained earnings:				
Net income for the prior period	-	-		-
Net income for the year	24,967	(24,967)	i	-
Less: Accrual for minimum dividends	-	-		-
TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK	**684,849**	**(55,349)**		**629,500**
Non-controlling interest	**-**	**-**		**-**
TOTAL SHAREHOLDERS' EQUITY	**684,849**	**(55,349)**		**629,500**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**4,350,288**	**(54,808)**		**4,295,480**

NOTE 4 - BUSINESS COMBINATION, Continued

Fair Value adjustments for the acquisition correspond to:

Reference	Adjustments Detail	MCh$
a)	Deposits in banks	(26,731)
b)	Loans and receivables to customers	12,362
c)	Financial investments available for sale	126,043
c)	Financial investments held to maturity	(123,456)
d)	Intangible assets	(81,872)
e)	Property, plant and equipment	4,397
f)	Deferred income taxes	34,449
	Total Assets	**(54,808)**
g)	Term deposits and savings accounts	541
h)	Equity	(28,761)
i)	Accumulated other comprehensive income	(1,621)
i)	Net Income for the year	(24,967)
	Total Liabilities and Equity	**(54,808)**

The fair value adjustments are determined at the date of acquisition. The valuation process was carried out by qualified professionals, independent from BCI Management.

Fair Value is defined as the price that would be received in order to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants on the valuation or, in the case of BCI, acquisition date.

Adjustments reflect the assets acquired and liabilities assumed by the acquirer, as a result of business combination.

Accounting of a business combinations, according to IFRS 3, is the following:

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values, of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related cost are generally recognized in incurred.

The adjustments made recognize assets acquired and liabilities assumed at fair value at the acquisition date are as follows:

a) From the total of Cash and deposits in banks amounted MCh$ 272,337, Deposits in banks, amounted MCh$ 234,633 as of the date of the acquisition, were adjusted in order to update nominal rates to market rates, which resulted in a reduction of MCh$ 26,731.

NOTE 4 - BUSINESS COMBINATION, Continued

b) Adjustment related to loans and receivables to customers corresponds to updating of effective interest rate of loans. In addition, allowance for loan losses was adjusted.

i) As of October 31, 2015, the composition of the loan portfolio was as follows:

	Assets before allowances			Allowances Established			
	Normal portfolio	Non-compliant portfolio	Total	Individual allowance	Collective allowance	Total	Net Assets
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Commercial loans:							
Commercial loans	2,134,080	286	2,134,366	-	(13,370)	(13,370)	2,120,996
Foreign trade loans	-	-	-	-	-	-	-
Checking accounts	-	-	-	-	-	-	-
Factoring operations	-	-	-	-	-	-	-
Leasing transactions	-	-	-	-	-	-	-
Other loans and receivables	-	-	-	-	-	-	-
Subtotal	**2,134,080**	**286**	**2,134,366**	**-**	**(13,370)**	**(13,370)**	**2,120,996**
Mortgage loans:							
Letters of credit	-	-	-	-	-	-	-
Negotiable mortgage loans	544,719	3,734	548,453	-	(7,458)	(7,458)	540,995
Other mortgage loans	-	-	-	-	-	-	-
Leasing transactions	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-
Subtotal	**544,719**	**3,734**	**548,453**	**-**	**(7,458)**	**(7,458)**	**540,995**
Consumer loans:							
Consumer loans in instalments	108,337	323	108,660	-	(1,501)	(1,501)	107,159
Checking accounts	-	-	-	-	-	-	-
Credit card borrowers	-	-	-	-	-	-	-
Consumer leasing transactions	-	-	-	-	-	-	-
Other loans and receivables	7,663	-	7,663	-	(34)	(34)	7,629
Subtotal	**116,000**	**323**	**116,323**	**-**	**(1,535)**	**(1,535)**	**114,788**
TOTAL	**2,794,799**	**4,343**	**2,799,142**	**-**	**(22,363)**	**(22,363)**	**2,776,779**

ii) Default

The portfolio of non-compliant loans (with instalments in default for equal to or greater than 90 days), as of October 16, 2015, is as the following:

	Commercial	Mortgage	Consumer	Total
	MCh$	MCh$	MCh$	MCh$
Secured debt	-	-	-	-
Unsecured debt	286	3,734	323	4,343
TOTAL	**286**	**3,734**	**323**	**4,343**

NOTE 4 - BUSINESS COMBINATION, Continued

iii) As of October 31, 2015 the breakdown of loans and receivables to customers by maturity is as follows:

	On demand	Up to 1 month	1 to 3 months	3 to 12 months	Subtotal up to 1 year	1 to 5 years	More than 5 years	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Asset								
Loans and receivables to customers	-	37,492	87,985	208,121	333,598	1,268,372	1,197,172	2,799,142
Total loans and receivables to customers	**-**	**37,492**	**87,985**	**208,121**	**333,598**	**1,268,372**	**1,197,172**	**2,799,142**

c) Adjustments related to financial investments available for sale and financial investments held to maturity correspond to classifications or designations that the acquirer made on the basis of the pertinent conditions as they exist at the acquisition date, which led to reclassifications of some financial investments held to maturity to financial investments available for sale and revaluation of them at fair value.

d) Adjustment related to intangibles assets, corresponds to three concepts:
   i) Derecognition of goodwill generated in the previous acquisitions or business combinations which was present in the CNB Financial Statements;
   ii) Recognition of intangible assets identified in the business combination which will be detailed in the following table; and
   iii) Goodwill.

Breakdown of intangible assets identified in the business combination

Detail	Amount (MCh$)	Type	Useful Life
Identified:			
Core deposits	43,855	Amortizable	9 years
Leasehold interest	2,814	Amortizable	30 years
Trademark	12,630	Undefined Useful Life	-
Generated:			
Goodwill	2,198	Undefined Useful Life	-

Identified:

Core deposits

Corresponds to permanent term deposits at rates below the actual placement market rates, held by CNB.

Leasehold interest

Corresponds to leases contracts at more favourable prices, when actual market prices held by CNB.

Trademark

Corresponds to the value of CNB brand in the state of Florida.

NOTE 4 - BUSINESS COMBINATION, Continued

Goodwill

Corresponds to the difference between net assets acquired and liabilities assumed at fair values and the price paid for CNB, determined in accordance with the policy described in Note 1.u.

The intangible assets are subject to impairment assessment in accordance with the definitions and rules of the SBIF.

As of December 31, 2016, there are no indicators of impairment of intangible assets acquired in a business combination, including goodwill.

e) Adjustment related to Property, plant and equipment, corresponds to revaluation of CNB's buildings.

f) Adjustments related to deferred income taxes, correspond to the temporary differences generated by the differences between the financial and tax treatment of assets and liabilities. These differences should be recognized as deferred tax assets or liabilities. A deferred tax asset was generated by this business combination.

g) Adjustments related to term deposits and savings accounts corresponds to a market rate adjustment to revaluate deposits at fair value.

h) Adjustments related to equity and reserves corresponds to the net effect of fair value adjustments of identifiable assets acquired and liabilities assumed generated by the acquisition.

i) Adjustments related to accumulated comprehensive income and net income for the year correspond to reversal of the financial net income for the year, which belong to the previous owners, and to reversals of accumulated valuation reserves at the acquisition date.

NOTE 4 - BUSINESS COMBINATION, Continued

The post-acquisition Consolidated Statements of Financial Position of BCI Financial Group, INC. and Subsidiaries, post-acquisition of City National Bank of Florida to October 16, 2015, is presented below:

As October 16, 2016	BCI Financial Group, INC. and Subsidiaries Individual	CNB Post- acquisition	BCI Financial Group, INC and Subsidiaries Consolidated
	MCh$	MCh$	MCh$
ASSET			
Cash and deposits in banks	746	245,606	245,606
Items in course of collection	-	-	-
Trading portfolio financial assets	-	9,465	9,465
Investments under agreements to resell	-	48,782	48,782
Derivative financial agreements	-	2,141	2,141
Loans and receivables to banks, net	-	-	-
Loans and receivables to customers, net	-	2,694,027	2,694,027
Financial investments available for sale	80	1,007,714	1,007,794
Financial investments held to maturity	-	676	676
Investments in other companies	629,235	37,017	37,018
Intangible assets	-	61,497	61,497
Property, plant and equipment, net	-	51,890	51,890
Current income tax	-	-	-
Deferred income taxes	7,998	125,465	133,463
Other assets	1,262	11,200	12,462
TOTAL ASSETS	**639,321**	**4,295,480**	**4,304,821**
LIABILITIES			
Current accounts and demand deposits	-	2,949,446	2,948,700
Items in course of collection	-	-	-
Liabilities under agreements to repurchase	-	119,058	119,058
Term deposits and savings accounts	-	259,890	259,890
Derivative financial agreements	-	2,147	2,147
Borrowings from financial institutions	5	-	5
Debt issued	-	-	-
Other financial liabilities	-	321,010	321,010
Current income tax	151	1,379	1,530
Deferred income taxes	-	-	-
Provisions	-	5,773	5,773
Other liabilities	15	7,277	7,292
TOTAL LIABILITIES	**171**	**3,665,980**	**3,665,405**
SHAREHOLDERS' EQUITY			
Attributable to equity holders of the parent:			
Capital and reserves	639,150	629,500	639,150
Accumulated other comprehensive income	-	-	-
Retained earnings:			
Net income for the prior year	-	-	-
Net income for the year	-	-	-
Less: Accrual for minimum dividends	-	-	-
TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK	**639,150**	**639,150**	**639,150**
Non-controlling interest	-	-	266
TOTAL SHAREHOLDERS' EQUITY	**639,150**	**629,500**	**639,416**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**639,321**	**4,295,480**	**4,304,821**

Non-controlling interest of the financial position of the BCI Financial Group, Inc. and Subsidiaries is measured at fair value and corresponds to CNB directors' shares that they must acquire in order to exercise their functions in accordance with Fed (Federal Reserve Bank) regulation.

NOTE 4 - BUSINESS COMBINATION, Continued

Finally, in order to explain the impact of this business combination on the consolidated financials of the Bank, further disclosed the Statements of Financial Position of Banco de Crédito e Inversiones as of October 31, 2015 post to acquisition of BCI Financial Group, Inc. and Subsidiaries ("BCIFG") shares:

	BCI Consolidated pre-acquisition	BCIFG Consolidated	BCI Consolidated post-acquisition
	MCh$	MCh$	MCh$
ASSETS			
Cash and deposits in banks	1,353,773	104,545	1,458,318
Items in course of collection	613,097	-	613,097
Trading portfolio financial assets	1,139,615	9,636	1,149,251
Investments under agreements to resell	144,287	50,000	194,287
Derivative financial agreements	1,531,188	1,990	1,533,178
Loans and receivables to banks, net	167,867	-	167,867
Loans and receivables to customers, net	16,573,751	2,776,779	19,350,530
Financial investments available for sale	1,299,078	1,043,525	2,342,603
Financial investments held to maturity	-	692	692
Investments in other companies	685,506	39,401	155,079
Intangible assets	166,461	2,371	168,832
Property, plant and equipment, net	225,562	53,519	279,081
Current income tax	-	-	-
Deferred income taxes	117,756	98,251	216,007
Other assets	645,675	6,379	652,054
TOTAL ASSETS	**24,663,616**	**4,187,088**	**28,280,876**
LIABILITIES			
Current accounts and demand deposits	4,628,384	2,890,028	7,518,412
Items in course of collection	492,295	-	492,295
Liabilities under agreements to repurchase	294,938	82,062	377,000
Term deposits and savings accounts	9,455,625	261,866	9,717,491
Derivative financial agreements	1,597,598	2,061	1,599,659
Borrowings from financial institutions	1,566,256	5	1,566,261
Debt issued	3,903,605	-	3,903,605
Other financial liabilities	69,770	363,521	433,291
Current income tax	678	3,072	3,750
Deferred income taxes	42,112	-	42,112
Provisions	226,238	5,952	232,190
Other liabilities	398,877	8,396	407,273
TOTAL LIABILITIES	**22,676,376**	**3,616,963**	**26,293,339**
SHAREHOLDERS' EQUITY			
Attributable to equity holders of the parent:			
Capital and reserves	1,781,505	564,316	1,781,505
Accumulated other comprehensive income	13,977	3,443	13,977
Retained earnings:			
Net income for the prior year	-	-	-
Net income for the year	273,937	2,069	273,937
Less: Accrual for minimum dividends	(82,181)	-	(82,181)
TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK	**1.987,238**	**569,828**	**1,987,238**
Non-controlling interest	2	297	299
TOTAL SHAREHOLDERS' EQUITY	**1,987,240**	**570,125**	**1,987,537**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**24,663,616**	**4,187,088**	**28,280,876**

NOTE 4 - BUSINESS COMBINATION, Continued

v. Other considerations

a) At business combination neither contingent assets nor contingent liabilities were identified; contingent considerations were not identified either.

b) Transaction costs related to the acquisition, amounted approximately US$ 5 million, which relates mainly to external legal advice and due diligence costs. These costs are presented in administrative expenses in the Consolidated Statements of Income for the year.

c) The detail of balances included in cash and cash equivalents as of October 31, 2015, is as follows:

	As of October 31 2015
	MCh$
Cash and deposits in banks	
Cash	32,144
Deposits in Central Bank of Chile	-
Deposits in domestic banks	-
Deposits in foreign banks	72,401
Subtotal cash and deposits in banks	104,545
Items in course of collection, net	-
Highly liquid financial instruments	-
Investments under agreements to resell	50,000
Total cash and cash equivalents	**154,545**

d) The BCI Financial Group, INC. and Subsidiaries results and percentage, contributed to consolidated results of the Bank between October 16 and December 31, 2015, is as follows:

	MCh$	**%**
Operating Income	29,920	2.58
Net Operating income	29,224	2.52
Net Income	10,599	2.74
Income before Income tax	**11,014**	**2.75**

e) Had the acquisition taken place on January 1, 2015, it is estimated that results contributed by BCI Financial Group, Inc. and Subsidiaries would have been MCh$36,598.

The methodology used to estimate the results was adding pre-acquisition CNB results to the post-acquisition results.

NOTE 4 - BUSINESS COMBINATION, Continued

vi. Adjustments to provisional values - goodwill

IFRS 3 permits adjustments to items recognized in the original accounting for a business combination, for a maximum of one year period after the acquisition date, when new information about facts and circumstances existed at the acquisition date is obtained. Any such adjustments are made retrospectively as if those adjustments had been made at the acquisition date.

As of April 30, 2016 the Bank, in accordance with the requirements of the SBIF, adjusted the fair value of loans and receivables to customers according to the rules of Chapter B-1 of the Compendium of Accounting. This adjustment was calculated over the balance of loans and receivables to customers as of October 31, 2015 and resulted in an increase of goodwill for US$ 12,918,365 (MCh$ 8,533).

Following is the detail of changes in goodwill during the year:

	MCh$
Goodwill as of January 1, 2016	**2,198**
Increase in goodwill during the measurement period	8,533
Exchange difference	51
Goodwill as of December 31, 2016	**10,782**

NOTE 5 – INFORMATION BY SEGMENTS

Segments structure

In accordance with IFRS 8, the Bank has aggregated operating segments with similar economic characteristics based on the aggregation criteria specified in the standard. Thus, a reporting segment comprises clients to whom differentiated products are addressed, which are homogeneous in terms and those performance is measured in a similar way, as a part of the same reporting segment. Overall, this aggregation has no significant impact on understanding the nature and effects of the business activities of the Bank and the economic environment in which it operates.

Segment reporting is presented by the Bank based on the defined business structure, which is focused on optimizing assistance to clients with products and service, according to relevant commercial characteristics.

To faithfully reflect the nature of the Bank’s reporting segments, the presentation of the note considers the following:

NOTE 5 – BUSINESS SEGMENTS, Continued

1. The allocation of the results of balance sheet management of the reporting segments is performed according to the composition of assets of each business (which generates this outcome for the Bank).

2. A greater proportion of corporate expenses is allocated to the reporting segments, under the same allocation methodology that is used for other expenses or support staff.

3. Results for recognition or reversal of additional provisions and minimum provision adjustments were allocated to the segments in accordance with the classification of customers for which these results were originated.

Additionally, and with the purpose of improve focus and capture synergies from the customer service model, in 2016 the presentation of segments was simplified: Retail Banking and Small and Medium Entreprise segments were aggregated under “Retail Banking” heading; and Commercial Banking and Corporate & Investment Banking Commercial Division segments were aggregated under “Wholesale Banking” heading.

Following is the Bank’s commercial structure with its four reporting segments:

Retail Banking Segment: This segment includes individuals and entities with sales of less than UF 80,000, with the following sub segments:

Retail Banking**:** This sub segment includes individuals. The operating units in this sub segment are: Individuals, Preferential, Nova and Tbanc.

Small and Medium Enterprises**:** This sub segment includes entrepreneurs and enterprising entities (with sales of between UF 2,400 and UF 80,000) and includes microenterprises (with sales of less than UF 2,400).

Wholesale Banking Segment: This segment composed mainly of companies whose annual sales exceed UF 80,000, with the following sub segments:

Commercial Banking: This sub segment includes mainly companies whose annual sales exceed UF 80,000. The operating units in this sub segment are: Real Estate and Companies.

Corporate & Investment Banking Commercial Division**:** This sub segment includes large corporations, financial institutions and high net worth investors with financial needs of high value added financial services. The operating units in this sub segment are: Wholesale Banks, Corporate and Private.

Corporate & Investment Banking Finance Division Segment: This segment manages the Bank’s own investment portfolio. The operating unit in this segment is Sales and Trading.

BCI Financial Group, Inc. and Subsidiaries (BCIFG) Segment: This segment includes the results of operations of City National Bank of Florida, which operates as an independent unit under the supervision of senior management in Chile.

NOTE 5 – BUSINESS SEGMENT, Continued

Others: In "Others" included those expenses and/or income, which by their nature are not directly identifiable within the reportable segments and therefore are not assigned.

Assignment of income from subsidiaries by client:

Consistent with its customer-focused strategy and as a result of attention/provision of services to the Bank's clients in each segment, management in the subsidiaries, as well as results of the Bureau of Distribution and leasing business, is carried out in line with the above segments.

Assigning result of balance management:

In order to recognize in each segment all the benefits and costs associated with the clients' attention, the results of currency and maturity mismatches management are allocated to the segments in the proportion corresponding to the total income for the assets of each segment less the average cost of liabilities to finance these assets.

Allocation of expenses to reporting segments:

Direct expenses: correspond to the costs directly attributable to each cost centre of each segment which are clearly recognizable and assignable. For example, personnel expenses, materials and inventory, and depreciation.

Indirect expenses (centralized allocation of expenses): expenses recognized in general costs centres, according to Bank's policy, are allocated to different segments.

Management support expenses: these expenses are allocated depending on the time and resources consumed by different segments, based on the need in support managements. These expenses preliminary defined and agreed by the areas involved (user and support area).

These criteria have been applied for the years ended December 31, 2016 and 2015.

The management of commercial areas indicated above is measured in accordance with the concepts presented in this Note, which is based on the accounting principles applied to BCI Consolidated Statements of Income for the year.

NOTE 5 – BUSINESS SEGMENTS, Continued

a) Statements of Income for 2016:

	Retail Banking		Wholesale Banking			
	Retail	**Small & Medium Entreprise**	**Commercial Banking**	**C&IB Commercial Division**	**C&IB Finance Division**	**BCIF**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh**
Net interest income	380,335	132,408	156,226	99,934	32,896	136,70
Net fee and commission income	139,448	38,107	39,119	26,644	11,631	18,43
Other operating income	30,748	7,675	26,260	31,444	(3,470)	10,99
Operating income	**550,531**	**178,190**	**221,605**	**158,022**	**41,057**	**166,13**
Provision for loan losses	(112,844)	(35,433)	(16,754)	(2,489)	(8,517)	(4,89
Operating income, net of loan losses, interest and commission	**437,687**	**142,757**	**204,851**	**155,533**	**32,540**	**161,23**
Total operating expenses	(323,597)	(79,750)	(104,287)	(60,230)	(33,489)	(78,61
TOTAL NET OPERATING INCOME BY SEGMENT	**114,090**	**63,007**	**100,564**	**95,303**	**(949)**	**82,62**
Share of profit/loss of investments accounted using the equity method						
Income before income tax						
Income tax expense (*)						
CONSOLIDATED NET INCOME FOR THE YEAR						

(*) See note 16.c.

b) Reporting Segments Balances as of December 31, 2016:

	As of December 31, 2016					
	Retail Banking		Wholesale Banking			
	Retail	**Small & Medium Entreprise**	**Commercial**	**C&IB Commercial Division**	**C&IB Finance Division**	**BC**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**M**
TOTAL ASSETS	8,138,120	2,329,526	5,189,699	4,997,842	4,651,679	5
TOTAL LIABILITIES	7,331,118	2,082,377	4,660,277	4,488,814	4,895,388	4
EQUITY						

NOTE 5 – BUSINESS SEGMENTS, Continued

c) Statements of Income for 2015:

	Retail Banking		Wholesale Banking		
	Retail	**Small and medium enterprise**	**Commercial**	**C&IB Commercial Division**	**C&IB Finance Division**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Net interest income	359,770	118,066	146,830	76,142	62,563
Net fee and commission income	140,738	34,352	31,654	19,733	4,842
Other operating income	49,096	19,851	38,908	52,013	(13,472)
Operating income	**549,604**	**172,269**	**217,392**	**147,888**	**53,933**
Provision for loan losses	(119,456)	(32,929)	(11,264)	(16,310)	(3,692)
Operating income, net of loan losses, interest and commission	**430,148**	**139,340**	**206,128**	**131,578**	**50,241**
Total operating expenses	(297,296)	(70,770)	(92,865)	(57,966)	(21,520)
TOTAL NET OPERATING INCOME BY SEGMENT	**132,852**	**68,570**	**113,263**	**73,612**	**28,721**
Share of profit/loss of investments accounted using the equity method					
Income before income tax					
Income tax expense (*)					
CONSOLIDATED NET INCOME FOR THE YEAR					

(*) See note 16.c.

d) Operating Segments Balances as of December 31, 2015:

	As of December 31, 2015				
	Retail Banking		Wholesale Banking		
	Retail	**Small & Medium Entreprise**	**Commercial**	**C&IB Commercial Division**	**C&IB Finance Division**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**
TOTAL ASSETS	7,580,395	2,184,316	4,929,180	4,978,679	4,508,604
TOTAL LIABILITIES	6,952,111	1,986,843	4,506,056	4,573,434	4,740,449
EQUITY					

NOTE 6 - CASH AND CASH EQUIVALENTS

a) Details of balances included within cash and cash equivalents, and their reconciliation with the Consolidated Statements of Cash Flows as of December 31, 2016 and 2015, are as follows:

	As of December 31,	
	2016	**2015**
	MCh$	**MCh$**
Cash and deposits in banks		
Cash	378,520	421,190
Deposits in Central Bank of Chile (*)	613,338	350,767
Deposits in domestic banks	6,214	5,657
Deposits in foreign banks	579,493	494,938
Subtotal cash and deposits in banks	1,577,565	1,272,552
Items in course of collection, net	131,758	178,750
Highly liquid financial instruments	1,044	17,503
Investments under agreements to resell	116,461	206,105
Total cash and cash equivalents	**1,826,828**	**1,674,910**

(*) Deposits in Central Bank of Chile represent monthly updated mandatory reserve deposits with the Central Bank of Chile.

b) Items in the course of collection:

Items in the course of collection correspond to those transactions pending settlement which will increase or decrease deposits in Central Bank of Chile or in foreign banks, usually within 12 or 24 hours. The details of items in the course of collection, net as of December 31, 2016 and 2015 are as follows:

	As of December 31,	
	2016	**2015**
	MCh$	**MCh$**
Assets		
Outstanding notes from other banks (swap)	136,698	189,426
Funds receivable	127,567	245,124
Subtotal assets	**264,265**	**434,550**
Liabilities		
Funds payable	132,507	255,800
Subtotal liabilities	**132,507**	**255,800**
Items in course of collection, net	**131,758**	**178,750**

NOTE 7 - TRADING PORTFOLIO FINANCIAL ASSETS

The following is the detail of trading portfolio financial assets as of December 31, 2016 and 2015:

	As of December 31	
	2016	**2015**
	MCh$	**MCh$**
Instruments of the State and Central Bank of Chile (*):		
Bonds of the Central Bank of Chile	488,903	888,726
Promissory notes of the Central Bank of Chile	99	245
Other instruments of the State and Central Bank of Chile	181,073	14,918
Instruments of other domestic institutions:		
Bonds	70,910	18,080
Term deposits	352,576	183,781
Letters of credit	2,467	21,343
Documents issued by other financial institutions	93,931	84,406
Other instruments	18,220	45,449
Instruments of other foreign institutions:		
Other instruments	1,311	156
Investments in mutual funds:		
Funds administered by related parties	45,048	16,768
Funds administered by third parties	13,441	24,259
Total	**1,267,979**	**1,298,131**

(*) As of December 31, 2016 and 2015, the Bank has instruments with the Central Bank of Chile, classified in the “Instruments of the State and Central Bank of Chile” of MCh$ 276,908 and MCh$ 112,455, respectively.

NOTE 8 - INVESTMENTS UNDER AGREEMENTS TO RESELL AND LIABILITIES UNDER AGREEMEN

a) Securities purchased under agreements to resell:

Type of entity	Maturity of the agreement				
	Up to 3 months		Between 3 months and 1 year		Over 1
	MCh$	Average Rate %	MCh$	Average Rate %	MCh$
Related party (individuals or entities)	-	-	-	-	-
Domestic banks	-	-	-	-	-
Securities brokers	41,668	0.35	4,426	0.35	-
Other domestic financial institutions	-	-	-	-	-
Foreign financial institutions	-	-	-	-	-
Other individuals or corporations	56,140	0.35	14,227	0.36	-
Total	**97,808**		**18,653**		**-**

Type of entity	Maturity of the agreement				
	Up to 3 months		Between 3 months and 1 year		Over 1
	MCh$	Average Rate %	MCh$	Average Rate %	MCh$
Related party (individuals or entities)	-	-	-	-	-
Domestic banks	-	-	-	-	-
Securities brokers	65,512	0.59	5,229	0.37	-
Other domestic financial institutions	-	-	-	-	-
Foreign financial institutions	-	-	-	-	-
Other individuals or corporations	111,767	0.35	23,597	0.36	-
Total	**177,279**		**28,826**		-

NOTE 8 - INVESTMENTS UNDER AGREEMENTS TO RESELL AND LIABILITIES UNDER AGREEM
Continued

b) Securities sold under repurchase agreements:

Type of entity	Maturity of the agreement Up to 3 months MCh$	 Average Rate %	 Between 3 months to 1 year MCh$	 Average Rate %	 Over 1 MCh$
Related party (individuals or entities)	-	-	-	-	-
Domestic banks	80,164	0.32	-	-	-
Securities brokers	-	-	-	-	-
Other domestic financial institutions	139,939	0.29	-	-	-
Foreign financial institutions	-	-	-	-	-
Other individuals or corporations	579,333	0.26	408	0.29	-
Total	**799,436**		**408**		**-**

Type of entity	Maturity of the agreement Up to 3 months MCh$	 Average Rate %	 Between 3 months to 1 year MCh$	 Average Rate %	 Over 1 MCh$
Related party (individuals or entities)	-	-	-	-	-
Domestic banks	68,409	0.33	-	-	-
Securities brokers	-	-	-	-	-
Other domestic financial institutions	126,694	0.29	-	-	-
Foreign financial institutions	-	-	-	-	-
Other individuals or corporations	246,731	0.19	7,253	0.20	41
Total	**441,834**		**7,253**		**41**

NOTE 9 - DERIVATIVE FINANCIAL AGREEMENTS AND HEDGE ACCOUNTING

a) As of December 31, 2016 and 2015, the Bank and its subsidiaries held the following portfolio of derivative instruments:

As of December 31, 2016:

	Notional amount		Fair value	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	MCh$	**MCh$**	**MCh$**	**MCh$**
Trading Derivatives:				
Forwards	24,194,017	23,869,561	125,632	123,748
Swaps	50,450,992	50,209,209	928,447	978,143
Call Options	213,476	224,332	1,147	653
Put Options	143,991	143,154	3	2,293
Futures	13,416	13,416	137	-
Others	-	-	-	-
Subtotal	**75,015,892**	**74,459,672**	**1,055,366**	**1,104,837**
Fair Value Hedge Derivatives:				
Forwards	-	-	-	-
Swaps	1,881,077	1,412,925	85,932	47,366
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Others	-	-	-	-
Subtotal	**1,881,077**	**1,412,925**	**85,932**	**47,366**
Cash Flow Hedge Derivatives:				
Forwards	-	548,038	22,552	19,352
Swaps	718,683	1,427,387	196,397	248,531
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Others	-	-	-	-
Subtotal	**718,683**	**1,975,425**	**218,949**	**267,883**
Total	**77,615,652**	**77,848,022**	**1,360,247**	**1,420,086**

NOTE 9 - DERIVATIVE FINANCIAL AGREEMENTS AND HEDGE ACCOUNTING, Continued

As of December 31, 2015

	Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
	MCh$	MCh$	MCh$	MCh$
Trading Derivatives:				
Forwards	29,537,235	29,545,133	240,951	239,325
Swaps	45,442,063	45,319,160	1,022,312	1,057,366
Call Options	394,821	385,314	4,889	6,089
Put Options	298,857	306,356	2,518	2,341
Futures	3	3	50	-
Others	-	-	-	-
Subtotal	**75,672,979**	**75,555,966**	**1,270,720**	**1,305,121**
Fair Value Hedge Derivatives:				
Forwards	-	-	-	-
Swaps	2,779,780	263,166	87,160	76,167
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Others	-	-	-	-
Subtotal	**2,779,780**	**263,166**	**87,160**	**76,167**
Cash Flow Hedge Derivatives:				
Forwards	113,240	991,846	16,541	22,001
Swaps	1,712,137	1,110,400	125,002	131,902
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Others	-	-	-	-
Subtotal	**1,825,377**	**2,102,246**	**141,543**	**153,903**
Total	**80,278,136**	**77,921,378**	**1,499,423**	**1,535,191**

b) Types of derivatives

The Bank uses hedge accounting to manage its exposure to fair value risk and risk of changes in cash flows.

Fair value hedges:

For positions in both foreign currency and local currency, the fair value of the position is hedged against changes in the base interest rate. The implied credit spread is not considered for this type of strategy. These operations reduce the duration of the positions and reduce the risk related to interest rate changes.

NOTE 9 - DERIVATIVE FINANCIAL AGREEMENTS AND HEDGE ACCOUNTING, Continued

The following tables provide a summary of the hedged items and hedging instruments for fair value hedge accounting as of December 31, 2016 and 2015:

	As of December 31, 2016		As of December 31, 2015	
Hedged item	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	MCh$	**MCh$**	**MCh$**	**MCh$**
Bonds issued MX/MN	-	749,973	-	501,825
Loans MX, UF	678	-	218,196	-
Term deposits MN	-	1,131,104	-	1,959,468
Investment MX	200,204	-	44,970	-
Macro hedge MN, MX	1,212,043	-	-	-
Liabilities MX	-	-	-	318,487
Total	**1,412,925**	**1,881,077**	**263,166**	**2,779,780**

	As of December 31, 2016		As of December 31, 2015	
Hedging instrument	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	MCh$	**MCh$**	**MCh$**	**MCh$**
Cross Currency Swaps	381,101	1,368,073	461,505	215,547
Interest Rate Swap MN	1,131,104	14,000	1,959,468	-
Interest Rate Swap MX	368,872	30,852	358,807	47,619
Total	**1,881,077**	**1,412,925**	**2,779,780**	**263,166**

Cash flow hedges:

The Bank uses cash flow hedging instruments such as cross currency swaps, forwards (inflation and exchange rate) and UF rate swaps to hedge the assets and liabilities exposed to variations in interest rates, exchange rates and/or inflation.

The following tables provide a summary of the hedged items and hedging instruments for cash flow hedge accounting as of December 31, 2016 and 2015:

	As of December 31, 2016		As of December 31, 2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Hedged item	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Assets UF > 1Y	1,733,697	-	1,940,122	-
Future obligations USD	-	40,241	-	155,705
Term deposits CLP	-	303,001	-	1,247,368
Assets UF	100,602	-	106,163	-
Bond MN/MX	-	375,441	-	422,304
Asset USD	141,126	-	55,961	-
Total	**1,975,425**	**718,683**	**2,102,246**	**1,825,377**

NOTE 9 - DERIVATIVE FINANCIAL AGREEMENTS AND HEDGE ACCOUNTING, Continued

	As of December 31, 2016		As of December 31, 2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	MCh$	**MCh$**	**MCh$**	**MCh$**
Hedging instrument				
Cross Currency Swaps	415,682	1,371,426	464,769	1,054,439
Forward UF	-	548,038	-	991,846
Forward USD	-	-	113,240	-
Swap rate	303,001	55,961	1,247,368	55,961
Total	**718,683**	**1,975,425**	**1,825,377**	**2,102,246**

Hedge of a net investment in a foreign operation:

The hedge of a net investment in a foreign operation seeks to mitigate the foreign exchange rate risk associated to the valuation of the foreign investment.

The following tables provide a summary of the hedged items and hedging instruments for hedge of a net investment in a foreign operation accounting as of December 31, 2016 and 2015:

	As of December 31, 2016		As of December 31, 2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Hedged item	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Net investment in a foreign operation	635,079	-	670,181	-
Total	**635,079**	**-**	**670,181**	**-**

As of December 31, 2016			**As of December 31, 2015**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Hedge instrument	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Bonds in foreign currency	-	635,079	-	670,181
Total	**-**	**635,079**	**-**	**670,181**

The following table provides details of the expected future cash flows related to cash flow hedges:

	Periods of expected future cash flows				
	As of December 31, 2016				
	Within 1 year	**Between 1 and 5 years**	**Between 5 and 10 years**	**More than 10 years**	**Total**
Hedged item					
Cash outflows	(637,840)	(1,115,162)	(882,484)	(360,537)	(2,996,023)
Cash inflows	602,905	1,041,367	861,817	360,984	2,867,073
Net cash flows	**(34,935)**	**(73,795)**	**(20,667)**	**447**	**(128,950)**
Hedging instrument					
Cash outflows	637,840	1,115,162	882,484	360,537	2,996,023
Cash inflows	(602,905)	(1,041,367)	(861,817)	(360,984)	(2,867,073)
Net cash flows	**34,935**	**73,795**	**20,667**	**(447)**	**128,950**

NOTE 9 - DERIVATIVE FINANCIAL AGREEMENTS AND HEDGE ACCOUNTING, Continued

	As of December 31, 2015				
	Within 1 year	**Between 1 and 5 years**	**Between 5 and 10 years**	**More than 10 years**	**Total**
Hedged item					
Cash outflows	(929,815)	(2,355,919)	(913,777)	(54,319)	(4,253,830)
Cash inflows	917,705	2,232,080	875,107	54,258	4,079,150
Net cash flows	**(12,110)**	**(123,839)**	**(38,670)**	**(61)**	**(174,680)**
Hedging instrument					
Cash outflows	929,815	2,355,919	913,777	54,319	4,253,830
Cash inflows	(917,705)	(2,232,080)	(875,107)	(54,258)	(4,079,150)
Net cash flows	**12,110**	**123,839**	**38,670**	**61**	**174,680**

NOTE 10 - LOANS AND RECEIVABLES TO BANKS, NET

a) As of December 31, 2016 and 2015, balances for this concept are the following:

	As of December 31,	
	2016	**2015**
	MCh$	**MCh$**
Domestic banks		
Highly liquid interbank loans	-	1,032
Allowance for loan losses of domestic banks	-	(1)
Foreign banks		
Highly liquid interbank loans	223,660	168,679
Allowance for loan losses of domestic banks	(432)	(294)
Total	**223,228**	**169,416**

b) The amount for the year 2016 and 2015 of provisions and impairment is as follows:

	2016			2015		
	Domestic Banks	**Foreign Banks**	**Total**	**Domestic Banks**	**Foreign Banks**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Balance as of January 1	**1**	**294**	**295**	**1**	**794**	**795**
Write-offs	-	-	**-**	-	-	**-**
Provisions	7	279	**286**	41	265	**306**
Recovery of provisions	(8)	(141)	**(149)**	(41)	(765)	**(806)**
Impairment	-	-	**-**	-	-	**-**
Reversal of impairment	-	-	**-**	-	-	**-**
Balances as of December 31	**-**	**432**	**432**	**1**	**294**	**295**

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET

a) Loans and receivables to customers

As of December 31, 2016 and 2015, the composition of the loan portfolio was as follows:

	Assets before allowances			Allowances Established			
As of December 31, 2016	**Normal Portfolio**	**Non-compliant Portfolio**	**Total**	**Individual Allowance**	**Collective Allowance**	**Total**	**Net Assets**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Commercial loans:							
Commercial loans (*)	11,181,048	471,379	11,652,427	(107,450)	(54,780)	(162,230)	11,490,197
Foreign trade loans	725,270	9,884	735,154	(18,136)	(13)	(18,149)	717,005
Checking accounts	138,785	9,279	148,064	(1,286)	(3,847)	(5,133)	142,931
Loans to college students	848,911	7,464	856,375	(6,041)	(2,500)	(8,541)	847,834
Factoring operations	165,005	17,949	182,954	-	(4,259)	(4,259)	178,695
Leasing transactions	1,010,823	59,704	1,070,527	(16,326)	(1,506)	(17,832)	1,052,695
Other loans and receivables	28,311	5,810	34,121	(1,157)	(2,626)	(3,783)	30,338
Subtotal	**14,098,153**	**581,469**	**14,679,622**	**(150,396)**	**(69,531)**	**(219,927)**	**14,459,695**
Mortgage loans:							
Letters of credit	19,969	1,308	21,277	-	(41)	(41)	21,236
Negotiable mortgage loans	602,184	12,703	614,887	-	(6,129)	(6,129)	608,758
Other mortgage loans	4,202,498	161,255	4,363,753	-	(26,585)	(26,585)	4,337,168
Leasing transactions	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-
Subtotal	**4,824,651**	**175,266**	**4,999,917**	**-**	**(32,755)**	**(32,755)**	**4,967,162**
Consumer loans:							
Consumer loans in instalments	1,837,437	231,962	2,069,399	-	(103,804)	(103,804)	1,965,595
Checking accounts	97,755	9,053	106,808	-	(5,895)	(5,895)	100,913
Credit card borrowers	432,624	8,622	441,246	-	(6,462)	(6,462)	434,784
Consumer leasing transactions	3,808	142	3,950	-	(45)	(45)	3,905
Other loans and receivables	23,060	10	23,070	-	(778)	(778)	22,292
Subtotal	**2,394,684**	**249,789**	**2,644,473**	**-**	**(116,984)**	**(116,984)**	**2,527,489**
TOTAL	**21,317,488**	**1,006,524**	**22,324,012**	**(150,396)**	**(219,270)**	**(369,666)**	**21,954,346**

(*) Includes loans corresponding to Protected Assets Fund No. 27 as stated in Note 1.ag.

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET, Continued

	Assets before allowances			Allowances Established			
As of December 31, 2015	Normal Portfolio	Non-compliant Portfolio	Total	Individual Allowance	Group Collective Allowance	Total	Net Assets
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Commercial loans:							
Commercial loans (*)	10,071,571	420,582	10,492,153	(108,627)	(72,132)	(180,759)	10,311,394
Foreign trade loans	845,960	17,796	863,756	(21,427)	(20)	(21,447)	842,309
Checking accounts	98,517	11,059	109,576	(2,756)	(4,733)	(7,489)	102,087
Factoring operations	687,860	4,807	692,667	(6,638)	(1,144)	(7,782)	684,885
Leasing transactions	831,267	39,111	870,378	(13,117)	(1,417)	(14,534)	855,844
Other loans and receivables (**)	178,755	29,398	208,153	(2,112)	(8,166)	(10,278)	197,875
Subtotal	**12,713,930**	**522,753**	**13,236,683**	**(154,677)**	**(87,612)**	**(242,289)**	**12,994,394**
Mortgage loans:							
Letters of credit	25,685	1,652	27,337	-	(134)	(134)	27,203
Negotiable mortgage loans	577,242	5,855	583,097	-	(5,941)	(5,941)	577,156
Other mortgage loans	3,701,786	173,265	3,875,051	-	(16,911)	(16,911)	3,858,140
Leasing transactions	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-
Subtotal	**4,304,713**	**180,772**	**4,485,485**	**-**	**(22,986)**	**(22,986)**	**4,462,499**
Consumer loans:							
Consumer loans in Instalments	1,723,561	178,560	1,902,121	-	(86,778)	(86,778)	1,815,343
Checking accounts	99,395	7,414	106,809	-	(4,930)	(4,930)	101,879
Credit card borrowers	376,462	9,096	385,558	-	(7,079)	(7,079)	378,479
Consumer leasing transactions	2,571	8	2,579	-	(16)	(16)	2,563
Other loans and receivables	15,432	314	15,746	-	(374)	(374)	15,372
Subtotal	**2,217,421**	**195,392**	**2,412,813**	**-**	**(99,177)**	**(99,177)**	**2,313,636**
TOTAL	**19,236,064**	**898,917**	**20,134,981**	**(154,677)**	**(209,775)**	**(364,452)**	**19,770,529**

(*) Includes loans corresponding to Protected Assets Fund No. 27 as stated in Note 1.ag.

(**) Includes loans to college students, which are separately disclosed from 2016 in accordance with Circular No. 3,583 issued on May 25, 2016.

The collateral received by the Bank with respect to the loans portfolio relates to mortgages, and consists of cash, securities, accounts receivable, property and real estate assets, and warrants, among others.

The Bank uses the financial lease agreements from 1 to 10 years, depending on the contract, to finance acquisition of property, both movable and immovable for its clients. As of December 31, 2016 and 2015, the Bank held approximately MCh$ 565,889 and MCh$ 388,850, respectively, of financial leases on movable assets, and MCh$ 508,588 and MCh$ 484,107, respectively, of financial leases on property.

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET, Continued

The following table provides reconciliation between gross investment in lease and present value of minimum lease payments as of December 31, 2016 and 2015:

	As of December 31	
	2016	**2015**
	MCh$	**MCh$**
Gross investments in lease	1,237,236	1,020,723
Unearned income from financial lease	(162,759)	(147,766)
Net financial leases	**1,074,477**	**872,957**

	As of December 31	
	2016	**2015**
	MCh$	**MCh$**
Less than 1 year	257,565	237,444
Between 1 and 5 years	411,582	289,796
Over 5 years	405,330	345,717
Total	**1,074,477**	**872,957**

There is no evidence of impairment of the financial lease contracts that the Bank holds.

The Bank has obtained repossessed assets for an amount of MCh$ 6,089 as of December 31, 2016 and MCh$ 10,845 for December 31, 2015 through the execution of collateral held on assets.

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET, Continued

b) Portfolio characteristics:

As of December 31, 2016 and 2015, the loan portfolio, before allowances for loan losses, by type of the customer's eco

	Domestic Loans		Foreign Loans		Total
	As of December 31		As of December 31		As of Decembe
	2016	2015	2016	2015	2016
	MCh$	MCh$	MCh$	MCh$	MCh$
Commercial loans:					
Agriculture and livestock except fruits	286,534	187,281	91,617	89,374	378,151
Fruits	48,174	42,660	92,120	62,043	140,294
Forestry and wood extraction	166,431	147,689	13,519	28,735	179,950
Fishing	33,340	21,756	83,647	107,349	116,987
Mining	61,681	46,178	144,865	172,930	206,546
Crude oil and natural gas production	2,356	3,144	106,234	113,421	108,590
Food, beverage and tobacco industry	200,301	171,778	131,814	110,609	332,115
Textile and leather industry	33,630	24,227	47,492	43,112	81,122
Timber and furniture industry	31,941	29,460	14,699	16,556	46,640
Print and editorial industry	37,184	27,769	8,749	7,266	45,933
Chemical product, derived from oil, coal, rubber and plastic	122,563	98,173	129,254	88,568	251,817
Production of metal and non-metal production, machinery and equipment	367,547	301,871	88,564	154,612	456,111
Other manufacturing industries	16,378	6,205	147,768	95,789	164,146
Electricity, gas and water	346,253	183,505	235,605	225,939	581,858
Home construction	183,091	973,365	2,578	199	185,669
Other construction	901,496	389,552	157,555	69,305	1,059,051
Wholesale business	612,984	428,408	502,280	367,643	1,115,264
Retail, restaurants and hotels	467,131	535,489	381,979	320,581	849,110
Transporting and storage	321,611	318,244	256,042	283,930	577,653
Communications	109,091	83,205	58,346	34,387	167,437
Financial and insurance companies	2,263,893	1,808,866	269,265	213,904	2,533,158
Real estate and service providers	1,460,248	1,018,897	1,216,009	938,966	2,676,257
Services	1,186,006	1,681,994	1,239,757	1,161,749	2,425,763
Subtotal	**9,259,864**	**8,529,716**	**5,419,758**	**4,706,967**	**14,679,622**
Mortgage loans	4,397,665	3,918,129	602,252	567,356	4,999,917
Consumer loans	2,516,666	2,277,101	127,807	135,712	2,644,473
Total	**16,174,195**	**14,724,946**	**6,149,817**	**5,410,035**	**22,324,012**

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET, Continued

c) Provisions

The changes in allowances for loan losses during the years ended December 31, 2016 and 2015 are summarized as follows:

	2016			2015		
	Individual Allowance	Collective Allowance	Total	Individual Allowance	Collective Allowance	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balances as of January 1	**154,677**	**209,775**	**364,452**	**161,082**	**181,514**	**342,596**
Portfolio write-offs:						
Commercial loans	(7,228)	(73,959)	**(81,187)**	(63,796)	(58,091)	(121,887)
Mortgage loans	-	(7,456)	**(7,456)**	-	(4,719)	(4,719)
Consumer loans	-	(113,833)	**(113,833)**	-	(107,716)	(107,716)
Total Write-offs	**(7,228)**	**(195,248)**	**(202,476)**	**(63,796)**	**(170,526)**	**(234,322)**
Provisions	8,486	215,078	**223,564**	84,086	181,705	265,791
Reversal of provisions	(7,751)	(8,893)	**(16,644)**	(26,695)	(10,618)	(37,313)
Effect of provisions in BCI Financial Group	2,212	(1,442)	**770**	-	27,700	27,700
Balances as of December 31	**150,396**	**219,270**	**369,666**	**154,677**	**209,775**	**364,452**

In addition to these allowances for loan losses, the provisions for country risk are maintained to cover operations abroad, as well as additional provisions approved by the Board, which are presented as liabilities under "Provisions" heading (See Note 21). Therefore, the total amount of allowances and provisions for credit risk constituted for different concepts correspond to the following:

	As of December 31	
	2016	2015
	MCh$	MCh$
Individual and collective allowance	369,666	364,452
Provisions for contingent credit risk (Note 21)	20,179	18,525
Additional provisions	64,068	76,754
Minimum provision 0,50% (Note 21)	4,588	-
Provisions for country risk (Note 21)	1,926	2,669
Allowances on loans and receivables to banks (Note 10)	432	295
Total	**460,859**	**462,695**

During the years 2016 and 2015, the Bank has not participated in the purchase, sale, substitution or swap of credits of the loan portfolio, except for operations disclosed in the present Consolidate Financial Statements.

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET, Continued

d) Collateral

Non-complied loan portfolio, secured and unsecured, before allowances for loan losses, as of December 31, 2016 and 2015 was as follows:

	As of December 31, 2016				As of December 31, 2015			
	Commercial	Mortgage	Consumer	Total	Commercial	Mortgage	Consumer	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Secured debt	429,986	171,750	69,930	671,666	344,832	167,796	52,452	**565,080**
Unsecured debt	151,483	3,516	179,859	334,858	177,921	12,976	142,940	**333,837**
Total	**581,469**	**175,266**	**249,789**	**1,006,524**	**522,753**	**180,772**	**195,392**	**898,917**

e) Overdue

The overdue portfolio as of December 31, 2016 and 2015 was as follows:

	As of December 31, 2016				As of December 31, 2015			
	Commercial	Mortgage	Consumer	Total	Commercial	Mortgage	Consumer	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Secured debt	141,836	71,397	4,903	218,136	16,612	-	-	**16,612**
Unsecured debt	67,227	2,481	32,523	102,231	177,874	74,681	32,330	**284,885**
Total	**209,063**	**73,878**	**37,426**	**320,367**	**194,486**	**74,681**	**32,330**	**301,497**

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET, Continued

f) Current, overdue and past due loans by normal and non-compliant portfolio:

	As of December 31, 2016							
	Normal portfolio				Non-compliant portfolio			
	Commercial	Mortgage	Consumer	Total non-Impaired	Commercial	Mortgage	Consumer	Total Impaired
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Current and overdue, but not past due	14,072,866	4,823,002	2,390,737	21,286,605	443,324	154,837	217,111	815,272
Past due for 1 to 29 days	17,332	1,080	2,735	21,147	5,172	1,212	3,058	9,442
Past due for 30 to 89 days	7,955	569	1,212	9,736	13,609	2,355	7,169	23,133
Past due for 90 days or more	-	-	-	-	119,364	16,862	22,451	158,677
Total portfolio before allowances	**14,098,153**	**4,824,651**	**2,394,684**	**21,317,488**	**581,469**	**175,266**	**249,789**	**1,006,524**
Overdue, but not past due loans (less than 90 days in default) as a percentage of the total portfolio	0.18%	0.03%	0.16%	0.14%	3.23%	2.04%	4.09%	3.24%
Past due loans (more than 90 days in default) as a percentage of the total portfolio	0.00%	0.00%	0.00%	0.00%	20.53%	9.62%	8.99%	15.76%

	As of December 31, 2015							
	Normal portfolio				Non-compliant portfolio			
	Commercial	Mortgage	Consumer	Total non-Impaired	Commercial	Mortgage	Consumer	Total Impaired
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Current and overdue, but not past due	12,700,717	4,303,772	2,213,136	19,217,625	371,502	151,784	168,589	691,875
Past due for 1 to 29 days	8,641	-	3,017	11,658	5,878	-	2,229	8,107
Past due for 30 to 89 days	4,179	467	1,268	5,914	6,914	788	2,632	10,334
Past due for 90 days or more	393	474	-	867	138,459	28,200	21,942	188,601
Total portfolio before allowances	**12,713,930**	**4,304,713**	**2,217,421**	**19,236,064**	**522,753**	**180,772**	**195,392**	**898,917**
Overdue, but not past due loans (less than 90 days in default) as a percentage of the total portfolio	0.10%	0.01%	0.19%	0.09%	2.45%	0.44%	2.49%	2.05%
Past due loans (more than 90 days in default) as a percentage of the total portfolio	0.00%	0.01%	0.00%	0.00%	26.49%	15.60%	11.23%	20.98%

NOTE 12 – FINANCIAL INVESTMENTS

As of December 31, 2016 and 2015, financial investments available for sale and held to maturity are as follows:

	As of December 31, 2016			As of December 31, 2015		
	Available for sale	Held to maturity	Total	Available for sale	Held to maturity	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Financial investments quoted in an active markets:						
Of the State and the Central Bank of Chile (a):						
Instruments of the Central Bank of Chile	218,189	-	**218,189**	292,132	-	**292,132**
Bonds or promissory notes of the Treasury	516,271	-	**516,271**	321,142	-	**321,142**
Other fiscal instruments	11,757	-	**11,757**	14,145	-	**14,145**
Other domestic instruments						
Financial instruments in instruments issued by other domestic Banks	254,201	-	**254,201**	121,308	-	**121,308**
Bonds and corporate commercial papers	20,407	-	**20,407**	24,783	-	**24,783**
Other domestic instruments (b)	1,901	-	**1,901**	2,477	-	**2,477**
Foreign instruments:						
Instruments issued by foreign states and central banks (c)	634,697	872	**635,569**	565,433	708	**566,141**
Other foreign instruments	867,077	-	**867,077**	1,066,462	-	**1,066,462**
Total	**2,524,500**	**872**	**2,525,372**	**2,407,882**	**708**	**2,408,590**

(a) As of December 31, 2016 and 2015, the Bank has no investment instruments sold under reverse repurchase agreements with the State or Central Bank of Chile.

(b) Other domestic instruments include shares that the BCI Corredor de Bolsa S.A., Bank subsidiary, has in Santiago Stock Exchange, in Chilean Electronic Stock Exchange and in Valparaiso Stock Exchange. These shares are measured according to their last transaction value.

(c) Financial investments held to maturity correspond to portfolio of the Bank subsidiary, BCI Financial Group, INC, and Subsidiaries, that holds investments in state bonds on the balance sheet of CNB, and intends to hold them to maturity.

NOTE 13 - INVESTMENTS IN OTHER COMPANIES

a) As of December 31, 2016 and 2015, principal investments in associates, joint ventures and other entities are detail

	As of December 31, 2016				As of De	
Company	**Equity**	**Participation**	**Investment value**	**Income / Loss**	**Equity**	**Participation**
	MCh$	**%**	**MCh$**	**MCh$**	**MCh$**	**%**
Investment accounted for using equity method:						
Redbanc S.A.	6,422	12.71	816	141	5,419	12.7
Combanc S.A.	5,472	10.33	565	68	4,956	10.3
Transbank S.A.	49,518	8.72	4,318	454	40,302	8.7
Nexus S.A.	10,809	12.90	1,395	246	9,472	12.9
Servicios de Infraestructura de mercado OTC S.A.	11,000	13.61	1,497	149	9,831	11.4
AFT S.A.	13,907	20.00	2,781	230	12,758	20.0
Centro de Compensación Automatizado S.A.	3,985	33.33	1,328	394	3,252	33.3
Sociedad Interbancaria de Depósitos de Valores S.A.	3,101	7.03	218	47	2,656	7.0
Credicorp Ltda	3,844,309	1.93	109,730	13,341	3,304,601	1.9
Investment measured at cost:						
SWIFT Shares			34	-		
FED and FHLB Shares (*)			60,032	3,059		
Other Shares			11	(21)		
Bladex Shares			219	178		
Total			**182,944**	**18,286**		
Investments in joint ventures						
Servipag Ltda	8,596	50.00	4,298	409	7,778	50.0
Artikos Chile S.A.	1,431	50.00	716	441	1,378	50.0
Total			**5,014**	**850**		
Total investments associates, joint ventures and other entities			**187,958**	**19,136**		

(*) These are shares that holds BCI Financial Group, Inc. and Subsidiaries subsidiary on its balance sheet, related Reserve (FED) and Federal Home Bank Loans (FHBL) acquired by CNB in order to participate in the funding pro realized by these state agencies established in the State of Florida.

NOTE 13 - INVESTMENTS IN OTHER COMPANIES, Continued

b) The reconciliation of investments in other companies for the years ended December 31, 2016 and 2015, is as following:

	2016 MCh$	2015 MCh$
Balance at the beginning of the year	**170,103**	**101,086**
Acquisition of investments	7,469	2,607
Translation differences (*)	(2,031)	3,338
Share of profit/loss of investments accounted using the equity method	19,136	13,495
Effect of acquisition of BCI Financial Group Inc., and Subsidiaries	-	53,102
Sale of investments in other companies	-	(28)
Dividends received	(5,977)	(2,946)
Adjustment for minimum dividend provision	(403)	(249)
Minimum dividends provision	(339)	(302)
Total	**187,958**	**170,103**

(*) Corresponds to the exchange difference resulted from investments in foreign companies (Credicorp Ltda., FEI and FMLB shares)

As of December 31, 2016 and 2015, no impairment was recognized on the investments.

c) Summary financial information of principal associates and joint ventures.

1) Summary financial information of the principal associates and joint ventures as of December 31, 2016 is as follows:

Investment in Associate or Joint Venture	Share	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Interest Income	Operating Expenses	Net Profit (Loss)
	%	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Redbanc S.A.	12.71	4,642	15,285	7,884	5,620	33,529	(26,059)	1,115
Combanc S.A.	10.33	5,731	368	625	-	3,143	(1,985)	657
Servicio de Infraestructura de Mercado OTC S.A.	13.61	21,722	7,536	15,192	3,066	6,260	(3,216)	1,094
Transbank S.A.	8.72	647,384	63,091	660,720	237	152,294	(142,233)	5,209
Nexus S.A.	12.90	10,915	19,123	15,140	4,088	48,150	(45,658)	1,911
AFT S.A.	20.00	53,415	838	39,543	803	3,293	-	1,612
Centro de Compensación Automatizado S.A.	33.33	1,748	3,760	1,145	377	7,926	(5,788)	744
Servipag Ltda.	50.00	49,477	17,350	53,545	4,686	39,569	(25,482)	818
Artikos Chile S.A.	50.00	1,150	1,029	748	-	3,574	(822)	882
Sociedad Interbancaria de Depósitos de Valores S.A.	7.03	71	3,133	103	-	2	(30)	666

NOTE 13 - INVESTMENTS IN OTHER COMPANIES, Continued

2) Summary financial information of the principal associates and joint ventures at December 31, 2015 is as follows:

Investment in Associate or Joint Venture	Share	Current Assets	Non- Current Assets	Current Liabilities	Non- Current Liabilities	Interest Income	Operating Expenses	Net Profit (Loss)
	%	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Redbanc S.A.	12.71	5,222	15,074	12,360	2,518	32,242	(25,025)	642
Combanc S.A.	10.33	5,328	401	775	-	3,062	(1,870)	889
Servicio de Infraestructura de Mercado OTC S.A.	11.48	6,653	10,978	4,815	2,985	2,569	(1,716)	(1,038)
Transbank S.A.	8.72	548,230	53,397	561,184	141	130,454	(120,364)	5,024
Nexus S.A.	12.90	9,388	13,766	10,230	3,452	44,632	(42,630)	1,741
AFT S.A.	20.00	41,203	1,315	29,325	435	3,168	-	1,612
Centro de Compensación Automatizado S.A.	33.33	1,273	3,875	1,371	526	6,465	(4,661)	635
Servipag Ltda.	50.00	50,119	17,523	55,128	4,737	38,863	(25,820)	497
Artikos Chile S.A.	50.00	1,224	755	602	-	3,147	(735)	620
Sociedad Interbancaria de Depósitos de Valores S.A.	7.03	100	2,614	58	-	4	(26)	563

NOTE 14 - INTANGIBLE ASSETS

a) The composition of intangible assets as of December 31, 2016 and 2015 was the following:

Concept	Total useful life	Remaining average useful life	Gross balance	Accumulated amortization and impairment	Net balance
	Years	Years	MCh$	MCh$	MCh$
Intangible assets acquired separately (a)	5	3	51.650	(33.577)	**18.073**
Intangible generated internally (b)	5	3	213.724	(115.242)	**98.482**
Intangible assets acquired in business combination – amortizable (c):					
Core deposits	9	8	41.917	(6.236)	**35.681**
Leasehold interest	30	29	2.689	(263)	**2.426**
Others	-	-	39.051	(39.051)	**-**
Intangible assets acquired in business combination - indefinite life (c):					
Trademark	-	-	12.072	-	**12.072**
Goodwill	-	-	10.782	-	**10.782**
Total			**371.885**	**(194.369)**	**177.516**

NOTE 14 - INTANGIBLE ASSETS, Continued

Concept	Total useful life	Remaining average useful life	Gross balance	Accumulated amortization and impairment	Net balance
	Years	Years	MCh$	MCh$	MCh$
Intangible assets acquired separately (a)	6	4	45.722	(28.034)	**17.688**
Intangible generated internally (b)	6	4	194.265	(97.229)	**97.036**
Intangible assets acquired in business combination – amortizable (c):					
Core deposits	9	9	44.234	(1.135)	**43.099**
Leasehold interest	30	30	2.838	(48)	**2.790**
Others	-	-	39.051	(39.051)	**-**
Intangible assets acquired in business combination - indefinite life (c):					
Trademark	-	-	12.740	-	**12.740**
Goodwill	-	-	2.198	-	**2.198**
Total			**341.048**	**(165.497)**	**175.551**

(a) Correspond to software purchased from parties other than the Bank or its subsidiaries held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

(b) Represent an identifiable non-monetary assets without physical substance, internally developed by the Bank or its subsidiaries held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

(c) Correspond to intangible assets acquired in business combinations: Banco Conosur acquisition in previous years and Financial Group, Inc. and Subsidiaries acquisition disclosed in Note 4.

The intangible assets indicated above, are measured according to Note 1.s of the Consolidated Financial Statements.

b) The movements of the intangible assets for the years ended December 31, 2016 and 2015 are the following:

	Intangible assets acquired separately	Intangibles generated internally	Amortizable intangible assets acquired in business combination			Not amortizable intangible assets acquired in business combination		
			Core Deposit	Leasehold Interest	Others	Trade Name	Goodwill	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2016	**45,722**	**194,265**	**44,234**	**2,838**	**39,051**	**12,740**	**2,198**	**341,048**
Additions	4,820	19,314	-	-	-	-	-	24,134
Disposals / transfers	(1)	(956)	-	-	-	-	-	(957)
Increase (decrease) from net foreign exchange differences	-	-	(2,317)	(149)	-	(668)	51	(3,083)
Adjustment of Goodwill (See Note 4.vi)	-	-	-	-	-	-	8,533	8,533
Other changes	1,109	1,101	-	-	-	-	-	2,210
Impairment (1)	-	-	-	-	-	-	-	-
Gross balance as of December 31, 2016	**51,650**	**213,724**	**41,917**	**2,689**	**39,051**	**12,072**	**10,782**	**371,885**
Amortization for the year	(5,508)	(18,013)	(5,206)	(219)	-	-	-	(28,946)
Accumulated amortization for previous periods	(28,034)	(97,229)	(1,135)	(48)	(39,051)	-	-	(165,497)
Others	(35)	-	105	4	-	-	-	74
Impairment (1)	-	-	-	-	-	-	-	-
Total accumulated amortization and impairment	**(33,577)**	**(115,242)**	**(6,236)**	**(263)**	**(39,051)**	**-**	**-**	**(194,369**
Balance as of December 31, 2016	**18,073**	**98,482**	**35,681**	**2,426**	**-**	**12,072**	**10,782**	**177,516**

NOTE 14 - INTANGIBLE ASSETS, Continued

As of December 31, 2016 the Bank performed impairment test in accordance with the instructions of Chapter A-2 of the Compendium of Accounting Rules of the SBIF. The reports issued by two independent appraisers concluded that there was no indicators of impairment of goodwill as well as of trademark recognized on the acquisition of CNB.

			Amortizable intangible assets acquired in business combination			Not amortizable intangible assets in business combination		
	Intangible assets acquired separately	Intangibles generated internally	Core Deposit	Leasehold Interest	Others	Trade Name	Goodwill	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2016	**32,517**	**163,905**	**-**	**-**	**39,051**	**-**	**-**	**235,473**
Additions	9,172	37,536	-	-	-	-	-	46,708
Disposals / transfers	(12)	(3,860)	-	-	-	-	-	(3,872)
Increase (decrease) from net foreign exchange differences	-	-	44,234	2,838	-	12,740	2,189	62,001
Goodwill (See Note 4)	4,045	1,684	-	-	-	-	-	5,729
Others	-	(5,000)	-	-	-	-	-	(5,000)
Impairment	-	-	-	-	-	-	106	106
Gross balance as of December 31, 2016	-	-	-	-	-	-	(97)	(97)
Balance as of January 1, 2016	**45,722**	**194,265**	**44,234**	**2,838**	**39,051**	**12,740**	**2,198**	**341,048**
Amortization for the year	(3,582)	(16,173)	(1,135)	(48)	-	-	-	(20,938)
Accumulated amortization for previous years	(24,452)	(80,940)	-	-	(39,051)	-	-	(144,443)
Others	-	(116)	-	-	-	-	-	(116)
Impairment	-	-	-	-	-	-	-	-
Total accumulated amortization and impairment	**(28,034)**	**(97,229)**	**(1,135)**	**(48)**	**(39,051)**	**-**	**-**	**(165,497**
Balance as of December 31, 2015	**17,688**	**97,036**	**43,099**	**2,790**	**-**	**12,740**	**2,198**	**175,551**

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

a) The composition of property, plant and equipment as of December 31, 2016 and 2015 is the following:

	As of December 31, 2016				
Concept	**Total useful life**	**Remaining average useful life**	**Gross balance**	**Accumulated depreciation**	**Net balance**
	Years	**Years**	**MCh$**	**MCh$**	**MCh$**
Land and buildings	33	30	290,898	(63,244)	**227,654**
Equipment	4	4	131,519	(103,202)	**28,317**
Others	8	6	52,768	(29,243)	**23,525**
Total			**475,185**	**(195,689)**	**279,496**

	As of December 31, 2015				
Concept	**Total useful life**	**Remaining average useful life**	**Gross balance**	**Accumulated depreciation**	**Net balance**
	Years	**Years**	**MCh$**	**MCh$**	**MCh$**
Land and buildings	32	30	288,330	(54,653)	**233,677**
Equipment	5	4	118,014	(92,102)	**25,912**
Others	8	6	50,633	(27,666)	**22,967**
Total			**456,977**	**(174,421)**	**282,556**

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT, Continued

b) The movements of property, plant and equipment for the years ended December 31, 2016 and 2015 are the following:

	Land and buildings	Equipment	Others	Total
	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2016	**288,330**	**118,014**	**50,633**	**456,977**
Additions	1,694	6,532	1,418	**9,644**
Disposals	-	(2,249)	(2,247)	**(4,496)**
Transfers	3,201	7,719	1,987	**12,907**
Others	(2,327)	1,503	1,069	**245**
Impairment	-	-	(92)	**(92)**
Gross Balance as of December 31, 2016	**290,898**	**131,519**	**52,768**	**475,185**
Depreciation for the period	(8,591)	(13,851)	(3,720)	**(26,162)**
Other adjustments	-	2,751	2,143	**4,894**
Accumulated depreciation for the previous years	(54,653)	(92,102)	(27,666)	**(174,421)**
Impairment	-	-	-	**-**
Total Accumulated Depreciation	**(63,244)**	**(103,202)**	**(29,243)**	**(195,689)**
Net Property, plant and equipment Balance as of December 31, 2016	**227,654**	**28,317**	**23,525**	**279,496**

	Land and buildings	Equipment	Others	Total
	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2015	**231,070**	**109,017**	**49,961**	**390,048**
Additions	1,433	9,849	7,576	**18,858**
Disposals	(144)	(8,428)	(464)	**(9,036)**
Transfers	3,848	3,923	(5,043)	**2,728**
Effect of acquisition of BCI Financial Group Inc., and Subsidiaries	52,123	1,117	-	**53,240**
Others	-	2,536	499	**3,035**
Impairment	-	-	(1,896)	**(1,896)**
Gross Balance as of December 31, 2015	**288,330**	**118,014**	**50,633**	**456,977**
Depreciation for the period	(7,904)	(10,844)	(3,764)	**(22,512)**
Other Adjustments	71	6,950	333	**7,354**
Accumulated depreciation for previous periods	(46,820)	(88,208)	(24,235)	**(159,263)**
Impairment	-	-	-	**-**
Total Accumulated Depreciation	**(54,653)**	**(92,102)**	**(27,666)**	**(174,421)**
Net Property, plant and equipment Balance as of December 31, 2015	**233,677**	**25,912**	**22,967**	**282,556**

c) As of December 31, 2016 and 2015, the impairment of MCh$ 92 and MCh$ 1,896, respectively, affected gross value of property, plant and equipment.

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT, Continued

d) As of December 31, 2016 and 2015, the Bank had non-cancellable finance lease agreements. The information on future payments related to such agreements is detailed as follows:

	Future payments on non-cancellable finance lease agreements			
	Up to 1 year	1 to 5 years	Over 5 years	Total
	MCh$	MCh$	MCh$	MCh$
As of December 31, 2016	11	-	-	**11**
As of December 31, 2015	107	12	-	**119**

Furthermore, the balances of property, plant and equipment under finance leases as of December 31, 2016 amounted to MCh$ 1,647 (MCh$ 1,606 as of December 31, 2015) and are presented as part of “Property, plant and equipment”.

NOTE 16 - CURRENT AND DEFERRED TAX

a) Current Tax

As of December 31, 2016 and 2015, the Bank implemented the provision of first-category income tax and the provision of Unique Tax of Article No. 21 of the Income Tax Law, which was determined based on the current tax legislation, and recognized assets amounting to MCh$ 31,247 as of December 31, 2016 (and liabilities amounting MCh$ 5,093 as of December 31, 2015). The detail of current tax assets net of current tax liabilities is provided as follows:

	As of December 31	
	2016	2015
	MCh$	MCh$
Income Tax (tax rate of 24% for 2016 and 22.5% by 2015)	(76,691)	(83,128)
Prior year provision excess	(6,862)	(3,814)
35% Provision for Income Tax	(111)	(299)
Less:		
Monthly tax provisional payments	84,023	79,869
Credit for training expenses	1,821	1,694
Credit for acquisition of property, plant and equipment	9	12
Credit for donations	802	911
Income tax to be recovered	27,509	9,260
Other taxes and withholdings to be recovered	747	588
Total	**31,247**	**5,093**

NOTE 16 - CURRENT AND DEFERRED TAX, Continued

b) Income Tax

The detail of income tax expense for the years ended December 31, 2016 and 2015, is as follows:

	For the year ended December 31	
	2016	**2015**
	MCh$	**MCh$**
Income tax charges:		
Current year tax	(76,691)	(83,128)
Surplus/ Deficit of prior year provisions	-	-
	(76,691)	(83,128)
Credit (charge) for deferred taxes:		
Origination and reversal of temporary differences	(7,891)	13,436
	(7,891)	13,436
Subtotal	(84,582)	(69,692)
Tax for rejected expenses in accordance with Article No. 21	(142)	(197)
Others	-	-
Income tax expense	**(84,724)**	**(69,889)**

c) Reconciliation of the effective income tax rate

The following is the reconciliation of the nominal income tax rate with the effective income tax rate for the years ended December 31, 2016 and 2015:

	For the year ended December 31			
	2016		**2015**	
	Tax rate	**Amount**	**Tax rate**	**Amount**
	%	**MCh$**	**%**	**MCh$**
Income before income tax		424,889		400,712
Nominal tax rate	24.00		22.5	
Income tax calculated in accordance with statutory tax rate		101,973		90,160
Tax effect of non-deductible expenses in calculation of taxable income:				
Permanent differences	(3.397)	(14,433)	(4.657)	(18,660)
Unique tax (rejected expenses)	0.033	142	0.049	197
Others	(0.696)	(2,958)	(0.451)	(1,808)
Effective income tax rate and income tax expense	**19.940**	**84,724**	**17.441**	**69,889**

The effective income tax rate for year 2016 and 2015 was 19.940% and 17.441%, respectively.

For the purpose of deferred income tax calculation as of December 31, 2016, the income tax rates prescribed by Partially Integrated System were applied, resulting in recognition of a gain of MCh$ 2,958 due to changes in tax rates applied.

NOTE 16 - CURRENT AND DEFERRED TAX, Continued

d) Effect of deferred taxes recognized in equity

The deferred tax recognized in shareholder's equity as of December 31, 2016 and 2015 is composed of the following:

	Accumulated as of As of December 31,		Effect for the year For the year ended December 31,	
	2016	**2015**	**2016**	**2015**
	MCh$	**MCh$**	**MCh$**	**MCh$**
Financial investments available for sale	(3,198)	4,588	(7,786)	7,986
Cash flow hedges	4,512	4,004	508	1,541
Effect of deferred tax in shareholder's equity	**1,314**	**8,592**	**(7,278)**	**9,527**

e) Effect of deferred taxes recognized in the Consolidated Statements of Income

During the years ended December 31, 2016 and 2015, the Bank recognized in its Consolidated Financial Statements the effects of deferred taxes according to IAS 12.

The detail of deferred tax assets and liabilities and allocated results for temporary differences is as follows:

	As of December 31, 2016			As of December 31, 2015		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Concepts:						
Allowance for loan losses	67,424	-	67,424	62,757	-	62,757
Provision for staff vacation & bonuses	25,798	-	25,798	23,446	-	23,446
Derivative contracts operations	-	-	-	-	-	-
Leasing operations (net)	814	-	814	4,775	-	4,775
Others	12,993	(2,779)	10,214	886	(507)	379
Property, plant and equipment	-	(15,075)	(15,075)	-	(14,461)	(14,461)
Transitory assets	-	(34,604)	(34,604)	-	(32,232)	(32,232)
Trading securities	-	-	-	-	-	-
Derivative contract operations	-	(4,511)	(4,511)	-	(4,003)	(4,003)
Temporary differences related to BCI Financial Group, Inc. and Subsidiaries (*)	91,065	-	91,065	111,822	-	111,822
Total assets (liabilities) net	**198,094**	**(56,969)**	**141,125**	**203,686**	**(51,203)**	**152,483**
Effect of deferred tax recognized in equity	-	1,314	1,314	-	8,592	8,592
Net effect of changes in deferred tax assets and liabilities	**198,094**	**(55,655)**	**142,439**	**203,686**	**(42,611)**	**161,075**

(*) The deferred tax asset has been recognized by the subsidiary BCI Financial Group, Inc. and Subsidiaries as of December 31, 2016 and it mainly consists of a tax loss carry-forward and some differences on intangible assets.

NOTE 16 - CURRENT AND DEFERRED TAX, Continued

f) Current and Deferred tax complementary information

As of December 31, 2016 and 2015, the Bank has the following tax effects related to provisions, penalties, loans rer
Provided information includes the operations of the Bank and subsidiaries, which have been excluded therefore.

a. Loans and receivables to customers

		Tax value assets		
Loans and receivable to customers As of December 31, 2016	**Financial Statements Value Assets**	**Total**	**Secured Past-due portfolio**	**P**
	MCh$	**MCh$**	**MCh$**	
Commercial Loans	9,664,108	9,662,801	128,054	
Consumer Loans	2,529,081	2,537,012	7,266	
Mortgage Loans	4,397,665	4,398,122	212,191	

		Tax value assets		
Loans and receivable to customers As of December 31, 2015	**Financial Statements Value Assets**	**Total**	**Secured Past-due portfolio**	**P**
	MCh$	**MCh$**	**MCh$**	
Commercial Loans	8,895,022	8,898,245	143,112	
Consumer Loans	2,289,305	2,299,017	6,495	
Mortgage Loans	3,918,128	3,918,514	201,099	

NOTE 16 - CURRENT AND DEFERRED TAX, Continued

b. Allowances

Allowances on past due portfolio	**Balance as of 1.01.2016**	**Write-off against Allowance**	**Provisions**	**Reversal Provisio**
	MCh$	**MCh$**	**MCh$**	**MCh$**
Commercial Loans	110,096	(57,923)	117,996	(70,7
Consumer Loans	30,805	(110,407)	143,624	(26,7
Mortgage Loans	3,275	-	3,772	(4,0

Allowances on past due portfolio	**Balance as of 1.01.2015**	**Write-off against Allowance**	**Provisions**	**Reversal Provisio**
	MCh$	**MCh$**	**MCh$**	**MCh$**
Commercial Loans	163,000	(96,179)	159,591	(116,3
Consumer Loans	32,320	(101,807)	128,158	(27,8
Mortgage Loans	3,850	-	3,507	(4,0

c. Write-offs and recoveries

Write-offs and recoveries as of December 31,2016	**MCh$**	Application of Art. 31 No. 4 first and t
Direct Write-offs Art. 31 No. 4, second clause	14,998	Write-offs according to first clause
Remissions that originated reversal of provisions	-	Recoveries according to third clause
Recoveries or renegotiations of loans previously written off	48,612	

Write-offs and recoveries as of December 31,2015	**MCh$**	Application of Art. 31 No. 4 first and t
Direct Write-offs Art. 31 No. 4 second clause	20,890	Write-offs according to first clause
Remissions that originated reversal of provisions	-	Recoveries according to third clause
Recoveries or renegotiations of loans previously written off	54,603	

NOTE 17 - OTHER ASSETS

a) As of December 31, 2016 and 2015 the composition of the other assets is as follows:

	As of December 31,	
	2016	**2015**
	MCh$	**MCh$**
Assets acquired to transfer to leasing (a)	92,638	29,055
Repossessed or awarded assets:		
Repossessed assets	1,477	4,986
Assets awarded from judicial auctions	3,389	1,586
Impairment of repossessed or awarded assets (b)	(76)	(240)
Other assets:		
Cash deposits held as guarantee	259,700	425,034
Investment in gold	3,515	3,404
VAT	8,186	5,799
Prepaid expenses	54,120	40,752
Property, plant and equipment held for sale	-	400
Assets recovered from lease agreements held for sale (c)	14,427	17,774
Account receivables	42,846	39,904
Amounts to be recovered	13,653	36,676
Macro hedge valuation adjustment	4,251	-
Prepayments of insurance rights on City National Bank of Florida (CNB) (d)	135,343	70,949
Other assets	52,661	112,037
Total	**686,130**	**788,116**

(a) Correspond to property, plant and equipment available to be used in finance lease.

(b) Impairment of repossessed or awarded assets is recognized in accordance with the Accounting Standards Compendium Chapter B-5 No. 3, which implies recognition of impairment for the difference between the carrying value and the net realizable value, when the first is higher.

(c) Correspond to Assets recovered from leasing and available for sale, principally real estate. These assets are available for sale, which is considered highly likely to occur. For most assets, it is expected that the sale will be completed within one year period from the date on which the asset is classified as ''Property, plant and equipment held for sale" and/or "Assets recovered from lease agreements held for sale''.

(d) Correspond to life insurance contracts for certain senior management of CNB, where CNB is the owner and beneficiary. CNB invests in these contracts, better known as BOLI (Bank Owned Life Insurance), considering that they provide an efficient way of funding retirement and other long term employee benefits.

NOTE 17 - OTHER ASSETS, Continued

b) The changes in the impairment of repossessed or awarded assets, during the years 2016 and 2015, is as follows:

	Impairment MCh$
Balance as of January 1, 2016	240
Impairment	76
Reversal of impairment	(240)
Balance as of December 31, 2016	76
Balance as of January 1, 2015	21
Impairment	240
Reversal of impairment	(21)
Balance as of December 31, 2015	**240**

NOTE 18 - BORROWINGS FROM CUSTOMERS

As of December 31, 2016 and 2015, the composition of borrowings from customers is the following:

	As of December 31	
	2016	2015
	MCh$	MCh$
Current accounts and demand deposits		
Current accounts	7,345,946	7,196,875
Other deposits and accounts payable on demand	549,227	549,787
Other liabilities payable on demand	299,090	300,626
Total current accounts and demand deposits	**8,194,263**	**8,047,288**
Term deposits and savings accounts		
Term deposits	9,906,299	9,250,938
Saving accounts	50,186	49,844
Guarantees	1,203	1,114
Total term deposits and savings accounts	**9,957,688**	**9,301,896**

NOTE 19 - BORROWINGS FROM FINANCIAL INSTITUTIONS

As of December 31, 2016 and 2015 the composition of borrowings from financial institutions is as follows:

	As of December 31	
	2016	**2015**
Loans received from financial institutions and Central Bank of Chile:	**MCh$**	**MCh$**
Other liabilities to Central Bank of Chile	1,959	1,732
Subtotal	1,959	1,732
Loans received from domestic financial institutions:		
Interbank loans	355,515	395,951
Other liabilities to domestic financial institutions	265,437	183,788
Subtotal	620,952	579,739
Loans received from foreign financial institutions:		
Foreign trade financing	398,596	615,286
Loans and other liabilities to foreign financial institutions	627,257	593,333
Subtotal	1,025,853	1,208,619
Total	**1,648,764**	**1,790,090**

NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITIES

a) As of December 31, 2016 and 2015, details of the debt issued and other financial liabilities are as follows:

	As of December 31	
	2016	**2015**
	MCh$	**MCh$**
Other financial liabilities:		
Public bonds	33,943	40,178
Other domestic bonds	39,119	33,942
Foreign bonds	880,184	672,826
Total	**953,246**	**746,946**
Debt issued:		
Letters of credit	24,996	33,552
Ordinary bonds	3,475,056	2,903,143
Subordinated bonds	898,378	885,955
Total	**4,398,430**	**3,822,650**

NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITIES, Continued

b) As of December 31, 2016 and 2015, the maturities of the ordinary and subordinated bonds are as follows:

	As of December 31, 2016		
	Long term	**Short term**	**Total**
	MCh$	**MCh$**	**MCh$**
By long and short term:			
Ordinary bonds	2,954,835	520,221	**3,475,056**
Subordinated bonds	898,378	-	**898,378**
Total	**3,853,213**	**520,221**	**4,373,434**

	As of December 31, 2015		
	Long term	**Short term**	**Total**
	MCh$	**MCh$**	**MCh$**
By long and short term:			
Ordinary bonds	2,759,907	143,236	**2,903,143**
Subordinated bonds	881,099	4,856	**885,955**
Total	**3,641,006**	**148,092**	**3,789,098**

c) Details of placements of ordinary and subordinated bonds as of December 31, 2016 are as follows:

ORDINARY BONDS IN NOMINATED IN CHILEAN PESOS

Series	**Amount issued Ch$**	**Amount placed Ch$**	**Date of issue**	**Maturity date**	**Average rate**	**Balance owed due Ch$**	**Balance MCh$**
SERIE_AG	228,500,000,000	228,500,000,000	01-05-2013	01-05-2018	4.96%	219,542,877,155	219,543
SERIE_AK	500,000,000,000	51,636,058,698	01-11-2014	01-11-2019	5.31%	52,317,528,419	52,318
Serie _ AM	50,000,000,000	50,000,000,000	01-06-2016	01-06-2023	4.90%	47,797,884,553	47,798
Fair Value Adjustment						**3,581,043,966**	3,581
Subtotal	**778,500,000,000**	**330,136,058,698**				**323,239,334,093**	**323,240**

ORDINARY BONDS NOMINATED IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)

Series	**Amount issued UF**	**Amount placed UF**	**Date of issue**	**Maturity date**	**Average rate**	**Balance owed due UF**	**Balance MCh$**
SERIE_AB	10,000,000	10,000,000	01/07/2008	01/07/2018	3.67%	9,462,771	249,325
SERIE_AE2	10,000,000	10,000,000	01/08/2011	01/08/2021	3.73%	9,647,225	254,185
SERIE_AF1	10,000,000	5,740,000	01/08/2012	01/08/2017	3.51%	2,974,410	78,370
SERIE_AF2	10,000,000	10,000,000	01/08/2012	01/08/2022	3.43%	9,699,783	255,570
SERIE_AI1	15,000,000	-	01/03/2014	01/03/2019	-	-	-
SERIE_AI2	5,000,000	-	01/03/2014	01/03/2024	-	-	-
SERIE_AJ1	20,000,000	13,310,000	01/10/2014	01/10/2019	2.04%	13,247,029	349,032
SERIE_AJ2	20,000,000	13,375,000	01/10/2014	01/10/2024	2.47%	12,999,184	342,502
SERIE_AL1	3,000,000	3,000,000	01/06/2016	01/06/2022	2.26%	3,101,123	81,708
SERIE_AL2	3,000,000	3,000,000	01/06/2016	01/06/2023	2.26%	3,070,762	80,908
SERIE_AL3	3,000,000	3,000,000	01/06/2016	01/06/2024	2.26%	3,028,975	79,807
SERIE_AL4	3,000,000	3,000,000	01/06/2016	01/06/2028	2.26%	3,051,821	80,409
SERIE_AL5	3,000,000	3,000,000	01/06/2016	01/06/2031	2.26%	3,011,239	79,340
Fair Value Adjustment							15,121
Subtotal	**115,000,000**	**77,425,000**				**73,294,322**	**1,946,277**

NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITES, Continued

ORDINARY BONDS NOMINATED IN FOREIGN CURRENCY - US DÓLAR

Series	Amount issued USD	Amount placed USD	Date of issue	Maturity date	Average rate	Balance owed due USD	Balance MCh$
USP32133CE16	600,000,000	600,000,000	13-09-2012	13-09-2017	3.54%	604,127,154	405,176
USP32133CG63	500,000,000	500,000,000	11-02-2013	11-02-2023	4.35%	503,157,330	337,458
Fair Value Adjustment						(29,097)	(20)
Subtotal	**1,100,000,000**	**1,100,000,000 (*)**				**1,107,255,387**	**742,614**

(*) These amounts are amortized in accordance with the effective interest method and therefore the initial transaction costs have been amortized over the expected life of the financial instrument.

ORDINARY BONDS NOMINATED IN FOREIGN CURRENCY - EURO

Series	Amount issued EU	Amount placed EU	Date of issue	Maturity date	Average rate	Balance owed due EU	Balance MCh$
XS1493734971	20,000,000	20,000,000	23/09/2016	23/09/2024	0.888%	19,732,095	13,967
Fair Value adjustment						-	-
Subtotal	**20,000,000**	**20,000,000**				**19,732,095**	**13,967**

ORDINARY BONDS NOMINATED IN FOREING CURRENCY - SWISS FRANCS (CHF)

Series	Amount issued CHF	Amount placed CHF	Date of issue	Maturity date	Average rate	Balance owed due CHF	Balance MCh$
CH0246788183	150,000,000	150,000,000	26/06/2014	26/06/2019	1.125%	150,114,684	99,130
CH0260296618	150,000,000	150,000,000	25/11/2014	23/11/2018	0.875%	149,482,943	98,713
CH0278875965	150,000,000	150,000,000	17/06/2015	17/06/2020	0.250%	149,643,477	98,819
XS1520623627	90,000,000	90,000,000	17/11/2016	17/11/2021	0.000%	88,909,434	58,713
Fair Value adjustment						(1,206,898)	(794)
Subtotal	**540,000,000**	**540,000,000**				**536,943,640**	**354,581**

ORDINARY BONDS NOMINATED IN FOREING CURRENCY – YEN

Series	Amount issued YEN	Amount placed YEN	Date of issue	Maturity date	Average rate	Balance owed due YEN	Balance MCh$
XS1144348411	4,900,000,000	4,900,000,000	04/12/2014	04/12/2017	0.700%	4,888,163,230	28,080
XS1144348841	10,100,000,000	10,100,000,000	04/12/2014	04/12/2019	0.810%	10,044,621,936	57,702
XS1144350821	1,500,000,000	1,500,000,000	04/12/2014	04/12/2017	0.669%	1,496,180,471	8,595
Subtotal	**16,500,000,000**	**16,500,000,000**				**16,428,965,637**	**94,377**
Total ordinary bonds							**3,475,056**

NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITES, Continued

SUBORDINATED BONDS NOMINATED IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)

Series	Amount issued UF	Amount placed UF	Date of issue	Maturity date	Average rate	Balance owed due UF	Balance MCh$
SERIE_E	1,500,000	1,500,000	01/11/1997	01/11/2018	7.37%	280,098	7,380
SERIE_F	1,200,000	1,200,000	01/05/1999	01/05/2024	7.73%	597,883	15,753
SERIE_G	400,000	400,000	01/05/1999	01/05/2025	7.92%	216,836	5,713
SERIE_L	1,200,000	1,200,000	01/10/2001	01/10/2026	6.39%	749,221	19,740
SERIE_M	1,800,000	1,800,000	01/10/2001	01/10/2027	6.43%	1,172,592	30,895
SERIE_N	1,500,000	1,500,000	01/06/2004	01/06/2029	5.25%	1,051,819	27,713
SERIE_O	1,500,000	1,500,000	01/06/2004	01/06/2030	3.93%	1,038,618	27,365
SERIE_R	1,500,000	1,500,000	01/06/2005	01/06/2038	4.72%	692,376	18,243
SERIE_S	2,000,000	2,000,000	01/12/2005	01/12/2030	4.86%	1,419,153	37,392
SERIE_T	2,000,000	2,000,000	01/12/2005	01/12/2031	4.52%	1,484,975	39,126
SERIE_U	2,000,000	2,000,000	01/06/2007	01/06/2032	4.19%	1,886,943	49,717
SERIE_Y	4,000,000	4,000,000	01/12/2007	01/12/2030	4.25%	2,240,400	59,030
SERIE_W	4,000,000	4,000,000	01/06/2008	01/06/2036	4.05%	1,849,600	48,733
SERIE_AC	6,000,000	6,000,000	01/03/2010	01/03/2040	3.96%	5,544,223	146,079
SERIE_AD 1	4,000,000	4,000,000	01/06/2010	01/06/2040	4.17%	3,569,619	94,052
SERIE_AD 2	3,000,000	3,000,000	01/06/2010	01/06/2042	4.14%	2,664,089	70,193
SERIE_AH	15,000,000	9,000,000	01/09/2013	01/09/2043	3.63%	7,638,227	201,254
Total subordinated bonds	**52,600,000**	**46,600,000**				**34,096,672**	**898,378**
TOTAL BONDS							**4,373,434**

d) Details of placements of ordinary and subordinated bonds as of December 31, 2015 are as follows:

ORDINARY BONDS NOMINATED IN CHILEAN PESOS

Series	Amount issued Ch$	Amount placed Ch$	Date of issue	Maturity date	Average rate	Balance owed due Ch$	Balance MCh$
SERIE_AG	228,500,000,000	228,500,000,000	01/05/2013	01/05/2018	4.96%	156,490,116,960	156,490
SERIE_AK	500,000,000,000	51,636,058,698	01/11/2015	01/11/2019	5.31%	49,053,242,483	49,053
Fair Value Adjustment							(1,141)
Subtotal	**728,500,000,000**	**282,879,058,198**				**205,543,359,443**	**204,402**

ORDINARY BONDS NOMINATED IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)

Series	Amount issued UF	Amount placed UF	Date of issue	Maturity date	Average rate	Balance owed due UF	Balance MCh$
SERIE_AB	10,000,000	10,000,000	01/07/2008	01/07/2018	3.67%	9,135,169	234,126
SERIE_AE2	10,000,000	10,000,000	01/08/2011	01/08/2021	3.73%	9,555,884	244,909
SERIE_AF1	10,000,000	5,740,000	01/08/2012	01/08/2017	3.51%	5,724,256	93,445
SERIE_AF2	10,000,000	10,000,000	01/08/2012	01/08/2022	3.43%	9,634,173	246,915
SERIE_AI1	15,000,000	-	01/03/2014	01/03/2019	-	-	-
SERIE_AI2	5,000,000	-	01/03/2014	01/03/2024	-	-	-
SERIE_AJ1	20,000,000	13,310,000	01/10/2014	01/10/2019	2.04%	13,357,562	342,342
SERIE_AJ2	20,000,000	7,890,000	01/10/2014	01/10/2024	2.89%	7,505,631	192,362
Fair Value Adjustment							2,247
Subtotal	**100,000,000**	**56,940,000**				**54,912,675**	**1,356,346**

NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITES, Continued

ORDINARY BONDS NOMINATED IN FOREIGN CURRENCY - US DÓLAR

Series	Amount issued USD	Amount placed USD	Date of issue	Maturity date	Average rate	Balance owed due USD	Balance MCh$
USP32133CE16	600,000,000	600,000,000	13/09/2012	13/09/2017	3.54%	602,258,758	426,249
USP32133CG63	500,000,000	500,000,000	11/02/2013	11/02/2023	4.35%	502,574,249	355,697
Fair Value Adjustment						11,336	8
Total	**1,100,000,000**	**1,100,000,000**				**1,104,844,343**	**781,954**

(*) These amounts are amortized in accordance with the effective interest method and therefore the initial transaction costs have been amortized over the expected life of the financial instrument.

ORDINARY BONDS NOMINATED IN FOREING CURRENCY - SWISS FRANCS (CHF)

Series	Amount issued CHF	Amount placed CHF	Date of issue	Maturity date	Average rate	Balance owed due CHF	Balance MCh$
CH0222435429	200,000,000	200,000,000	26/09/2013	26/09/2016	1.250%	200,252,464	143,236
CH0246788183	150,000,000	150,000,000	26/06/2014	26/06/2019	1.125%	149,846,223	107,181
CH0260296618	150,000,000	150,000,000	25/11/2014	23/11/2018	0.875%	149,178,107	106,703
CH0278875965	150,000,000	150,000,000	17/06/2015	17/06/2020	0.250%	149,533,143	106,957
Fair Value Adjustment						242,254	173
Subtotal	**650,000,000**	**650,000,000**				**649,052,191**	**464,250**

ORDINARY BONDS NOMINATED IN FOREING CURRENCY – YEN

Series	Amount issued YEN	Amount placed YEN	Date of issue	Maturity date	Average rate	Balance owed due YEN	Balance MCh$
XS1144348411	4,900,000,000	4,900,000,000	04/12/2014	04/12/2017	0.700%	4,872,282,597	28,600
XS1144348841	10,100,000,000	10,100,000,000	04/12/2014	04/12/2019	0.810%	10,023,267,129	58,836
XS1144350821	1,500,000,000	1,500,000,000	04/12/2014	04/12/2017	0.669%	1,491,497,065	8,755
Subtotal	**16,500,000,000**	**16,500,000,000**				**16,387,046,791**	**96,191**
Total ordinary bonds							**2,903,143**

NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITES, Continued

SUBORDINATED BONDS NOMINATED IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)

Series	Amount issued UF	Amount placed UF	Date of issue	Maturity date	Average rate	Balance owed due UF	Balance MCh$
SERIE_C y D	2,000,000	2,000,000	01/12/1995	01/12/2016	6.92%	189,461	4,856
SERIE_E	1,500,000	1,500,000	01/11/1997	01/11/2018	7.37%	405,821	10,401
SERIE_F	1,200,000	1,200,000	01/05/1999	01/05/2024	7.73%	655,159	16,791
SERIE_G	400,000	400,000	01/05/1999	01/05/2025	7.92%	234,237	6,003
SERIE_L	1,200,000	1,200,000	01/10/2001	01/10/2026	6.39%	801,552	20,543
SERIE_M	1,800,000	1,800,000	01/10/2001	01/10/2027	6.43%	1,244,335	31,891
SERIE_N	1,500,000	1,500,000	01/06/2004	01/06/2029	5.25%	1,110,225	28,454
SERIE_O	1,500,000	1,500,000	01/06/2004	01/06/2030	3.93%	1,096,047	28,091
SERIE_R	1,500,000	1,500,000	01/06/2005	01/06/2038	4.72%	661,043	16,942
SERIE_S	2,000,000	2,000,000	01/12/2005	01/12/2030	4.86%	1,488,777	38,156
SERIE_T	2,000,000	2,000,000	01/12/2005	01/12/2031	4.52%	1,553,105	39,805
SERIE_U	2,000,000	2,000,000	01/06/2007	01/06/2032	4.19%	1,878,415	48,142
SERIE_Y	4,000,000	4,000,000	01/12/2007	01/12/2030	4.25%	2,148,800	55,072
SERIE_W	4,000,000	4,000,000	01/06/2008	01/06/2036	4.05%	1,777,200	45,548
SERIE_AC	6,000,000	6,000,000	01/03/2010	01/03/2040	3.96%	5,523,177	141,554
SERIE_AD 1	4,000,000	4,000,000	01/06/2010	01/06/2040	4.17%	3,552,100	91,037
SERIE_AD 2	3,000,000	3,000,000	01/06/2010	01/06/2042	4.14%	2,652,172	67,973
SERIE_AH	15,000,000	9,000,000	01/09/2013	01/09/2043	3.63%	7,596,725	194,696
Total subordinated bonds	**54,600,000**	**48,600,000**				**34,568,351**	**885,955**
TOTAL BONDS							**3,789,098**

NOTE 21 -PROVISIONS

a) The provisions established as of December 31, 2016 and 2015 are as follows:

	As of December 31	
	2016	**2015**
	MCh$	**MCh$**
Provisions for staff benefits and remuneration	48,906	39,151
Provisions for minimum dividends	102,049	99,247
Provisions for credit commitments	20,179	18,525
Provisions for contingencies (*)	90,435	95,540
Provisions for country risk	1,926	2,669
Total	**263,495**	**255,132**

(*) Provisions for contingencies as of December 31, 2016 include additional provisions for MCh$ 64,068 (MCh$ 76,754 as of December 31, 2015), recognized according SBIF instructions and approved by the Board of Directors of the Bank (see Note 1.aa.i and Note 11). Additionally provisions for contingencies include a provision to comply with the minimum of 0.50% required by the SBIF for the normal portfolio of individuals for the amount of MCh$ 4,588 as of December 31, 2016 (MCh$ 0 as of December 31, 2015) (see Note 1.aa. ii and Note 11).

NOTE 21 –PROVISIONS, Continued

b) Provisions for staff benefits and remunerations

	As of December 31	
	2016	2015
	MCh$	MCh$
Provisions for staff benefits	38,700	29,045
Provisions for vacations	10,206	10,106
Total	**48,906**	**39,151**

The provisions for other staff benefits include bonuses related to the achievement of goals which will be paid in the following year.

c) Provisions credit commitments

The detail of provisions for credit commitments as of December 31, 2016 and 2015 is as follows:

	As of December 31	
	2016	2015
Provisions for credit commitments	MCh$	MCh$
Endorsements and performance bonds	717	989
Confirmed foreign letters of credit	2	-
Issued documentary letters of credit	293	191
Guarantees	9,805	6,223
Available credit lines	8,149	8,896
Other credit commitments	1,213	2,226
Total	**20,179**	**18,525**

d) Movements of provisions for the years 2016 and 2015 are as follows:

	PROVISIONS FOR					
	Staff benefits and remuneration	Minimum dividends	Credit Commitments	Contingencies	Country risk	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2016	**39,151**	**99,247**	**18,525**	**95,540**	**2,669**	**255,132**
Provisions	24,331	102,049	5,811	66,877	157	99,978
Use of provisions	(14,192)	(99,247)	(3,870)	(71,870)	(771)	(90,703)
Reversal of provisions	(384)	-	(287)	(112)	(129)	(912)
Balance as of December 31, 2016	**48,906**	**102,049**	**20,179**	**90,435**	**1,926**	**263,495**
Balance as of January 1, 2015	**33,851**	**102,891**	**17,017**	**82,881**	**2,555**	**239,195**
Provisions	22,504	99,247	2,903	22,618	-	48,025
Use of provisions	(17,454)	(102,891)	(2,344)	(9,959)	(273)	(33,674)
Reversal of provisions	250	-	949	-	387	1,586
Balance as of December 31, 2015	**39,151**	**99,247**	**18,525**	**95,540**	**2,669**	**255,132**

NOTE 22 - OTHER LIABILITIES

As of December 31, 2016 and 2015, the detail of other liabilities is as follows:

	As of December 31	
	2016	**2015**
	MCh$	**MCh$**
Account payables and notes payable	196,447	164,933
Unearned income	22,785	24,044
Sundry creditors	278,198	229,208
Other liabilities	9,819	18,959
Total	**507,249**	**437,144**

NOTE 23 - CONTINGENCIES AND COMMITMENTS

a) Commitments and liabilities recognized on off-balance sheet memorandum accounts

The Bank and its subsidiaries have recognized the following balances related to contingencies and commitments, on off-balance sheet memorandum accounts:

	As of December 31	
	2016	**2015**
CONTINGENT RECEIVABLES	**MCh$**	**MCh$**
Collateral and guarantees:		
Collateral and guarantees in foreign currency	81,627	168,577
Confirmed foreign letters of credit	3,694	458
Issued documentary letters of credit	215,431	142,941
Performance bonds and credit lines:		
Performance bonds in Chilean currency	975,211	779,549
Performance bonds in foreign currency	332,504	218,493
Immediately available Credit Lines	4,573,760	3,841,174
Other credit commitments:		
Higher education loans in accordance with Law No. 20,027	30,288	47,398
Others	184,060	197,474
THIRD PARTY OPERATIONS		
Collections:		
Foreign collections	517,756	236,488
Domestic collections	170,531	157,304
CUSTODY OF SECURITIES		
Securities in custody with the bank	150,427	118,065
Total	**7,235,289**	**5,907,921**

NOTE 23 - CONTINGENCIES AND COMMITMENTS, Continued

b) Lawsuits and legal proceedings.

BCI Bank

The Bank and its subsidiaries are involved in various pending legal lawsuits related to their businesses and which, in the opinion of the Management and their internal legal advisers, will not result in additional liabilities to those already recognized by the Bank and its subsidiaries in its financial statements. Hence, Management did not consider that allocation of additional provisions to those already recognized for these contingencies is necessary.

BCI Corredor de Bolsa S.A.

As of December 31, 2016 BCI Corredora de Bolsa S.A. direct subsidiary of the Bank, has a bankruptcy revocation demand dated August 8, 2011 in summary proceedings before the Twenty-Third Civil Court of Santiago, No. ROL-C 10251-2008, between Inversiones Acson Ltda., BCI Corredor de Bolsa S.A. and others. Action seeks to declare the unenforceability of certain operations of liquidation performed by Alfa Corredores de Bolsa S.A. before being declared bankrupt for the amount of MCh$ 8,330. On May 26, 2015, the Twenty-Third Civil Court of Santiago delivered a judgment rejecting the action imposed by Acson Investments Limited. That ruling was appealed on June 9, 2015 by Acson Investments Limited, and, subsequently to review of the case, was decisively rejected by the court on December 2, 2015, in respect of which Inversiones Acson Ltda. filed on December 18 of the same year an appeal, which favourably passed the first instance procedure in the Court of Appeals of Santiago. Notwithstanding the above, on June 21, 2016, the Supreme Court, at the request of the intervening parties, ordered the suspension of the proceeding for up to 17 working days from June 17, 2016. On July 19, 2016, the allegations took place in the First Chamber of the Supreme Court regarding the appeal filed by Inversiones Acson Limitada, whose judgment was in agreement, but pending. On October 26, 2016, the Supreme Court rejected the appeal filed against the ruling of the 9th Chamber of the Court of Appeals that had confirmed the sentence of first degree that rejected the action deduced by Acson Investments Limited.

The probability of losing the lawsuit is low. No provisions have been made.

c) Operating guarantees granted:

- Direct commitments

The Bank as for December 31, 2016 has no such types of guarantees.

- Operating guarantees

BCI Corredor de Bolsa S.A.

As of December 31, 2016 BCI Corredor de Bolsa S.A., the subsidiary of the Bank has acquired guarantee to ensure compliance with the commitments for simultaneous operations on the Santiago Stock Exchange for MCh$ 115,935 (MCh$ 120,252 as of December 31, 2015).

NOTE 23 - CONTINGENCIES AND COMMITMENTS, Continued

As of December 31, 2016 BCI Corredor de Bolsa S.A., the subsidiary of the Bank, acquired guarantee to ensure compliance with the proper performance of operations in the CCLV settlement system of the Santiago Stock Exchange for MCh$ 3,491 (MCh$ 3,594 as of December 31, 2015).

As of December 31, 2016 BCI Corredor de Bolsa S.A., the subsidiary of the Bank, acquired guarantee to ensure compliance with the proper performance of operations in the CCLV settlement system in financial derivatives of the Santiago Stock Exchange for MCh$ 400.

As of December 31, 2016 BCI Corredor de Bolsa S.A., the subsidiary of the Bank, acquired guarantee to ensure compliance with the proper performance of operations in the CCLV settlement system in financial derivatives of the Santiago Stock Exchange for MCh$ 246 (MCh$ 246 as of December 31, 2015).

As of December 31, 2016 BCI Corredor de Bolsa S.A., the subsidiary of the Bank, acquired foreign guarantee to ensure compliance with the international market operations for MCh$ 67 (MCh$ 71 as of December 31, 2015).

As of December 31, 2016 BCI Corredor de Bolsa S.A., the subsidiary of the Bank, acquired guarantee to ensure compliance with the lending commitments and short selling shares on the Electronic Stock Exchange of Chile for MCh$ 1,125 (MCh$ 6,163 as of December 31, 2015).

As of December 31, 2016 BCI Corredor de Bolsa S.A., the direct subsidiary of the Bank, acquired performance bonds to ensure contract with SOMA for MCh$ 277 (MCh$ 266 as of December 31, 2015).

As of December 31, 2016 BCI Corredor de Bolsa S.A., the subsidiary of the Bank, acquired an upward UF 20,000 warranty to ensure compliance with the provisions of Article No. 30 of Law No. 18,045, in order to ensure proper and full compliance with all its obligations as securities intermediary. The beneficiaries of this guarantee are current or future creditors, which it has or will have as a result of stockbroker operations. This warranty applies to a policy taken on August 19, 2016 No. 330-14-00004975 and is valid until August 19, 2017. The insurer is the Company Mapfre Insurance, and Santiago Stock Exchange is the representative of potential beneficiaries.

- Insurance for employee loyalty

BCI Corredor de Bolsa S.A.

As of December 31, 2016, BCI Corredor de Bolsa S.A., the subsidiary of the Bank; contracted insurance from BCI Seguros General S.A., which covers Banco de Crédito e Inversiones and its subsidiaries under Integral Banking Policy No. 3106568-2, valid from November 30, 2016 to November 30, 2017, with a coverage of UF 100,000.

NOTE 23 - CONTINGENCIES AND COMMITMENTS, Continued

BCI Corredores de Seguros S.A.

As of December 31, 2016 BCI Corredora de Seguros S.A., the subsidiary of the Bank, has taken the following insurance policies in order to comply with the provisions of paragraph d of Article No. 58 of Decree-Law No. 251 of 1931, to ensure the correct and complete fulfilment of all obligations under its activity:

- Guarantee Policy for Insurance Brokers No. 10031788 for an insured amount of UF 500 contracted with Compañía de Seguros Generales Consorcio Nacional de Seguros S.A. valid from April 15, 2016 to April 14, 2017, establishing as right of insurance company to request reimbursement from broker, of all sums paid or to pay to third parties affected by poor trading brokerage.

- Professional Liability Policy for Insurance Brokers No. 10031788 for an insured amount of UF 60,000 with Deductible UF 500 contracted with Compañía de Seguros Generales Consorcio Nacional de Seguros S.A., valid from April 15, 2016 to April 14, 2017, in order to protect the broker against any claims of third parties establishing the right of insurance company to request reimbursement of brokerage paid to the third party claims.

BCI Factoring S.A.

As of December 31, 2016 BCI Factoring S.A., the subsidiary of the Bank, has approved guarantee lines for operators with Factor Chain International for MCh$ 3,090 (MCh$ 10,115 as of December 31, 2015), equivalent to US$ 4,630,000.00 (US$ 14,300,000.00 as of December 31, 2015) of which MCh$ 1,257 (MCh$ 2,545 as of December 31, 2015) have been used, equivalent to US$ 1,883,476.00 (US$ 3,598,377.5 as of December 31, 2015).

BCI Corredora de Productos S.A.

As of December 31, 2016 BCI Corredora de Productos S.A. has delivered performance bond No. 25831 together with Banco de Crédito e Inversiones amounting for UF 2,000 to Bolsa de Productos Agropecuarios S.A. to guarantee proper performance of all obligations as broker dealer in the agricultural products stock exchange. The payment of this guarantee is ensured by a “credit line opening contract” intended to cover possible guarantee payments issued in Chilean currency or in foreign currency, which is held by the financial institution.

As of December 31, 2016 BCI Corredora de Productos S.A. has delivered performance bond No. 252832 together with Banco de Crédito e Inversiones amounting for UF 6,000 to Bolsa de Productos Agropecuarios S.A. to guarantee proper performance of all obligations as broker dealer in the agricultural products stock exchange. The payment of this guarantee is ensured by a “credit line opening contract” intended to cover possible guarantee payments issued in Chilean currency or in foreign currency, which is held by the financial institution.

d) Credit commitments

In order to satisfy the needs of its customers, the Bank assumed several irrevocable commitments and contingent liabilities. Although these obligations are not recognized in the Consolidate Financial Statements, they are subject to credit risks and, therefore, are part of the Bank’s overall risk.

NOTE 23 - CONTINGENCIES AND COMMITMENTS, Continued

The table below presents the contractual amounts of the transactions that require the Bank to grant loans and the amount of the provisions made for the credit commitment risk assumed:

	As of December 31,	
	2016	**2015**
	MCh$	**MCh$**
Endorsements and deposits performance bonds	81,627	168,577
Documentary letters of credit	215,431	142,941
Guarantees	1,307,715	998,042
Amount available for credit cards users	4,573,760	3,841,174
Provisions (Note 21)	(20,179)	(18,525)
Total	**6,158,354**	**5,132,209**

e) Documents in custody and for collection on the part of the Bank

The Bank and its subsidiaries have the following operations derived in the normal course of business:

	As of December 31,	
	2016	**2015**
	MCh$	**MCh$**
Documents in collection	688,287	393,792
Custody of assets	150,427	118,065
Total	**838,714**	**511,857**

f) Lawsuits and legal proceedings and guarantees of main support companies

The business support companies: Sociedad Interbancaria de Depósito de Valores S.A., Centro de Compensación Automatizado S.A., Combanc S.A., Servicio de Infraestructura de Mercado OTC S.A., and Artikos Chile S.A., as of December 31, 2016 and 2015 do not have assets pledged for commitments or contingencies.

Transbank S.A.

a) Lawsuits

There is no current lawsuits that may significantly affect the financial statements of the Transbank S.A.

b) Bank guarantees

(i) Bank guarantees provided

Transfank S.A. has provided guarantees by the customers' requests in order to allow their business operation for MCh$ 229 as of December 31, 2016 (MCh$ 164 as of December 31, 2015).

NOTE 23 - CONTINGENCIES AND COMMITMENTS, Continued

(ii) Bank guarantees received

Transbank S.A. has received guarantees for MCh$ 69,875 as of December 31, 2016 (MCh$ 56,883 as of December 31, 2015). These guarantees have been provided by issuers, commercial establishments and suppliers of guarantee contractual obligations.

Redbanc S.A.

a) Lawsuits

As of December 31, 2016 there is no current lawsuits that may significantly affect the financial statements of the Redbanc S.A.

b) Bank guarantees

As of December 31, 2016, the following guarantees have been received by Redbank S.A.:

Supplier	Currency	Amount	Maturity Date	Concept
Banco Consorcio	MCh$	1,700	30/04/2017	To guarantee requirements of third paragraph, clause VII of inter license agreement.
Banco Ripley	MCh$	34	27/04/2017	To guarantee requirements of third paragraph, clause VII of inter license agreement.
CAR S.A.	MCh$	300	27/04/2017	To guarantee requirements of third paragraph, clause VII of inter license agreement.
Claro Chile S.A.	UF	1,058	31/08/2017	To guarantee proper performance of telephone service contract.
Gtd Teleductos S.A.	UF	5,000	31/08/2017	To guarantee proper performance of telephone service contract.
Telefónica Empresas Chile S.A.	UF	5,000	31/08/2017	To guarantee proper performance of telephone service contract.
NCR Chile Ind. y Comercial Ltda.	US$	124,812	31/01/2017	To guarantee correct performance of services and fulfilment of the defined levels for the regular operation of the ATM Contract.

Nexus S.A.

As of December 31, 2016, Nexus S.A. did not register any labour lawsuits; there is one lawsuit related to civil matters that had no significant financial impact.

As of December 31, 2016 Nexus S.A. maintains current liability insurance contract for directors and managers approved by the SVS under POL 1 01 021, covering US$ 10,000,000. In addition, Professional Liability insurance (employee's loyalty) for Financial Institutions remains in force, covering US$ 10 million.

NOTE 23 - CONTINGENCIES AND COMMITMENTS, Continued

As of December 31, 2016 the Nexus S.A. has the following guarantees:

Operational assurance

	2016
	MCh$
Bank guarantees received:	
Received in favour of Nexus	174
Bank guarantees provided:	
Promissory note of Nexus taken to ensure contractual services	-
In cash by Nexus to ensure contractual services	-

Servipag Ltda.

a) Bank guarantees provided

Servipag Ltda. provided guarantee for the lease of branches amounting to MCh$ 246 as of December 31, 2015 (MCh$ 217 as of December 31, 2015).

Bank guarantees received

Servipag Ltda. has not received any guarantee.

b) Lawsuits

According to what was defined by legal advisers of the Servipag Ltda., there are no material lawsuits to be disclosed in the financial statements at the date on which these were approved.

c) Other commitments and contingencies

There are no other commitments or contingencies that should be presented in the financial statements.

d) Due to Banks commitments

The Company has commitments to its partner banks for custody managed securities.

Administrador Financiero del Transantiago S.A. (AFT)

With respect of AFT following is a detail of relevant information:

NOTE 23 - CONTINGENCIES AND COMMITMENTS, Continued

Contingent liabilities

With respect to AFT's contingent assets and liabilities as of the date of the financial statements, the amounts detailed below correspond to the amounts under litigation and there is no reliable estimation of the disbursements that should be made under these concepts.

a) Guarantees

As of December 31, 2016 there are eight performance bonds taken by AFT, for a total of UF 96,000, in order to ensure the proper performance of the contract subscribed with the Chilean Ministry of Transport and Telecommunications, and two performance bonds taken by AFT, for a total of UF 4,000 in order to guarantee the fulfilment of labour and social security obligations of AFT.

b) Lawsuits

Pending lawsuits that could have a significant impact on the financial position of AFT are as follows:

(b.1) Manuel José Vial Vial:

- Subject matter: Counterclaim initiated by AFT against Buses Gran Santiago S.A. for contract performance.
- Amount: MCh$ 294.
- Current status: the period of providing evidence has been terminated and further procedures suspended by both parties.

Assessment: It is not possible to reliably estimate the outcome of this contingency or its amount.

(b.2) IVU Traffic Technologies AG and IVU Chile Limitada with AFT and Chilean Treasury Department:

- 19° Civil Court C-26424-2014.
- Subject matter: Ordinary lawsuit for contractual and pre-contractual civil responsibility.
- Amount: € 8,539,309, equivalent to MCh$ 6,363 as of the date of the lawsuit (November 26, 2014), plus lawsuit costs.
- Current status: On December 13, 2016, the Court summons the parties for hearing.

Assessment: It is not possible to reliably estimate the outcome of this contingency or its amount.

NOTE 23 - CONTINGENCIES AND COMMITMENTS, Continued

c) Other administrative actions – tax

On August 25, 2011 the Internal Revenue Service ("SII" for its acronym in Spanish) notified a tax remission for the 2008 fiscal year, arguing an erroneous qualification of certain performance bonds and penalties collected by the Ministry of Transport and Telecommunications during 2007, which the SII considers as non-deductible expenses. AFT has filed, within the legally established time limit, administrative and judicial remedies against this remission, since it considers that there is a history of facts and law precedents that support its initial classification of expenses. The Regional Director of the SII Santiago Centre issued a resolution of the first instance, rejecting the claim filed by AFT, requesting the payment. This resolution was appealed by AFT within the established time limit. The Court of Appeals of Santiago resolved that the case should be returned to the Court of First Instance in order for the Court to supplement the judgement and, to date, the SII has not responded.

NOTE 24 - EQUITY

a) Issued capital and preference shares

Movements of common shares during the years 2016 and 2015 are the following:

	For the year ended December 31	
	2016	**2015**
	N°	**N°**
Issued as of January 1	110,806,999	108,701,164
Issued bonus shares	2,019,920	2,105,835
Shares subscribed and paid for capital increase	10,737,300	-
Total issued	**123,564,219**	**110,806,999**

The Ordinary Shareholders' Meeting held as of March 22, 2016 approved the distribution of net income for the year 2015, for the amount of MCh$ 330,819, as follows:

- Distribute a dividend of Ch$ 1,000 per share among the total 110,806,999 shares issued and registered in the Register of Shareholders, which amounts to the sum of MCh$ 110,803.

- Allocate the remaining balance of MCh$ 220,016 to future capitalization reserve fund, as follows:

  - MCh$ 165,411 transferred from retained earnings; and
  - MCh$ 54,605 raised through the issuance of 2,019,920 bonus shares.

This capital increase was approved by the SBIF by means of Resolution No. 163 on May 13, 2016, which extract was ratified on June 16, 2016. Both documents were published in the Official Gazette on May 20 and July 4, 2016, respectively.

NOTE 24 - EQUITY, Continued

Extraordinary Shareholders' Meeting held on October 27, 2015 approved the annulment of capital increase of MCh$ 198,876, which was previously approved by the Extraordinary Shareholders' Meeting held on September 26, 2013, and which has never been subscribed nor paid. Additionally, it was agreed to increase the share capital through the issuance of 10,737,300 shares for cash, which shall be subscribed and paid within three years from the date of the aforesaid meeting. Such increase was subscribed and paid during 2016 as follows:

- 308,023 shares were subscribed and paid on March 31, 2016 for a total amount of MCh$ 7,494.

- On April 19, 2016 ended the period for preferential option, during which entitled shareholders subscribed and paid a total of 10,148,941 shares for MCh$ 260,205.

- On April 26, 2016 the remaining balance of 280,336 shares was subscribed and paid for a total of MCh$ 7,709.

This completes the total increase agreed at the Extraordinary Shareholders Meeting held on October 27, 2015, raising a total of MCh$ 275,408. As a result, the Bank's approved and issued capital comprises 123,564,219 single-series shares with no par value equivalent to MCh$ 2,276,820 as of December 31, 2016.

NOTE 24 - EQUITY, Continued

b) As of December 31, 2016 and 2015, the distribution of shareholders is as follows:

As of December 31, 2016	**Shares**	
	No. of Shares	**Ownership, %**
Empresas Juan Yarur S.P.A.	68,128,157	55.14%
Banco de Chile on behalf of non-resident third parties	4,801,320	3.89%
Jorge Yarur Bascuñán	4,760,582	3.85%
Banco Itaú on behalf of investors	3,391,456	2.74%
AFP Habitat S.A.	2,939,570	2.38%
AFP Provida S.A.	2,684,859	2.17%
Credicorp LTD	2,286,328	1.85%
BCI Corredor de Bolsa S.A. on behalf of third parties	2,201,738	1.78%
AFP Capital S.A.	2,143,120	1.73%
AFP Cuprum S.A.	1,932,089	1.56%
Imsa Financiera S.P.A.	1,909,945	1.55%
Banco Santander on behalf of foreign investors	1,876,209	1.52%
Inversiones Cerro Sombrero Financiero S.P.A.	1,762,390	1.43%
Inversiones Tarascona Corporation Agencia en Chile	1,659,674	1.34%
Luis Enrique Yarur Rey	1,315,604	1.06%
Banchile Corredores de Bolsa S.A.	1,155,815	0.94%
Inversiones Nueva Altamira Limitada	1,121,002	0.91%
Victoria Ines Yarur Rey	858,657	0.69%
Maria Eugenia Yarur Rey	858,646	0.69%
Empresas JY S.A.	731,667	0.59%
Larraín Vial S.A. Corredora de Bolsa	719,044	0.58%
Inversiones VYR Ltda.	657,595	0.53%
Valores Security S.A. Corredora de Bolsa	646,651	0.52%
Inmobiliaria e Inversiones Chosica S.A.	539,709	0.44%
Jorge Alberto Yarur Rey	511,367	0.41%
Other shareholders	11,971,025	9.71%
Subscribed and paid shares	**123,564,219**	**100,00%**

NOTE 24 - EQUITY, Continued

As of December 31, 2015	**Shares**	
	No. of Shares	**Ownership, %**
Empresas Juan Yarur S.P.A.	61,030,794	55.08%
Jorge Yarur Bascuñán	4,682,760	4.23%
Credicorp LTD	4,497,906	4.06%
Sociedad Financiera del Rimac S.A.	3,849,983	3.47%
Banco de Chile on behalf of non-resident third parties	3,473,278	3.13%
Banco Itaú on behalf of investors	3,112,436	2.81%
BCI Corredor de Bolsa S.A. on behalf of third parties	2,067,074	1.87%
AFP Habitat S.A.	1,977,723	1.78%
AFP Provida S.A.	1,738,324	1.57%
Banco Santander on behalf of foreign investors	1,669,093	1.51%
Inversiones Tarascona Corporation Agencia en Chile	1,632,543	1.47%
AFP Capital S.A.	1,474,579	1.33%
AFP Cuprum S.A.	1,410,741	1.27%
Imsa Financiera SPA	1,348,093	1.22%
Inmobiliaria e Inversiones Cerro Sombrero S.A.	1,215,770	1.10%
Yarur Rey Luis Enrique	1,082,348	0.98%
Banchile Corredores de Bolsa S.A.	970,601	0.88%
Larraín Vial S.A. Corredores de Bolsa	831,330	0.75%
Empresas JY S.A.	719,706	0.65%
Inversiones VYR Ltda.	589,702	0.53%
Inmobiliaria e Inversiones Chosica S.A.	483,987	0.44%
Penta Corredores de Bolsa S.A.	472,782	0.43%
Corpbanca Corredores de Bolsa S.A.	400,128	0.36%
Bolsa de Comercio de Santiago Bolsa de Valores	369,893	0.33%
Inversiones Lo Recabarren Ltda.	353,127	0.32%
Other shareholders	9,352,298	8.43%
Subscribed and paid shares	**110,806,999**	**100,00%**

c) Dividends

The following dividends were declared by the Bank during the year ended December 31, 2016 and 2015:

	For the year ended December 31	
	2016	**2015**
	Ch$	**Ch$**
Ch$ per common share	1,000	1,000

The provision for mandatory dividend as of December 31, 2016 was MCh$ 102,049 (MCh$ 99,247 as of December 31, 2015).

NOTE 24 - EQUITY, Continued

d) For the year ended December 31, 2016 and 2015, the composition of basic and diluted earnings per share is as follows:

	For the year ended December 31	
	2016	**2015**
Net income for the year attributable to the equity holders of the Bank, MCh$	340,121	330,819
Income available for Shareholders, MCh$	**340,121**	**330,819**
Weighted average number of shares	119,920,219	110,328,138
Basic and diluted earnings per share (Ch$/Share)	**2,836**	**2,999**

e) Cumulative translation adjustment reserve

As of December 31, 2016 and 2015, the reconciliation of the cumulative translation adjustment reserve as a separate component of shareholders' equity is as follows:

	MCh$
Balance as of January 1, 2015	14,876
Exchange differences	6,990
Balance as of December 31, 2015	**21,866**
Balance as of January 1, 2016	21,866
Exchange differences	(3,416)
Balance as of December 31, 2016	**18,450**

Reconciliation of the investment revaluation reserve and cash flow hedge reserve is as follows:

	Investment revaluation reserve MCh$	**Cash flow hedge reserve MCh$**
Accumulated comprehensive income 2014	**9,275**	**(9,460)**
Transferred to statements of income	2,733	(41)
Market to market adjustment	(39,389)	(6,366)
Accumulated comprehensive income 2015	**(27,381)**	**(15,867)**
Transferred to statements of income	(3,989)	35
Market to market adjustment	31,540	(846)
Accumulated comprehensive income 2016	**170**	**(16.678)**

NOTE 24 - EQUITY, Continued

f) Nature of valuation reserves

- Cumulative translation adjustment reserve:

Originated by exchange rate differences arising from the conversion of a net investment in a foreign entity which has a different functional currency.

- Cash flow hedges reserve:

Originated by the valuation at fair value of the derivative contracts designated as hedging instruments in cash flow hedges. Over the contractual period of these cash flow hedges, these reserves must be adjusted based on the valuation at each reporting date.

- Investments revaluation reserve:

Originated by the valuation at fair value of financial investments available for sale. When the investment is impaired, sold or disposed of (as a whole or in part), the accumulated revaluation is transferred from this reserve to Consolidated Statements of Income and recognized as part of the loss or gain related to investments.

g) Capital requirements

The regulatory capital as of December 31, 2016 is defined as equivalent to the net amount that should be shown in the Consolidated Financial Statements as Shareholders' equity attributable to equity holders. As indicated in the Compendium of Accounting Regulations, according to General Banking Law, the Bank should maintain a minimum ratio of effective stockholders' equity to consolidated risk-weighted assets, net of required loan loss allowances and provisions and deductions, of 8%, and a minimum ratio of basic capital to consolidated total assets, net of required loan loss allowances and provisions and deductions, of 3%. Regulatory capital for these purposes is defined as basic capital (which represents paid-in capital and reserves) adjusted to: a) aggregate subordinated bonds issued by the Bank valued at their placement price for an amount up to 50% of its basic capital commencing six years prior to their maturity, b) aggregate additional required allowances and provisions as stipulated, c) deduct all goodwill and share premium, and d) deduct assets that correspond to investments in non-consolidated subsidiaries.

The assets are weighted according to a risk category to which a risk percentage is assigned according to the amount of capital necessary to support each of these assets. Five risk categories are applied (0%, 10%, 20%, 60% and 100%). For example, cash, deposits in banks, and financial instruments issued by the Central Bank of Chile have 0% risk, which means that according to the regulations in force, capital is not needed to maintain these assets. Property, plant and equipment have 100% risk, which means that a minimum capital, equivalent to 8% of these assets, should be held.

All OTC derivative securities are considered in the determination of risk assets with a conversion factor over the notional values, thus obtaining the amount of credit risk exposure (or "credit equivalent"). Off-balance contingent credits are also considered as a "credit equivalent".

NOTE 24 - EQUITY, Continued

All OTC derivative instruments form part of risk-weighted assets, as a result of application of conversion factor to notional values of all such derivatives in order to get the amount of credit risk exposure (or “credit equivalent”) that complies with Chapter 12-1 of Updated Compilation of Standards issued by SBIF. Credit Commitments recognized off balance sheet also considered as “credit equivalents” for the purpose to calculate portion forming part of risk-weighted assets.

The regulated and basic capital as of December 31, 2016 and 2015 are the following:

	As of December 31			
	Consolidated assets and off-balance sheet items		Risk-weighted assets	
	2016	2015	2016	2015
Consolidated Balance sheet assets (net of allowances and provisions)	MCh$	MCh$	MCh$	MCh$
Cash and deposits in banks	1,577,565	1,272,552	-	-
Items in course of collection	264,265	434,550	38,543	64,343
Trading portfolio financial assets	1,267,979	1,298,131	195,843	164,032
Investment under agreements to resell	116,461	206,105	116,461	206,105
Derivative financial agreements	1,360,247	1,499,423	777,467	1,065,534
Loans and receivables to banks, net	223,228	169,416	216,210	154,412
Loans and receivables to customers, net	21,954,346	19,770,529	19,879,359	17,983,213
Financial investments available for sale	2,524,500	2,407,882	1,032,309	1,208,055
Financial investments held to maturity	872	708	174	708
Investments in other companies	187,958	170,103	187,958	170,103
Intangible assets	177,516	175,551	166,733	173,354
Property, plant and equipment, net	279,496	282,556	279,496	282,556
Current income tax	116,574	93,458	11,658	9,346
Deferred income taxes	198,094	203,686	19,809	20,369
Other assets	686,130	788,116	488,003	460,849
Off-balance sheets items				
Credit commitments	2,548,549	2,802,922	1,529,129	1,681,753
Additions and deductions	(124,888)	58,800	-	(1,516)
Total assets	**33,358,892**	**31,634,488**	**24,939,152**	**23,643,216**

	As of December 31	
	2016	2015
	MCh$	MCh$
Basic capital	2,518,257	2,000,287
Regulatory capital	3,344,119	2,832,980
Consolidated assets	33,358,892	31,634,488
Risk-weighted assets	24,939,152	23,643,216

	Ratio	
Concepts:	As of December 31	
	2016	2015
	%	%
Basic capital /Consolidated assets	7.55	6.32
Basic capital / Risk-weighted assets	10.10	8.46
Regulatory capital / Risk-weighted assets	13.41	11.98

NOTE 25 - INCOME AND EXPENSES FROM INTEREST AND INDEXATION FOR INFLATION

a) For the years 2016 and 2015, the composition of income from interest and indexation for inflation is the following:

	For the year ended December 31, 2016			For the year ended December 31, 2015		
Concept	**Interest**	**Indexation for inflation**	**Total**	**Interest**	**Indexation for inflation**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Repurchase agreements	2,239	725	**2,964**	1,279	2	1,281
Interbank loans	4,709	-	**4,709**	3,399	-	3,399
Commercial loans	712,871	99,665	**812,536**	566,712	137,819	704,531
Mortgage loans	163,376	110,553	**273,929**	149,371	144,033	293,404
Consumer loans	344,290	349	**344,639**	319,296	1,202	320,498
Investment instruments	72,670	4,818	**77,488**	43,685	6,623	50,308
Other income (*)	10,252	1,327	**11,579**	11,732	2,354	14,086
Hedge accounting effect	(14,505)	-	**(14,505)**	(42,665)	-	(42,665)
Total income from interest and indexation for inflation	**1,295,902**	**217,437**	**1,513,339**	**1,052,809**	**292,033**	**1,344,842**

(*) Includes interest on overnight deposits, liquidity current account with Central Bank of Chile, and others.

For the years 2016 and 2015, the detail of the interest expenses and indexation for inflation is as follows:

	For the year ended December 31	
Concept	**2016**	**2015**
	MCh$	**MCh$**
Demand deposits	(12,853)	(7,849)
Repurchase agreements	(14,359)	(12,878)
Term deposits and borrowings	(333,734)	(274,047)
Borrowings from financial institutions	(24,770)	(18,930)
Issued debt instruments	(202,844)	(221,070)
Other financial liabilities	(5,394)	(2,196)
Accounting hedge effect	(3,764)	(3,110)
Other interest expenses indication for inflation	(10,568)	(4,256)
Total interest expenses and –indexation for inflation	**(608,286)**	**(544,336)**

NOTE 25 - INCOME AND EXPENSES FROM INTEREST AND INDEXATION FOR INFLATION, Continued

b) For the year ended December 31, 2016 and 2015 the detail of income and expenses related to hedge accounting is as follows:

	For the year ended December 31, 2016			For the year ended December 31,2015		
	Gain	**Loss**	**Total**	**Gain**	**Loss**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Hedge of Assets						
Fair Value Hedge	63,287	35,143	**28,144**	24,170	2,002	**22,168**
Cash Flow Hedge	27,382	70,031	**(42,649)**	125,491	190,324	**(64,833)**
Subtotal	**90,669**	**105,174**	**(14,505)**	**149,661**	**192,326**	**(42,665)**
Hedge of Liabilities						
Fair Value Hedge	13,821	24,389	**(10,568)**	39,520	43,776	**(4,256)**
Subtotal	**13,821**	**24,389**	**(10,568)**	**39,520**	**43,776**	**(4,256)**
Total	**104,490**	**129,563**	**(25,073)**	**189,181**	**236,102**	**(46,921)**

NOTE 26 – FEE AND COMMISSION INCOME AND EXPENSES

For the year ended December 31, 2016 and 2015, the composition of fee and commission income and expenses is the following:

	For the year ended December 31	
	2016	**2015**
	MCh$	**MCh$**
Fee and commission income:		
Commissions for credit lines and overdrafts	6,407	4,107
Commissions for guarantees and letters of credit	20,991	20,311
Commissions for credit card services	77,420	68,210
Commissions for administration of accounts	42,930	36,236
Commissions for collection services	52,698	50,521
Commissions for securities brokerage	5,607	9,197
Commissions for management of mutual and investment funds	58,778	47,544
Commissions for insurance brokerage	42,234	35,504
Commissions for other services provided	26,951	23,149
Other commissions	10,491	9,510
Total fee and commission income	**344,507**	**304,289**
Fee and commission expenses:		
Commissions on operations with credit cards	(38,180)	(35,539)
Commissions on securities trading	(12,561)	(16,526)
Other commissions	(22,137)	(17,954)
Total fee and commission expenses	**(72,878)**	**(70,019)**

NOTE 27 - TRADING AND INVESTMENT INCOME

For the years ended December 31, 2016 and 2015, the detail of trading and investment income is the following:

	For the years ended December 31	
	2016	**2015**
	MCh$	**MCh$**
Trading instruments	78,409	83,154
Derivative financial agreements	58,826	27,867
Other instruments at fair value through profit or loss (1)	2,532	66
Sale of financial investments available for sale	6,120	80
Others	(14)	111
Total	**145,873**	**111,278**

(1) As of December 31, 2016, gain on other instruments at fair failure through profit or loss includes the result of the sale of the Bank's loan provided to the company Pacificos Rubiales to JP Morgan bank in the United States, which generated a gain of MCh$ 3,197. This loan sold was recognized net of allowances for loan losses for the amount of MCh$ 30,301, established in accordance with requirements of chapter C-3 of the Compendium of Accounting Standards of the SBIF.

NOTE 28 - FOREIGN EXCHANGE RESULTS

For the years ended December 31, 2016 and 2015 the detail of the foreign exchange results is the following:

	For the years ended December 31,	
	2016	**2015**
	MCh$	**MCh$**
Exchange difference		
Gains from exchange differences	24,316,553	22,448,544
Losses from exchange differences	(24,323,467)	(22,609,894)
Subtotal	**(6,914)**	**(161,350)**
Foreign currency fluctuation effect for assets and liabilities denominated in foreign currency		
Net results for assets and liabilities in foreign currency	(7,684)	30,874
Subtotal	**(7,684)**	**30,874**
Hedge Accounting Result		
Assets hedge results	(49,293)	73,522
Liabilities hedge results	(1,718)	37,576
Subtotal	**(51,011)**	**111,098**
Total	**(65,609)**	**(19,378)**

This item includes income accrued in the period, related to holding of assets and liabilities in foreign currency or indexed to the exchange rate, the forex trading and results of derivatives used to hedge foreign currency.

NOTE 29 - PROVISIONS FOR LOAN LOSSES AND IMPAIRMENT

The detail of provisions for loan losses and impairment for the years ended December 31, 2016 and 2015 is as follows:

		Loans and receivables to customers				
For the year ended December 31, 2016	**Interbank loans**	**Commercial loans**	**Mortgage loans**	**Consumer Loans**	**Credit commitments**	**Additio provisi**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh**
Provisions:						
Individual provisions	287	40,999	-	-	5,379	
Collective provisions	-	63,900	10,719	139,017	432	
Total provisions	**287**	**104,899**	**10,719**	**139,017**	**5,811**	
Impairment:						
Individual impairment	-	-	-	-	-	
Collective impairment	-	-	-	-	-	
Total impairment	**-**	**-**	**-**	**-**	**-**	
Reversal of provisions:						
Individual provisions	(92)	(7,751)	-	-	(1,182)	
Collective provisions	-	(6,394)	(2,465)	(34)	(2,688)	(15,8
Total reversal of provisions	**(92)**	**(14,145)**	**(2,465)**	**(34)**	**(3,870)**	**(15,8**
Recovery of assets previously written off	-	(19,623)	(2,579)	(23,292)	-	
Reversal of impairment	-	-	-	-	-	
Net provisions for loan losses	**194**	**71,131**	**5,675**	**115,691**	**1,941**	**(15,8**

NOTE 29 - PROVISIONS FOR LOAN LOSSES AND IMPAIRMENT, Continued

		Loans and receivables to customers				
For the year ended December 31, 2015	**Interbank loans**	**Commercial loans**	**Mortgage loans**	**Consumer loans**	**Contingent loans**	**Additional provisions**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Provisions:						
Individual provisions	305	84,086	-	-	2,719	-
Collective provisions	-	60,787	2,872	118,046	184	19,000
Total provisions	**305**	**144,873**	**2,872**	**118,046**	**2,903**	**19,000**
Impairment:						
Individual impairment	-	-	-	-	-	-
Collective impairment	-	-	-	-	-	-
Total impairment	**-**	**-**	**-**	**-**	**-**	**-**
Reversal of provisions:						
Individual provisions	(825)	(26,695)	-	-	(927)	-
Collective provisions	-	(10,283)	-	(335)	(1,417)	-
Total reversal of provisions	**(825)**	**(36,978)**	**-**	**(335)**	**(2,344)**	**-**
Recovery of assets previously written off	-	(24,076)	(2,475)	(24,072)	-	-
Reversal of impairment	-	-	-	-	-	-
Net provisions for loan losses	**(520)**	**83,819**	**397**	**93,639**	**559**	**19,000**

In Management's opinion, the provisions for loan losses and impairment cover all eventual losses that may occur as assets, according to the information analysed by the Bank.

NOTE 30 - STAFF COSTS

The composition of staff costs for the years ended December 31, 2016 and 2015 is as follows:

	For the years ended December 31,	
	2016	**2015**
	MCh$	**MCh$**
Staff remunerations	190,154	146,554
Bonuses or awards	144,792	127,022
Severance payments	10,874	8,172
Training expenses	3,474	3,708
Other staff expenses	23,337	19,155
Total	**372,631**	**304,611**

NOTE 31 - ADMINISTRATIVE EXPENSES

For the years ended December 31, 2016 and 2015, the composition of administrative expenses is as follows:

	For the years ended December 31,	
	2016	**2015**
	MCh$	**MCh$**
General administrative expenses		
Maintenance and repairs of the bank's property, plant and equipment	12,106	9,339
Office rent	25,907	23,707
Equipment rent	269	386
Insurance premiums	6,345	5,032
Office materials	5,749	5,197
Computer and communications expenses	36,986	28,205
Lighting, heating and other services	8,320	6,231
Security and custody transportation services	12,629	11,641
Travel expenses	4,768	4,527
Judicial and notarial expenses	3,348	2,784
Fees for technical reports	3,186	2,480
Audit fees	2,952	2,111
Cleaning services	4,516	4,298
Consulting	19,095	17,699
Postal-related expenses	1,523	1,646
Other general administrative expenses	24,309	18,939
Sub-contracted services		
Data processing	5,396	5,481
Sale of products	-	-
Credit evaluation	366	10
Other	7,387	6,521
Board of Directors expenses		
Board of Directors remuneration	3,492	2,928
Other Board of Directors expenses	178	132
Publicity and advertising	22,069	20,500
Taxes, property taxes and contributions		
Real estate contributions	1,579	1,317
Licenses	1,529	1,491
Other taxes	3,775	804
Contribution to SBIF	7,710	6,036
Total	**225,489**	**189,442**

NOTE 32 - DEPRECIATION, AMORTIZATION AND IMPAIRMENT

a) For the years ended December 31, 2016 and 2015, depreciation and amortization expenses are detailed bellow:

	For the years ended December 31,	
	2016	**2015**
	MCh$	**MCh$**
Depreciation and amortization		
Depreciation of property, plant and equipment	(26,162)	(22,512)
Amortization of intangible assets	(28,946)	(20,938)
Total	**(55,108)**	**(43,450)**

b) For the years ended December 31, 2016 and 2015, the impairment of property, plant and equipment and intangible assets is detailed as follows:

	For the years ended December 31,	
	2016	**2015**
	MCh$	**MCh$**
Impairment		
Property, plant and equipment (1)	(92)	(1,896)
Intangible asset	-	(5,000)
Total	**(92)**	**(6,896)**

(1) As of December 31, 2016 and 2015 impairment of property, plant and equipment for MCh$ 92 and MCh$ 1,896 was recognized against gross value of property, plant and equipment.

c) The reconciliation of accumulated depreciation, amortization and impairment for the years ended December 31, 2016 and 2015 is as follows:

	Depreciation, amortization and impairment					
	For the years ended December 31, 2016			**For the years ended December 31, 2015**		
	Accumulated depreciation of property Plant and Equipment	**Accumulated amortization of intangible assets**	**Total**	**Accumulated depreciation of property Plant and Equipment**	**Accumulated amortization of intangible assets**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Balance as of January 1	**174,421**	**165,497**	**339,918**	**159,263**	**144,443**	**303,706**
Charges for depreciation and amortization for the year	26,162	28,946	55,108	22,512	20,938	43,450
Sales	(4,382)	-	(4,382)	-	-	-
Others	(512)	(74)	(586)	(7,354)	116	(7,238)
Balance as of December 31	**195,689**	**194,369**	**390,058**	174,421	165,497	339,918

NOTE 33 - OTHER OPERATING INCOME AND EXPENSES

a) Other operating income

For the years ended December 31, 2016 and 2015 the composition of other operating income is as follows:

Concept	For the years ended December 31,	
	2016	**2015**
Income from repossessed assets	**MCh$**	**MCh$**
Gain on sale of repossessed assets	2,610	4,224
Other income	1,198	479
Subtotal	3,808	4,703
Reversal of provisions for credit commitments		
Reversal of provisions for country risk	771	274
Reversal of other provisions for credit commitments	-	2,851
Subtotal	771	3,125
Other income		
Gains on sale of property, plant and equipment	248	600
Insurance claims	847	1,330
Leasing income	5,987	3,446
Other income	16,715	18,166
Subtotal	23,797	23,542
Total	**28,376**	**31,370**

NOTE 33 - OTHER OPERATING INCOME AND EXPENSES, Continued

b) Other operating expenses

During the years 2016 and 2015, the composition of other operating expenses is as follows:

	For the years ended December 31,	
Concept	**2016**	**2015**
Impairment and expenses for repossessed assets	**MCh$**	**MCh$**
Impairment of repossessed assets	-	219
Write-offs of repossessed assets	6,500	2,398
Maintenance expenses for repossessed assets	416	1,051
Subtotal	6,916	3,668
Establishment of provisions for credit commitments		
Provisions for country risk	157	-
Other provisions for credit commitments	7,297	11,257
Subtotal	7,454	11,257
Other expenses		
Loss on sale of property, plant and equipment	472	340
Contributions and donations	2,166	2,202
Penalties for judicial and notary expenses	3,734	3,455
Leasing expenses	7,633	4,934
Non-operating expenses	8,814	7,209
Agreement expenses	780	780
Other expenses	4,868	3,379
Subtotal	28,467	22,299
Total	**42,837**	**37,224**

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES

a) Loans granted to related parties

Loans granted to related parties are detailed as follows:

	As of December 31, 2016			As of I
	Operating Companies	Investment Companies	Individuals	Holding Companies
	MCh$	MCh$	MCh$	MCh$
Loans and receivables to customers				
Commercial loans	69,203	83,934	13,959	110,050
Mortgage loans	-	-	28,311	-
Consumer loans	-	-	4,537	-
Loans and receivables to customers, gross	**69,203**	**83,934**	**46,807**	**110,050**
Allowances for loan losses	(215)	(133)	(58)	(275)
Loans and receivables to customers, net	**68,988**	**83,801**	**46,749**	**109,775**
Credit commitments	80,161	16,302	11,521	131,244
Provisions for credit commitments	(78)	(39)	(7)	(147)
Credit commitments, net	**80,083**	**16,263**	**11,514**	**131,097**

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, Continued

b) Other transactions with related parties

During the years ended December 31, 2016 and 2015, the Bank has undertaken the following transactions with related parties:

For the year ended December 31, 2016 Company	Relationship with the Group	Description	Balance assets	Effect on statements of income Expense	 Income
			MCh$	MCh$	MCh$
Administración e Inversiones Centinela Ltda.	Other	Advisory	34	34	-
Archivos Credenciales e Impresos Archivert S.A.	Other	Card production	191	191	-
Artikos Chile S.A.	Joint Venture	Acquisitions services	970	970	-
Bolsa de Comercio de Santiago	Other	Rent of terminals	153	153	-
BCI Seguros de Vida S.A.	Control	Service revenue and channel usage	5,634	-	5,634
		Financial Instruments: Term deposits	525	35	-
		Marketing	1,003	-	1,003
		Premium Payment	90	90	-
		Subordinated bond	927	52	-
		Expenditures and income - Premiums reject credits	114	-	-
		Brokerage Fees BCI CCSS	16,148	-	16,148
		Brokerage Awards BCI CCSS	131	-	131
BCI Seguros Generales S.A.	Control	Commission for collection and PAC	480	-	480
		Channel usage	584	-	491
		Sinister	1,771	-	1,771
		Financial Instruments: Term deposits	4,710	8	-
		Bank Bonds	1,017	8	-
		Brokerage Fees BCI CCSS	18,959	-	18,959
		Intermediation Awards BCI CCSS	3,317	-	3,317
		Call Centre Services BCI CCSS	100	100	-
		Brokerage Awards BCI CCSS	271	-	271
Centro de Compensación Automatizado S.A.	Other	Electronic banking transactions	1,267	1,101	-
Cia, Nacional de Telefonos Telefonica del Sur S.A.	Other	Communications Service	48	48	-
Combanc S.A.	Associate	Compensation and high value payment	331	331	-
Comder Contraparte Central S.A.	Associate	Bank processing	965	965	-
Comunicaciones Capitulo Ltda.	Other	Communications Service	49	49	-
Conexxion Spa	Other	Service mail	359	357	-
DCV Registros S.A.	Other	Administration of shareholders register	107	106	-
Depósitos Central de Valores S.A.	Other	Financial Instruments Custody	290	286	-
Digitech Solutions S.A.	Other	Digital documentation	327	314	-
Diseño y Desarrollo Computacional Ltda.	Other	Development and maintenance of applications	612	576	-
Engage S.A. Servicios y Asesorías en Comunicaciones	Other				
Public Marketing	Other	Internal marketing consulting	152	152	-
EMC Chile S.A.	Other	Computer solutions	1,207	994	-
Galeria de Arte Patricia Ready Ltda.	Other	Institutional marketing	54	54	-
GTD Teleductos S.A.	Other	Communications services	496	496	-
IBM Chile S.A.	Other	Computer equipment and solutions	2,349	1,326	-
Irarrazabal Ruiz-Tagle Goldenberg Lagos & Silva	Other				
Abogados Ltda.	Other	Legal advice	99	99	-
Imagemaker S.A.	Other	Development of application and solution	495	484	-
Inmobiliaria Anya S.A.	Other	Real estate projects	46	46	-
Jordan (Chile) S.A.	Control	Forms printing	2,851	2,267	-
Let´s Talk Spa	Other	Communications services	30	30	-
Mario Gomez D.	Other	Advice and consultancy	215	215	-
Oliver Wyman	Other	Advisory	754	625	-
Operadoras de Tarjetas de Crédito Nexus S.A.	Associate	Card processing	8,079	8,079	-
PB Soluciones Ltda.	Other	ATMs installation and cleaning service	183	145	-
Redbanc S.A.	Associate	ATMs operation	6,232	5,229	-
Salcobrand S.A.	Control	Rent of places for ATMs	206	206	-
Santo Producciones Ltda.	Other	Events production	301	274	-
Servicios de Información avanzada S.A.	Other	Trade information service	864	855	-
Servipag Ltda.	Joint Venture	Collection and payment services	8,788	7,225	-
Sistema Nacional de Com, Financieras S.A.					
(Sinacofi)	Other	Financial information services	508	454	-
Telesat Compañía de Teléfonos S.A.	Other	Communications services	35	35	-
Transbank S.A.	Other	Credit cards management	46,174	10,489	35,685

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, Continued

For the year ended December 31, 2015 Company	Relationship with the Group	Description	Balance assets	Effect on statements of income Expense	 Income
			MCh$	MCh$	MCh$
Administración e Inversiones Centinela Ltda.	Other	Advisory	108	108	-
Archivos Credenciales e Impresos Archivert S.A.	Other	Cards production	207	207	-
Artikos Chile S.A.	Joint Venture	Acquisitions services	837	800	-
Bolsa de Comercio de Santiago S.A.	Other	Rent of terminals	162	102	-
BCI Seguros de Vida S.A.	Control	Service revenue and channel usage	5,370	-	5,370
		Marketing	1,194	-	1,194
		Premiums payment	182	158	-
		Financial Instrument: Term deposit	6,874	2	-
		Brokerage Fees BCI CCSS	16,392	-	16,392
		Brokerage Awards BCI CCSS	-	-	-
BCI Seguros Generales S.A.	Control	Commission for collection and PAC	785	-	660
		Channel usage	533	-	448
		Sinister	1,627	-	1,627
		Financial Instruments: Term deposits	153	-	-
		Brokerage Fees BCI CCSS	15,984	-	15,984
		Brokerage Awards BCI CCSS	2,172	-	2,172
Centro de Compensación Automatizado S.A.	Other	Electronic banking transactions	996	862	-
Cia, Nacional de Teléfonos Telefónica del Sur S.A.	Other	Lease of data links	47	47	-
Comunicaciones Capitulo Ltda.	Other	Lease of data links	44	44	-
Combanc S.A.	Associate	Compensation and high value payment	362	362	-
Comder Contraparte Central S.A.	Associate	Clearing house of derivatives	431	431	-
Conexxion Spa	Other	Service mail	402	393	-
DCV Registros S.A.	Other	Bank processing	93	93	-
Depósitos Central de Valores S.A.	Other	Financial instruments custody	294	294	-
Digitech Solutions S.A.	Other	Document digitalization	256	254	-
Diseño y Desarrollo Computacional Ltda.	Other	Development and maintenance applications	689	508	-
Engage S.A. Servicios y Asesorias en Comunicaciones, Public Marketing	Other	Internal marketing consultations	148	141	-
EMC Chile S.A.	Other	Computer solutions	910	272	-
Galeria de Arte Patricia Ready Ltda.	Other	Institutional marketing	63	57	-
GTD Teleductos S.A.	Other	Communications services	468	468	-
IBM Chile S.A.	Other	Computer equipment and solutions	9,909	8,913	-
Abogados Ltda.	Other	Legal advice	137	137	-
Imagemaker IT S.A.	Other	Multipass devices purchase	572	535	-
Imagemaker S.A.	Other	Development and application solution	881	656	-
Jordan (Chile) S.A.	Control	Printing forms	2,816	2,315	-
Mario Gomez D.	Other	Advice and consultancy	218	218	-
Operadoras de Tarjetas de Crédito Nexus S.A.	Associate	Card processing	6,609	6,030	-
		ATMs installation services and cleaning services			
PB Soluciones Ltda.	Other	ATMs installation and cleaning services	267	202	-
Redbanc S.A.	Associate	ATMs operation	5,999	5,098	-
Salcobrand S.A.	Control	Rent of places for ATMs	313	248	-
Santo Producciones Ltda.	Other	Events production	200	183	-
Servicios de Información avanzada S.A.	Other	Trade information services	831	802	-
Servipag Ltda.	Joint Venture	Collection and payment services	8,804	7,437	-
Sistema Nacional de Com, Financieras S.A. (Sinacofi)	Other	Financial information services	449	402	-
Telesat Compañía de Teléfonos S.A.	Other	Lease of data links	36	36	-
		Credit card and income management			
Transbank S.A.	Other	Credit card management	41,568	9,508	32,060

Note: only transactions over UF1,000 are disclosed.

All of these transactions were undertaken under prevailing market conditions at the date on which they were entered into.

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, Continued

c) Other assets and liabilities with related parties

	As of December 31	
	2016	**2015**
	MCh$	**MCh$**
ASSETS		
Derivative financial agreements	-	-
Other assets	-	-
LIABILITIES		
Derivative financial agreements	-	-
Demand deposits	70,183	82,471
Term deposits and saving accounts	39,649	95,397
Other liabilities	-	-

d) Income/expense recognized on transactions with related parties:

		For the year ended December 31,			
		2016		**2015**	
Type of income or expense recognized	**Entity**	**Income**	**Expense**	**Income**	**Expense**
		MCh$	**MCh$**	**MCh$**	**MCh$**
Income and expenses	Sundry	10,409	(1,766)	10,689	(1,094)
Operational support expenses	Companies supporting the line of business	83,890	(45,553)	75,907	(48,383)
Total		**94,299**	**(47,319)**	**86,596**	**(49,477)**

e) Remunerations of the Board of Directors and key management personnel.

Compensation earned by key management personnel corresponds to the following categories:

	For the year ended December 31,	
	2016	**2015**
	MCh$	**MCh$**
Short-term remunerations of key management personnel (*)	11,438	10,100
Severance indemnities for termination of contract	-	4,487
Total	**11,438**	**14,587**

(*) For the year ended December 31, 2016, total expenses corresponding to the remuneration of the Board of Directors of the Bank and subsidiaries amounted to MCh$ 3,670 (MCh$ 3,060 for the year ended December 31, 2015).

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, Continued

f) Composition of key management personnel

As of December 31, 2016 and 2015, the composition of the key management personnel of the Bank and its subsidiaries is as follows:

Position	N° of executives
Director	20
General manager	15
Division and Area Manager	22
Total	**57**

g) Transactions with key management personnel

For the year ended December 31, 2016 and 2015, the Bank has undertaken the following transactions with key management personnel, as specified below:

	For the year ended December 31,					
	2016			2015		
	Balance Owed	Total remuneration	Income of key executives	Balance Owed	Total remuneration	Income of key executives
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Credit cards and other services	2,171	1,239,410	13	1,572	1,051,438	13
Mortgage loans	1,718	273,929	101	1,650	293,404	86
Guarantees provided	2,772	-	-	1,982	-	-
Total	**6,661**	**1,513,339**	**114**	**5,204**	**1,344,842**	**99**

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, Continued

As of December 31, 2016, the Bank has the following contracts:

N°	Related company	The service involved	Concept	Description of the Co
1	Bolsa de Comercio de Santiago	Processing the stock exchange management system, through which BCI Corredor de Bolsa S.A.	Lease of terminals.	Contract to use the stock exchange man
2	Centro de Automatizado S.A.(CCA)	Electronic transactions adjustment centre.	Centre adjustment Services.	Participation in and incorporation into t centre to expedite the completion of fur operations. The Bank operates in the Cl (Originating Banking Institution) and a Banking Institution).
3	Compañía de Formularios Continuos Jordan (Chile) S.A.	Printing and making checkbooks.	Printing of forms.	Printing services are contracted for basi and revenue stamped forms, such as che promissory notes.
4	Operadoras de Tarjetas de Crédito Nexus S.A.	Processing credit card operations (issuer list)	Card processing.	Operations of Mastercard, Visa credit c with regard to processing the issuer list
5	Redbanc S.A.	Administration of the operations of ATMs, Redcompra and RBI.	Operation of ATMs.	In fulfilling its corporate purpose, the c participant, for the use of its customers electronic data transfer service via auto actual or virtual electronic means.
6	Servipag Ltda.	Collection and payment of services, payment of checks and receipt of deposits and administration of our teller service.	Collection and payment of services.	The service is contracted for resolution transactions captured by BCI tellers for rendition to customers.
7	Transbank S.A.	Processing credit card operations (user list)	Administration of credit cards.	Provision of Visa, Mastercard credit car regard to the user list.
8	Artikos Chile S.A.	Purchases and logistics services portal.	Purchase of supplies.	Electronic purchase service for assets a services.
9	BCI Seguros de Vida S.A.	Insurance.	Insurance premiums.	Individual life insurance policy for exec
10	BCI Seguros Generales S.A.	Insurance.	Insurance premiums.	Individual policies for the Bank's physi assets and comprehensive banking polic
11	Archivos Credenciales e Impresos Archivert Ltda.	Production of Credit and Debit Card Plastics	Credit and Debit Card Production.	Production of credit and debit plastic ca
12	Combanc S.A.	Clearing and settlement of High Amounts payments, SWIFT Messaging (Order and / or receive balance information from Central Bank of Chile, for daily transfer client funds.	Settlement of High Amounts payments.	Clearing and settlement of High Amour SWIFT Messaging (Order and / or rece information from Central Bank of Chile client funds.

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, Continued

N°	Related company	The service involved	Concept	Description of the Co
13	Conexxion Spa	Postal mail service (normal and registered letter). Messaging (internal courier service and motorbikes).	Mail and Messaging.	Postal mail service (normal and registe (internal courier service and motorbikes
14	Depósitos Central de Valores S.A.	Service Deposit and Securities Custody.	Securities Custody.	Service Deposit and Securities Custody
15	Diseño y Desarrollo Computacional Ltda.	Software development and maintenance of Lotus Notes platform and Aprocred system (credit approval).	Technological Developments.	Software development and maintena platform and Aprocred system (credit a
16	GTD Teleductos S.A.	Telephone Services & Data Communications, Rent of links, continuity links, Fixed and mobile, mainly in Metropolitana Region.	Telephone Service.	Telephone Services & Data Communic continuity links, fixed and mobile, ma Region.
17	Imagemaker IT S.A.	Sale of Computational Security Devices (Multipass).	Technological Developments.	Sale of Computational Security Devices
18	Imagemaker S.A.	Software Development, Maintenance and Support Internet and Mobile Applications.	Technological Developments.	Software Development, Maintenance and Mobile Applications.
19	PB Soluciones Ltda.	Cleaning and electrical maintenance of ATM enclosure in public places.	Cleaning and maintenance of ATM.	Cleaning and electrical maintenance c public places.
20	Salcobrand S.A.	Lease of ATM’s site (affordable).	Lease of ATM’s site.	Lease of ATM’s site (affordable).
21	Santo Producciones Ltda.	Events Production.	Events,	Events Production.
22	Servicios de Información avanzada S.A.	Bureau Service: financial and business people information.	Financial and business Information.	Bureau Service: financial and business
23	Sistema Nacional de Compensación Financieras S.A. (Sinacofi)	Electronic Messaging Service: secure information exchange. Clearing Service: Corresponds to the electronic exchange.	Financial and business Information.	Electronic Messaging Service: secure ir Clearing Service: Corresponds to the el
24	ComDer Contraparte Central S.A.	Operating systems clearing and settlement of Financial Instruments.	Clearing house of Derivatives.	Clearing and Settlement as Central c Financial Instruments.

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, Continued

N°	Related company	The service involved	Concept	Description of the C
25	Administración e Inversiones Centinela Ltda.	Provision of administrative, accounting and financial advisory services	Financial Advising	Provision of administrative, accounti services
26	Cia. Nacional de Telefonos Telefónica del Sur S.A.	Fixed telephony service continuity and Internet service Broadband	Telephone service	Fixed telephony service continuity Broadband
27	Comunicaciones Capítulo Ltda.	Private telephone service	Telephone service	Private telephone service
28	DCV Registros S.A.	Administration of shareholders register	Administration of shareholders register	Comprehensive and personalized shareholders of BCI and brokers.
29	Digitech Solutions S.A.	Document digitalization	Document Scanning Service	Digitizing documents Back Offic management Mortgage and Corporat
30	Engage S.A. Servicios y Asesorías en Comunicaciones Publicas Marketing	Internal Marketing Consulting	Advisory	Consulting and Advertising Agency S
31	EMC Chile S.A.	Government and Migration	Data	Government of Migration and Data C
32	Galería de Arte Patricia Ready Ltda.	Exhibition Hall Art Gallery	Auspice	Ensure BCI brand presence in all invi exhibition and in the invitation in dig BCI logo in all catalogues.
33	GTD Teleductos S.A.	Lease of data links	Telephone service	Telephone Supply
34	IBM Chile S.A.	Computer Equipment and Solutions	Technology support service	Computer Equipment and Solutio (specialists)
35	Irarrazabal Ruiz-Tagle Goldenberg Lagos & Silva Abogados Ltda.	Intangible Services Lawyers Presidency	Advisory	Professional Advice in General to the
36	Inmobiliaria Anya S.A.	Rent for BCI branch	Lease	Lo Echevers branch lease
37	Let´s Talk Spa	Electronic messaging	Messaging services	Instant Messaging
38	Mario Gómez D.	Advisory and consultancy	Advisory	Development of Banking Plan. Inte Bank Management.
39	Oliver Wyman	Advisory	Advisory	Strategic Consulting Services - Banking”
40	Telesat Compañía de Teléfonos S.A.	Lease of data links	Telephone service	Local Service Measured traffic

NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE

a) Financial instruments measured at fair value and that are not measured at fair value in the Consolidated Financial Statements

The following table summarizes the carrying amounts and fair values of the principal financial assets and liabilities which are measured at their fair value as well as which are not measured at their fair value in the Bank's Consolidated Financial Statements.

	As of December 31, 2016		As of December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	MCh$	MCh$	MCh$	MCh$
Assets				
Cash and deposits in banks	1,577,565	1,577,565	1,272,552	1,272,552
Items in course of collection	264,265	264,265	434,550	434,550
Trading portfolio financial assets	1,267,979	1,267,979	1,298,131	1,298,131
Investments under agreements to resell	116,461	116,461	206,105	206,105
Derivative financial agreements	1,360,247	1,360,247	1,499,423	1,499,423
Loans and receivables to banks, net	223,228	223,228	169,416	169,416
Loans and receivables to customers, net	21,954,346	24,020,556	19,770,529	23,310,617
Commercial loans	14,459,695	14,648,198	12,994,394	14,325,693
Mortgage loans	4,967,162	6,067,665	4,462,499	5,779,691
Consumer loans	2,527,489	3,304,693	2,313,636	3,205,233
Financial investments available for sale	2,524,500	2,524,500	2,407,882	2,407,882
Financial investments held to maturity	872	872	708	708
TOTAL ASSETS	**29,289,463**	**31,355,673**	**27,059,296**	**30,599,384**
Liabilities				
Current accounts and demand deposits	8,194,263	8,194,263	8,047,288	8,047,288
Items in course of collection	132,507	132,507	255,800	255,800
Liabilities under agreements to repurchase	799,844	799,844	449,128	449,128
Term deposits and savings accounts	9,957,688	9,994,254	9,301,896	9,479,252
Derivative financial agreements	1,420,086	1,420,086	1,535,191	1,535,191
Borrowings from financial institutions	1,648,764	1,648,764	1,790,090	1,790,179
Debt issued	4,398,430	5,064,358	3,822,650	4,343,151
Other financial liabilities	953,246	953,246	746,946	746,946
TOTAL LIABILITIES	**27,504,828**	**28,207,322**	**25,948,989**	**26,646,935**

The fair value estimates presented above, do not attempt to estimate the value of the bank's profits generated by their business or future activities and therefore, do not represent the value of the Bank as a going concern.

Methods used to estimate financial instruments' fair value are detailed below:

Loans and receivable to customers.
Loans and receivables to customers are presented net of their allowance for loan losses and impairment.

The estimated fair value represents the discounted future cash flows expected to be received.

Cash flows are discounted at market interest rate, using an interbank rate that considers the relevant term and currency.

NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE, Continued

The approaches used for the incorporation of credit risk of the assets are:

1. Based on the models of estimation of expected loss, it is possible to infer the credit quality of the portfolio (at least in qualitative terms) specifically, for the remaining term of the operations comprising the asset accounts considered (commercial loans, mortgage loans and consumer loans).

2. In quantitative terms, the provision percentage assigned to an operation results in an estimate of the provision based on the credit profile of the operation.

3. The resulting amount when applying the 'provisions/total loans' factor mentioned in 2) to the current principal and accrued interest outstanding of the respective loan is an approximation of the adjustment for credit risk (in other words, resulting in the allowance calculation).

Deposits and other borrowings

The estimated fair value of demand accounts and deposits, for which maturity is not established, including non-interest bearing accounts, is the amount payable when the customer demands it. The redeemed cost of these deposits is a reasonable approximation of their fair value.

The fair value of term deposits has been estimated on the basis of discounted future cash flows based on interest-rate structures adjusted from transactions observed at the valuation date.

Interbank borrowings

The fair value of liabilities to financial institutions has been determined using discounted cash flow models, based on the relevant interest-rate curve for the remaining term of the instrument to its maturity.

Issued debt instruments

The aggregated fair value of the bonds has been calculated based on the effective market rates at the closing of each period.

Fixed Income Securities and Derivatives

The fair value of debt instruments classified as trading and available for sale, as well as derivative instruments, is estimated using valuation techniques detailed in the c) below.

Other balance sheet accounts

For other balance sheet accounts the carrying amount was used, because they are items with very short-term flows and therefore their discounted value does not differ significantly from their carrying amount.

NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE, Continued

b) Financial instruments measured at fair value

Please refer to Note 1.h for further details on the criteria used to determine the fair value.

c) Hierarchy used for determining the fair value

The regulation distinguishes among different types of inputs used for the valuation techniques, differentiating between ‘‘observable’’ or ‘‘unobservable’’ inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the assumptions of the Bank and subsidiaries in relation to market behaviour. The following hierarchy has been established based on these types of inputs:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes the debt instruments (whether fixed or variable income), equity instruments, and financial derivative instruments traded on domestic or international stock markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).. Prices may require interpolation among a price structure (e.g., derivative instruments belong to this level). The same occurs with bonds assessed using a valuation technique like interpolation or matrix pricing, based on observable inputs.

Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity and debt instruments whose valuation uses significant unobservable inputs.

This hierarchy requires maximise the use of relevant observable inputs and minimise unobservable inputs. The Bank and its subsidiaries consider the relevant observable market data in their valuations whenever it is possible.

NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE, Continued

Financial assets and liabilities classified by valuation levels

The following chart shows the assets and liabilities that are presented at fair value in the Consolidated Financial Statements, classified in their respective levels of hierarchy previously described.

	Level 1		Level 2		Level 3		Total	
Financial Assets	**December 2016**	**December 2015**	**December 2016**	**December 2015**	**December 2016**	**December 2015**	**December 2016**	**December 2015**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Trading portfolio financial assets								
State and Central Bank of Chile	712,788	903,976	-	-	-	-	712,788	903,976
Other domestic institutions	495,393	352,971	-	-	-	-	495,393	352,971
Foreign institutions	1,309	158	-	-	-	-	1,309	158
Investments in mutual funds	58,489	41,026	-	-	-	-	58,489	41,026
Subtotal	**1,267,979**	**1,298,131**	**-**	**-**	**-**	**-**	**1,267,979**	**1,298,131**
Trading derivative contracts	-	-						
Forwards	-	-	125,632	240,951	-	-	125,632	240,951
Swaps	-	-	918,642	1,002,210	25,240	31,043	943,882	1,033,253
Call options	-	-	1,147	4,889	-	-	1,147	4,889
Put options	-	-	3	2,519	-	-	3	2,519
Futures	-	-	137	50	-	-	137	50
Subtotal	**-**	**-**	**1,045,561**	**1,250,619**	**25,240**	**31,043**	**1,070,801**	**1,281,662**
Hedging Derivatives								
Forwards	-	-	22,552	16,541	-	-	22,552	16,541
Fair value hedges (Swap)	-	-	85,932	87,160	-	-	85,932	87,160
Cash flow hedges (Swap)	-	-	196,397	125,002	-	-	196,397	125,002
Subtotal	**-**	**-**	**304,881**	**228,703**	**-**	**-**	**304,881**	**228,703**
Financial investment available for sale	**-**	**-**						
State and Central Bank of Chile	746,217	627,419	-	-	-	-	746,217	627,419
Other domestic institutions	276,509	148,568	-	-	-	-	276,509	148,568
Foreign institutions	1,501,774	1,631,895	-	-	-	-	1,501,774	1,631,895
Subtotal	**2,524,500**	**2,407,882**	-	-	-	-	**2,524,500**	**2,407,882**
Total Financial Assets	**3,792,479**	**3,706,013**	**1,350,442**	**1,479,322**	**25,240**	**31,043**	**5,168,161**	**5,216,378**
Financial liabilities								
Trading derivative contracts								
Forwards	-	-	123,748	239,325	-	-	123,748	239,325
Swaps	-	-	978,143	1,057,366	-	-	978,143	1,057,366
Call options	-	-	653	6,089	-	-	653	6,089
Put options	-	-	2,293	2,341	-	-	2,293	2,341
Futures	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**1,104,837**	**1,305,121**	**-**	**-**	**1,104,837**	**1,305,121**
Hedging Derivatives								
Forwards	-	-	19,352	22,001	-	-	19,352	22,001
Fair value hedges (Swap)	-	-	47,366	76,167	-	-	47,366	76,167
Cash flow hedges (Swap)	-	-	248,531	131,902	-	-	248,531	131,902
Subtotal	-	-	**315,249**	**230,070**	-	-	**315,249**	**230,070**
Total Financial Liabilities	-	-	**1,420,086**	**1,535,191**	-	-	**1,420,086**	**1,535,191**

The above values do not include adjustments for CVA and Bid Offer, amounted as of December 31, 2016 for MCh$ 15,435 (MCh$ 10,942 as of December 31, 2015).

Transfers between Levels 1 and 2

Bank and its subsidiaries have not made any transfers of financial assets or liabilities between Levels 1 and 2 during the year 2016.

Level 3 valuation reconciliation

As of December 31, 2016 the Consolidated Statements of Financial Position has assets classified as Level 3 which relate to Swap TAB contracts for which there are no market observable inputs.

NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE, Continued

d) Valuation of La Polar Bonds

As of December 31, 2016, the Bank has applied valuation techniques to determine the fair value of the financial instruments "BLAPO-F" and "BLAPO-G". This enhancement builds on the IRR of the last transaction of the existing market between the closing date of the Consolidated Financial Statements and the date of redemption of the financial instrument.

NOTE 36 - RISK MANAGEMENT

1. Introduction

The Bank business activities involve identifying, evaluating, accepting and managing different kinds of risk or combinations of them. The main categories of risk to which the corporation is exposed are credit, liquidity, market, operations, and legal and reputation risks.

The Bank policies are designed to identify and analyse these risks, to establish adequate limits and controls, and to monitor the risks and compliance of established limits through the use of reliable and updated information systems. The Bank periodically reviews its risk management policies and systems to incorporate changes in the markets, regulations, products and new best practices.

In relation to financial risks, the organizational structure is designed to manage these risks efficiently, transparently and timely. It is formed by strategic units composed by the Board of Directors, the Executive Committee, the Finances and Risk Committee, and the Asset and Liabilities Committee ("ALCO"). These are divided into operative units such as the Corporate Risk Management, Trading and Institutional, and Distribution and Corporate areas, parts of the Investment and Finance Banking division. The flow of this information is processed and analysed by various support units such as Accounting, Middle and Back Office, Management and Process Control and Computers and Systems.

The senior strategic unit is the Board of Director. Its main responsibilities regarding financial risk management are establishing adequate policies and levels of risk, establishing exposure limits, the monitoring of risks, and ensuring best practices through the permanent evaluation of the actions of the Finances and Investment Banking and the Corporate Risk Management areas. The Board of Directors delegates to the Executive Committee and the Finances and Risk Committee the supervision and support to carry out the Bank's strategic objectives in their interactions with corporate Management.

The Finances and Risk Committee also analyses in detail the strategies and models associated with the treasury function, both in the trading portfolio and the Bank's books, and the performance and risks associated with such strategies.

ALCO (Assets & Liabilities Committee) is the committee where the corporation's assets and liabilities policy is discussed and agreed for the approval of the Board of Directors or the Executive Committee. The general objectives of the ALCO Committee are to ensure the Bank's adequate liquidity, protect the capital, make decisions on the financing of loans, and maximize the financial margin subject to the risk restrictions imposed by the Board of Directors and the Finances and Risk Committee.

NOTE 36 - RISK MANAGEMENT, Continued

The Corporate Risk Management and its Operational Risk, Credit Risk, and Market Risk units are responsible for the integral management of the Bank's risk. While a few years ago it was common in the industry to have an independent, internal department manage these risks, the development of derivative markets and the acceptance of common methodologies, such as the concept of maximum loss, value at risk, etc., have made limits increasingly more subject to fluctuation. Therefore, this management area has a corporate reach, with a comprehensive vision of the risks involved.

Financial Risk Management has the role of evaluating and controlling the Bank's exposure to market risk, both on or off the Consolidated Statements of Financial Position, pricing risks associated with interest rates, exchange rates, volatility, maximum loss, etc., are measured and monitored. This is complemented by the analysis of scenarios and simulations to obtain a better measure of the risk. The Financial Risk Management is also responsible for defining the valuation methodologies for the financial assets and liabilities measured at fair value held by the corporation on or off the Consolidated Statements of Financial Position.

In accordance with best practices, the Bank defines the segregation of activities between areas that could present conflicts of interest in their objectives, such as:

i. Investment and Finance Banking division.
ii. Support areas, operative departments (Back Office, Middle Office).
iii. Financial Control and Planning (Accounting, Management Control).
iv. Financial Risk and Credit Risk, components of Corporate Risk Management.

The total segregation of duties implies a physical and organizational separation of the areas.

2. Liquidity and financing

The policy and liquidity management models seek to guarantee, even in front of unexpected events, the Bank's capacity to respond adequately to its short-term obligations. In this regard, the Bank has continuously monitored the impact of recent events on financial markets, introducing more conservative assumptions when justified. The model has four central elements:

1. Presence of a minimum reserve of liquid assets to face stress situations.
2. Regulatory and internal liquidity indicators.
3. Accounting mismatches (relating to maturity).
4. Alert and contingency plans.

The management of liquidity and funding is basically carried out by Treasury in accordance with practices and limits reviewed periodically by ALCO and authorized by the Board of Directors.

These limits may vary according to the depth and liquidity shown by the markets in order to anticipate unlikely capital expenditures while providing funding at a competitive cost.

NOTE 36 - RISK MANAGEMENT, Continued

The Bank has internally set explicit minimum limits for the liquidity level, parallel to the limits of Technical Reserve, which are periodically subject to simulations of stress financing for balances of current accounts and deposits, which are the Bank's main sources of liquidity. This is performed using a periodic evaluation framework of the additional needs of financing due to events of tight liquidity, together with the monitoring of the market, In this way, the periodic generation, projection, evaluation, and analysis of liquidity stress scenarios facilitate the anticipation of future difficulties and the agile and reliable execution of preventive actions before unfavourable scenarios.

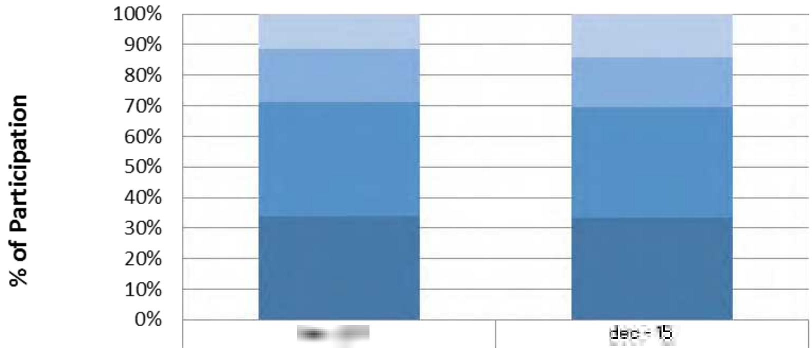
At the regulatory level, liquidity is measured and reported to the SBIF through the standardized reports. According to bank regulations, the Bank has been authorized to use an adjusted liquidity model, generating procedures and models that allow an evaluation of future income and liabilities that affect the Bank's liquidity position, keeping in control the internal and external limits that the regulatory purposes, especially for mismatches between assets and liabilities at 30 and 90 days.

The Bank has set strict limits, forcing itself to maintain a large amount of liquid assets on its Consolidated Statements of Financial Position which, in the event of any unexpected requirement, can maintain liquidity through repurchase agreements with the Central Bank of Chile. The counter-cyclical nature of this liquidity reserve is adjusted to the spirit of the latest recommendations proposed by Basel.

In the measurement of liquidity, both internal and regulatory, a reasonable level of liquidity was observed in line with the Bank's policies. Even in the moments of highest uncertainty due to the global financial crisis, there were no events indicative of a loss of confidence of the people, nor mass removal of accounts or deposits by customers, confirming the confidence of the people towards the Chilean banking system in general.

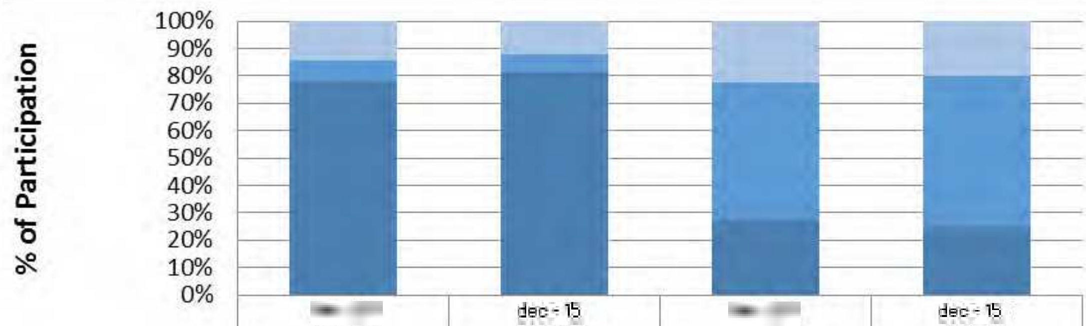
NOTE 36 - RISK MANAGEMENT, Continued

Fig. 1. Evolution of principal funding sources
As of December 31, 2016 and 2015,
Banco de Crédito e Inversiones and City National Bank (CNB)



		dec - 15
Other liabilities	11%	14%
Debt issued	17%	16%
Time deposits and saving accounts	38%	36%
Sight deposit	34%	33%

Fig. 2. Diversification of liquidity sources by segment,
As of December 31, 2016 and 2015 (%),
Banco de Crédito e Inversiones and City National Bank of Florida (CNB)



	SIGHT DEPOSIT		TIME DEPOSITS AND SAVING ACCOUNTS	
		dec - 15		dec - 15
Other Wholesale	15%	12%	22%	20%
Financial	8%	6%	50%	55%
Retail	78%	81%	28%	25%

NOTE 36 - RISK MANAGEMENT, Continued

a. Year 2016 Variations (domestic consolidation)

The rates of short-term mismatch remained bounded, keeping a certain amount of slack with respect to regulatory limits given the capital base measured at 30 days and two times capital (for measurement at 90 days).

Fig. 3. Liquidity Ratios
As of December 31, 2016 and 2015 (maximum = 1)

(a) Short-term mismatch (% on basic capital)

	December 31, 2016				December 31, 2015			
	Average	Maximum	Minimum	Closure	Average	Maximum	Minimum	Closure
Mismatch 30 days	52.74%	87.35%	19.96%	57.23%	18.6%	85.9%	(24.5%)	85.9%
Mismatch 90 days (*)	60.56%	81.96%	43.02%	52.88%	44.6%	68.6%	28.3%	68.6%

(*) Measurement in relation to 2 times basic capital.

(b) Short-term mismatch Ch$-UF (% on basic capital),

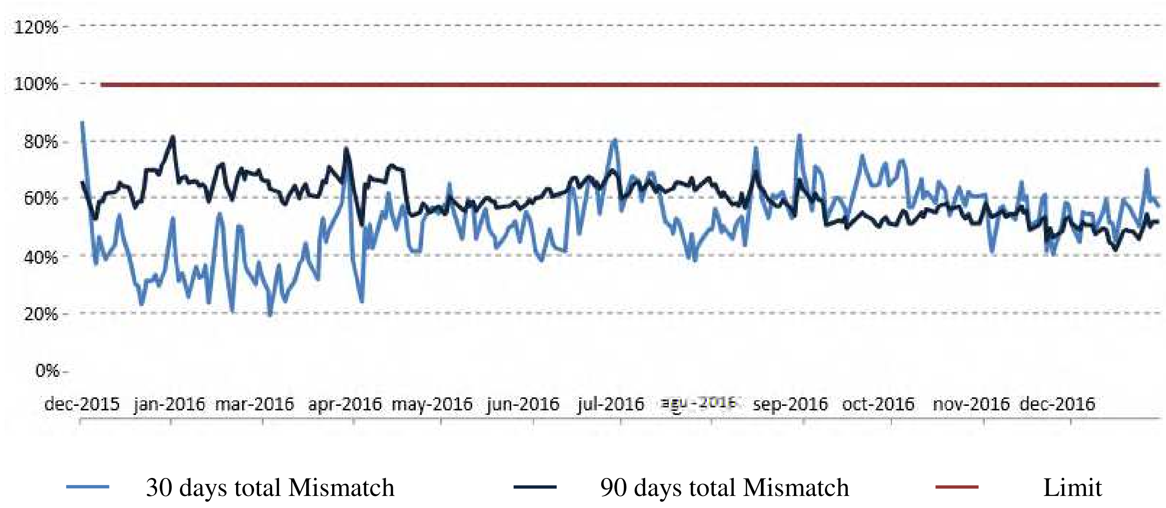
	December 31, 2016				December 31, 2015			
	Average	Maximum	Minimum	Closure	Average	Maximum	Minimum	Closure
Mismatch 30 days	40.74%	68.01%	3.38%	38.94%	15.3%	66.2%	(23.6%)	66.2%

(c) Short-term mismatch FX (% on basic capital),

	December 31, 2016				December 31, 2015			
	Average	Maximum	Minimum	Closure	Average	Maximum	Minimum	Closure
Mismatch 30 days	12.00%	35.46%	(20.22)%	18.29%	3.3%	27.9%	(35.5%)	19.8%

NOTE 36 - RISK MANAGEMENT, Continued

Fig. 4, Liquidity Evolution (domestic consolidation) during 2016 (maximum = 1)
Liquidity 30 days = Mismatch/Basic Capital
*Liquidity 90 days = Mismatch /2*Basic Capital*



3. Market Risk

Market risk is the risk inherent in the price variations of financial assets.

Variations in interest rates, the exchange rate, commodities and shares prices, credit spreads, volatility, etc., constitute a risk known as market risk. This is expressed in the possibility of incurring losses that will be translated to the statements of income or the balance sheet depending on the type of financial instrument and its respective accounting treatment.

The Bank manages its exposure to market risk between trading portfolios and portfolios available for sale or held-to-maturity, Trading portfolios include positions coming from sales to corporate and institutional clients, positions coming from market making business, and hedge or trading positions. The AFS and held to maturity portfolios hold positions mainly related to interest rate management associated with personal and commercial banking loans, in addition to a portfolio of financial investments. These portfolios have less rotation and their change in fair value does not affect the Consolidated Statements of Income for the year until maturity.

A series of tools are used to monitor the market risk of positions in each category, these include value-at-risk (VaR), CVaR, simulation, and stress analysis. The corporation uses the algorithmic platform to support the measurement and management of the market risk and counterparty risk.

NOTE 36 - RISK MANAGEMENT, Continued

a) Top holdings

The principal positions of the Consolidation Statements of Financial Position as of December 31, 2016 are listed by maturity band or repricing and their comparison to the year 2015.

Fig. 5. Carrying amount to maturity range or re-pricing by currency
Positions as of December 31, 2016 (MCh$)

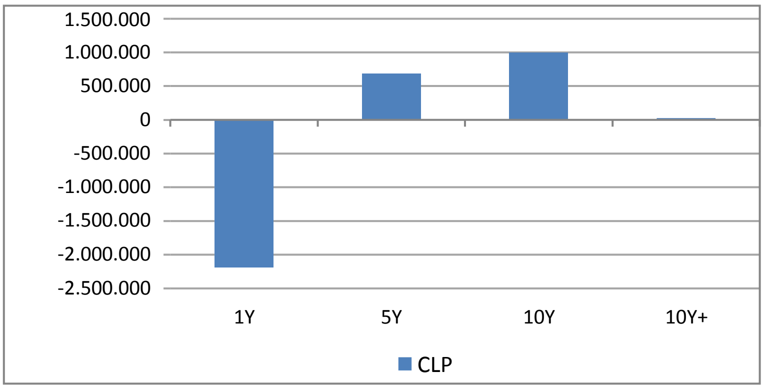
ASSETS	**1Y**	**5Y**	**10Y**	**10Y+**	**Total**
Ch$	8,171,804	4,183,709	1,047,259	27,023	13,429,795
UF	3,831,611	3,810,344	2,569,311	1,911,780	12,123,046
MX	6,072,766	2,406,341	1,181,559	216,156	9,876,822
TOTAL	**18,076,181**	**10,400,394**	**4,798,129**	**2,154,959**	**35,429,663**

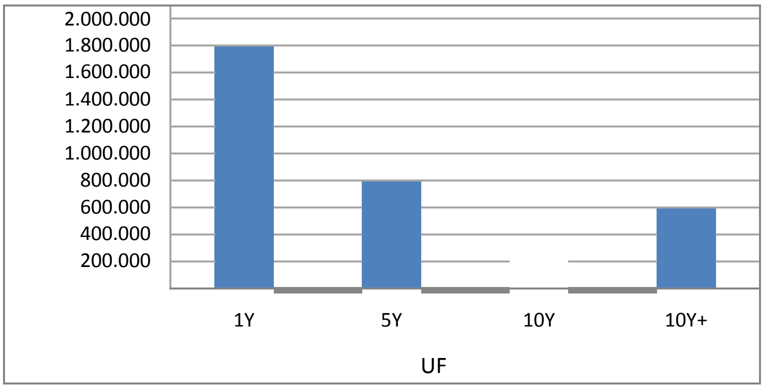
LIABILITIES	**1Y**	**5Y**	**10Y**	**10Y+**	**Total**
Ch$	10,354,038	3,501,342	53,000	-	13,908,380
UF	2,060,951	3,045,726	2,280,892	1,297,351	8,684,920
MX	5,438,516	3,561,334	544,904	52,122	9,596,876
TOTAL	**17,853,505**	**10,108,402**	**2,878,796**	**1,349,473**	**32,190,176**

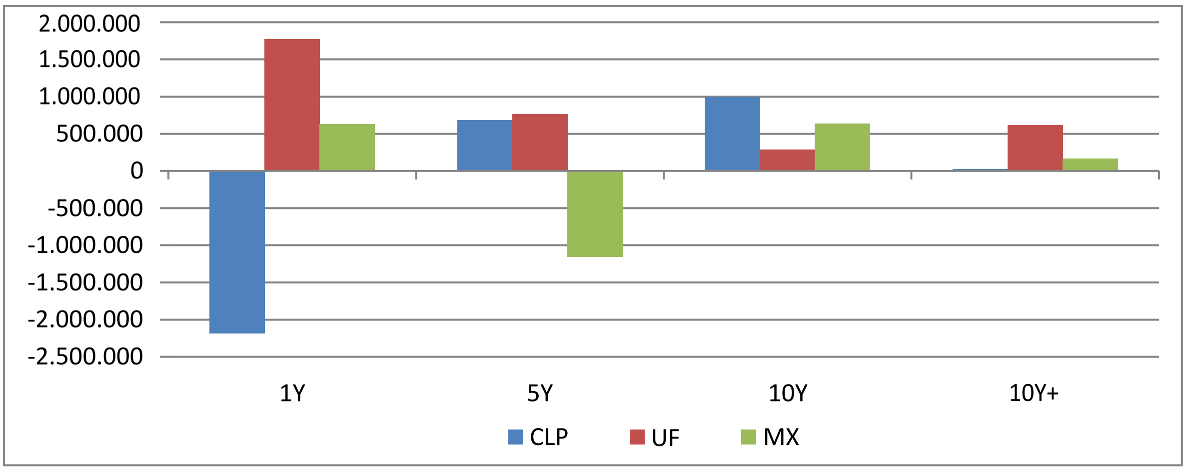
MISMATCH	**1Y**	**5Y**	**10Y**	**10Y+**	**Total**
Ch$	(2,182,234)	682,367	994,259	27,023	(478,585)
UF	1,770,660	764,618	288,419	614,429	3,438,126
MX	634,250	(1,154,993)	636,655	164,034	279,946
TOTAL	**222,676**	**291,992**	**1,919,333**	**805,486**	**3,239,487**

NOTE 36 - RISK MANAGEMENT, Continued

Fig. 6. Carrying amount to maturity range or re-pricing by currency positions
As of December 31, 2016 (MCh$)







NOTE 36 - RISK MANAGEMENT, Continued

Fig. 7. Carrying amount to maturity range or re-pricing by currency positions
As of December 31, 2015 (MCh$)

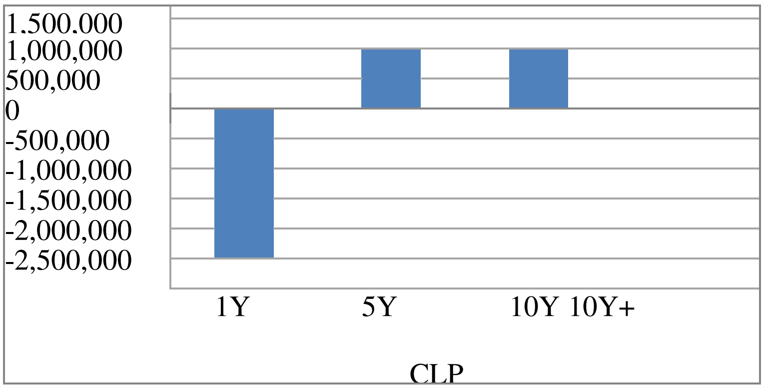
ASSETS	1Y	5Y	10Y	10Y+	Total
CLP	7,898,612	4,499,710	1,048,340	33,036	13,479,698
UF	3,633,918	3,412,111	2,391,880	1,706,710	11,144,619
MX	5,844,826	2,119,083	1,196,583	247,359	9,407,851
TOTAL	**17,377,356**	**10,030,904**	**4,636,803**	**1,987,105**	**34,032,168**

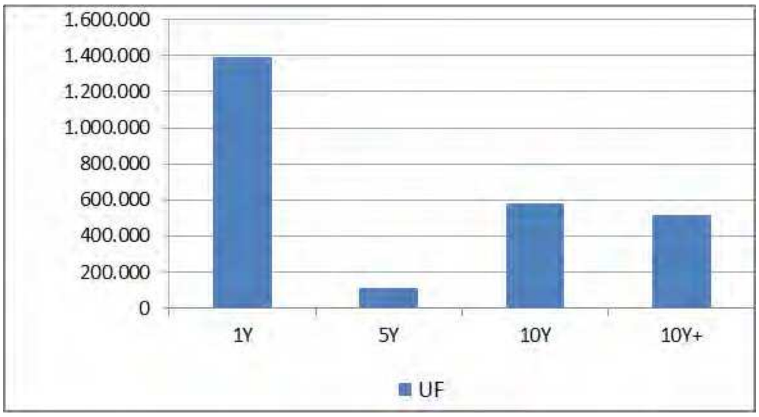
LIABILITIES	1Y	5Y	10Y	10Y+	Total
CLP	10,331,245	3,640,984	5	-	13,972,234
UF	2,245,063	3,301,122	1,813,274	1,189,107	8,548,566
MX	4,435,594	4,139,748	392,899	18,212	8,986,453
TOTAL	**17,011,902**	**11,081,854**	**2,206,178**	**1,207,319**	**31,507,253**

MISMATCH	1Y	5Y	10Y	10Y+	Total
CLP	(2,432,633)	858,726	1,048,335	33,036	(492,536)
UF	1,388,855	110,989	578,606	517,603	2,596,053
MX	1,409,232	(2,020,665)	803,684	229,147	421,398
TOTAL	**365,454**	**(1,050,950)**	**2,430,625**	**779,786**	**2,524,915**

NOTE 36 - RISK MANAGEMENT, Continued

Fig. 8. Carrying amount to maturity range or re-pricing by currency positions
As of December 31, 2015 (MCh$)





NOTE 36 - RISK MANAGEMENT, Continued

Fig. 9. Carrying amount to maturity range or re-pricing by Account positions
As of December 31, 2016 (MCh$)

ASSETS	1Y	5Y	10Y	10Y+	TOTAL
Central Bank of Chile	12,721	226,141	-	-	238,862
Domestic banks and financial institutions	136,825	131,917	27,216	10,575	306,533
Investments under agreements to resell	-	-	-	-	-
Commercial loans	8,226,445	2,670,792	1,399,234	585,563	12,882,034
Consumer loans	1,025,877	1,560,216	85,003	66,153	2,737,249
Negotiable residential mortgage loans	760,596	2,066,290	1,400,874	1,271,792	5,499,552
Residential mortgage loans with funding notes	26,093	18,565	3,983	2	48,643
Cash	1,604,090	-	-	-	1,604,090
Forwards	448,271	109,320	-	-	557,591
Chilean State	324,968	971,242	240,765	106,460	1,643,435
Consumer leasing	30	-	-	-	30
Commercial leasing operation	384,145	528,238	172,317	42,085	1,126,785
Other domestic entities	-	-	-	-	-
Other foreign entities	26,086	146,431	227,839	4,591	404,947
Other assets	1,695,617	41,305	42,549	64	1,779,535
Other residential mortgage loans	344,986	302,674	103,628	67,674	818,962
Others	-	-	-	-	-
Swaps	3,059,431	1,627,263	1,094,721	-	5,781,415
Total Assets	**18,076,181**	**10,400,394**	**4,798,129**	**2,154,959**	**35,429,663**

LIABILITIES	1Y	5Y	10Y	10Y+	TOTAL
Ordinary bonds	674,704	1,756,643	1,330,479	171,921	3,933,747
Subordinated bonds	46,680	172,941	212,563	1,125,427	1,557,611
Deferred-drawing savings accounts	41,807	-	-	-	41,807
Unconditional-drawing savings accounts	90,410	-	-	-	90,410
Demand deposits (*)	2,247,548	5,816,944	-	-	8,064,492
Term deposits	9,177,939	126,978	-	-	9,304,917
Forwards	442,632	105,389	-	-	548,021
Letters of credit	7,295	16,067	5,096	3	28,461
Other liabilities	658,094	-	-	52,122	710,216
Others, except options	-	-	-	-	-
Foreign loans and other obligations	1,618,068	304,246	-	-	1,922,314
Domestic loans and other obligations	137,798	33,784	2,416	-	173,998
Swaps	2,517,738	1,775,410	1,328,242	-	5,621,390
Liabilities under agreements to repurchase	192,792	-	-	-	192,792
Total Liabilities	**17,853,505**	**10,108,402**	**2,878,796**	**1,349,473**	**32,190,176**

(*) Determined in accordance with internal models.

NOTE 36 - RISK MANAGEMENT, Continued

Fig. 10. Carrying amount to maturity or re-pricing by account positions
As of December 31, 2015 (MCh$)

ASSETS	**1Y**	**5Y**	**10Y**	**10Y+**	**TOTAL**
Central Bank of Chile	14,711	262,837	64,293	-	341,841
Domestic banks and financial institutions	69,250	85,832	31,881	14,131	201,094
Investments under agreements to resell	49,794	-	-	-	49,794
Commercial loans	7,285,639	2,466,180	1,186,647	499,200	11,437,666
Consumer loans	941,598	1,395,249	66,861	57,876	2,461,584
Negotiable residential mortgage loans	723,234	1,807,380	1,237,144	1,124,079	4,891,837
Residential mortgage loans with funding notes	39,974	24,595	6,564	41	71,174
Cash	1,340,177	-	-	-	1,340,177
Forwards	571,631	557,591	-	-	1,129,222
Chilean State	219,560	830,673	457,270	166,877	1,674,380
Consumer leasing	1,272	2,050	46	14	3,382
Commercial leasing operation	399,570	516,911	173,216	40,745	1,130,442
Other domestic entities	-	-	-	-	-
Other foreign entities	23,313	141,668	198,796	5,656	369,433
Other assets	1,965,248	15,580	43,028	37	2,023,893
Other residential mortgage loans	302,370	316,566	102,492	75,360	796,788
Others	-	-	-	-	-
Swaps	3,430,015	1,607,792	1,068,565	3,089	6,109,461
Total Assets	**17,377,356**	**10,030,904**	**4,636,803**	**1,987,105**	**34,032,168**

LIABILITIES	**1Y**	**5Y**	**10Y**	**10Y+**	**TOTAL**
Ordinary bonds	213,056	1,977,121	1,140,226	-	3,330,403
Subordinated bonds	49,890	172,690	205,144	1,137,278	1,565,002
Deferred-drawing savings accounts	41,735	-	-	-	41,735
Unconditional-drawing savings accounts	91,206	-	-	-	91,206
Demand deposits (*)	2,216,079	5,652,921	-	-	7,869,000
Term deposits	8,327,318	461,378	5	1	8,788,702
Forwards	571,944	533,085	-	-	1,105,029
Letters of credit	8,900	21,033	8,459	91	38,483
Other liabilities	809,858	-	-	18,211	828,069
Others, except options	-	-	-	-	-
Foreign loans and other obligations	1,333,668	535,008	-	-	1,868,676
Domestic loans and other obligations	71,025	37,012	3,637	-	111,674
Swaps	3,215,055	1,691,606	848,707	51,738	5,807,106
Liabilities under agreements to repurchase	62,168	-	-	-	62,168
Total Liabilities	**17,011,902**	**11,081,854**	**2,206,178**	**1,207,319**	**31,507,253**

(*) Determined in accordance with internal models.

NOTE 36 - RISK MANAGEMENT, Continued

The principal positions of financial investments available for sale by type of issuer and currency and risk classification as of December 31, 2016 and 2015 are stated below.

Fig. 11. Fair Value of Financial Investments Available for Sale
As of December 31, 2016 (MCh$)
Banco de Crédito e Inversiones and City National Bank of Florida (CNB)

	Ch$	UF	USD	EUR	OTHERS
Sovereign bonds	424,613	91,894	82,923	104,232	-
Corporate bonds	12,483	9,053	113,612	-	-
Financial institutions bonds	47,383	1,724	1,286,862	-	-
Mortgage-funding notes	-	62,009	-	-	-
Term deposits	94,831	5,561	-	-	-
Investment funds (*)	-	-	124	-	-
Shares (*)	-	-	686	-	-
Total	**579,310**	**170,241**	**1,484,207**	**104,232**	**-**

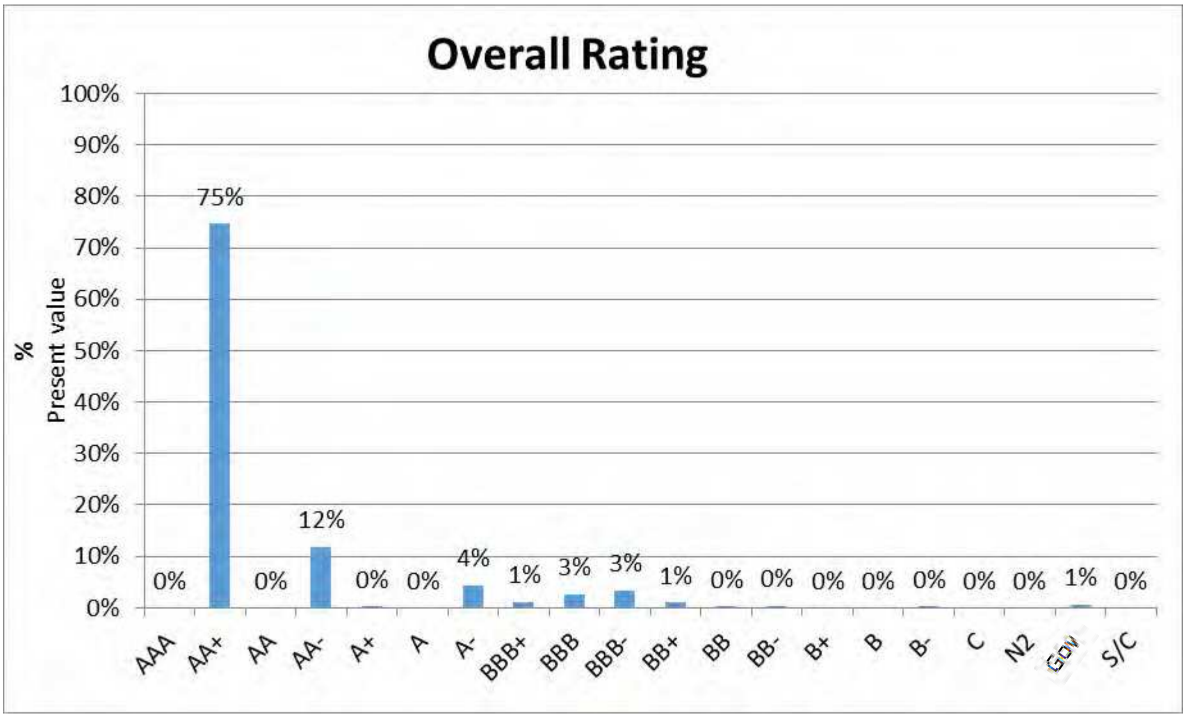
Fig. 11.b Fair Value of Financial Investments Available for Sale
As of December 31, 2015 (MCh$)
Banco de Crédito e Inversiones and City National Bank of Florida (CNB)

	Ch$	UF	USD	EUR	OTHERS
Sovereign bonds	514,492	93,800	70,017	35,655	-
Corporate bonds	15,826	10,815	149,319	-	-
Financial institutions bonds	31,005	8,319	1,266,798	-	-
Mortgage-funding notes	-	77,172	-	-	-
Term deposits	1,697	14,219	-	-	-
Investment funds (*)	-	-	98	-	-
Shares (*)	-	-	501	-	-
Total	**563,020**	**204,325**	**1,486,733**	**35,655**	**-**

(*) Investment funds and shares correspond to the CNB's available for sale portfolio.

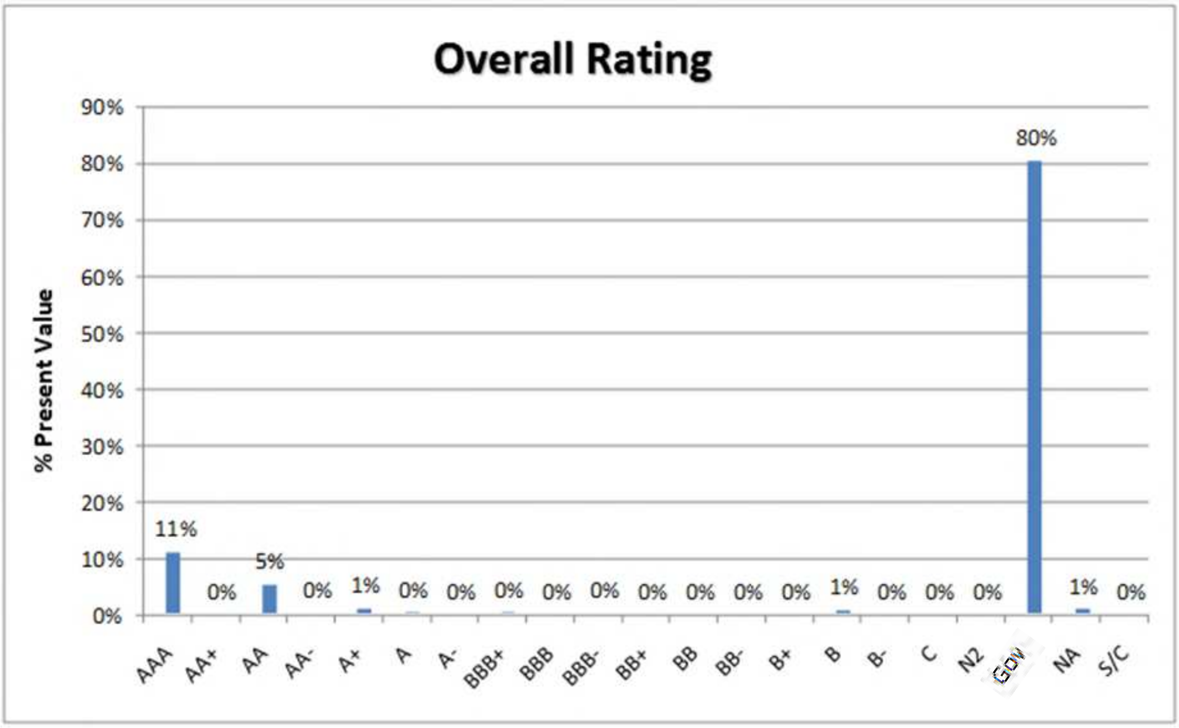
NOTE 36 - RISK MANAGEMENT, Continued

Fig. 12. Financial Investments Available for Sale
Internationally-Issued Bond Portfolio Credit Rating as of December 31, 2016 (%)
Banco de Crédito de Inversiones and City National Bank of Florida (CNB)



NOTE 36 - RISK MANAGEMENT, Continued

Fig. 13. Financial Investments Available for Sale
Portfolio Risk Classification Bonds and LCH National Emission as of December 31, 2016 (%)
Banco de Crédito de Inversiones



b. Sensitivity analysis

Sensitivity analysis is used to monitor the market risk of positions by sensitivity to each of the risk factors, for example, a change in the present value of 100 basis points in the interest rate is a type of risk factor. This type of model is especially useful for measuring the risk of a mismatch between assets and liabilities, i.e., essentially the banking book.

The regulatory sensitivity measurements perform these analyses by applying interest rates, exchange rates, inflation, commodities positions, shares positions, and exposure to derivative instruments, according to predetermined sensitivities.

The Bank also performs measurements for sub-portfolios and different risk factors.

Among the models used is Market Value Sensitivity or MVS, which measures the change in economic value of equity in the event of a parallel movement of 100 basis points in interest rates.

NOTE 36 - RISK MANAGEMENT, Continued

For a short-term horizon, the Spreads at Risk or SAR model is used, which measures the impact on results in 12 months' time of a parallel movement in rates. For both models, there are explicit internal limits measured as a ratio of capital (for MVS) and of financial margin (for SAR).

The Bank structurally generates risk rate exposure, which is mainly explained by maintaining long-term fixed rate assets and obtaining short-term financing, such as deposits. In this regard, the Bank is an active market participant in managing their interest rate risk strategy using hedge accounting.

Some of the hedging strategies are: a) transforming short-term risk to long-term (taking liabilities from short to long term through interest rate swaps) and b) floating long-term placements using interest rate swap.

In the scenario of 100 basis points increase, holding constant other variables, the effects compared at the end of December 2016 and 2015 for the Bank are the following:

- In the short-term, exposure to interest rates as of December 2016 and 2015, amounted to MCh$ 21,597 and MCh$ 31,567 respectively, equivalent to expect an adverse effect on the financial margin over a 12 months horizon.

- The sensitivity rate risk applied to all items in the banking book and all deadlines, measured by MVS, as of December 2016 and 2015, are MCh$ 130,289 and MCh$ 139,289 respectively. The risk maintained its upward trend as in previous periods.

c. Value at Risk

Value-at-Risk (VaR) is a methodology that estimates potential losses that might affect a portfolio as a result of adverse interest-rate movements and/or market-price changes over a period of time and for a certain level of confidence.

The VaR methodology used is a historic simulation that records the *fat-tails* property of the financial income, it uses a window of 4 years of daily data, and it is measured at the first percentile of the P&L distribution or VaR at 99% of confidence, which is the same. The *volatility up dating* technique is used, which records the existence of volatility *clusters*.

The *forecast* horizon is of 1 day. The square root rule is used to escalate this value to the regulatory horizon of ten days.

The value-at-risk model is validated by *back-testing* the daily results, both observed and theoretical. Statistically, excess losses of VaR are expected to be observed on average 1% daily. As of December 31, 2016, *back-test* places the model in the green area of Basel with three fails in the last 250 business days.

NOTE 36 - RISK MANAGEMENT, Continued

Objectives and limitations of the VaR methodology

The objective of the VaR is to measure the risk of a portfolio of assets by determining how much you can lose of the portfolio over a period of time and with a given confidence level under normal market conditions.

This method is very easy to apply in portfolios that include information on relevant market variables, Furthermore, calculation does not depend on correlations and volatilities, as these are implicitly calculated using historical information. However, this means obtaining the history of associated variables for performing this calculation, which implies an effort to have such data. In addition, to have a certain degree of confidence in the measurement, in this case with VaR at 99%, this leads to the loss of 1 in every 100 days, which will be the least as predicted by the VaR, without a possible limit for this value.

- **Stress Testing VaR**

There are limitations of the VaR models, particularly in the presence of extreme events that have not been observed in recent historic information or for not capturing the intra-day movements of the portfolio, therefore, stress situations are modelled to evaluate potential impacts on the value of portfolios in the most extreme, although possible, events. The scenarios used are the following:

I. Historic simulation scenarios that incorporate fluctuations observed during historic extreme events.
II. Monte-Carlo simulation scenarios, which generate multiplicity of possible scenarios from the historic data.
III. Scenarios of sensitivity that consider movements in risk factors that are not captured by the recent history.

- **VaR limits**

The Corporation has set specific limits to the corporate VaR, as well as sub-limits to the trading, balance and available for sale investments portfolios.

d. Position Limit

In addition to the limits of risk models predictive character as VaR and sensitivity analysis, there are accounting limits by maximum positions.

e. Variations

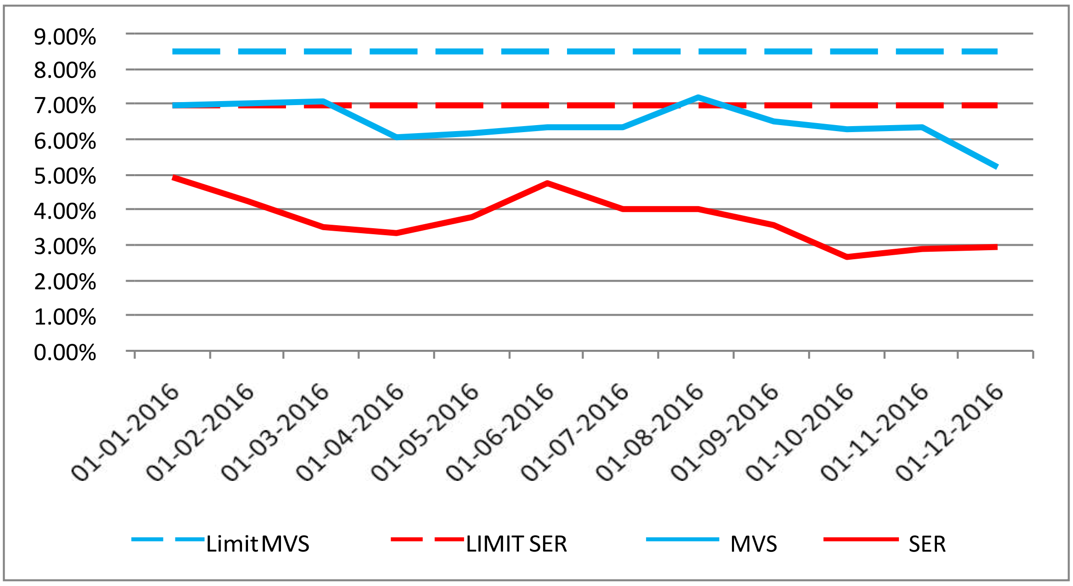
- Sensitivity analysis of the banking book.

The use of hedge accounting and bond, help keep the risk of interest rate bounded in the banking book.

Measuring long-term MVS averaged over 2016 have reached as of December 31, 2016 6.44% (6.27% as of December 31, 2015) of capital over a limit of 8.5%. The SeR, meanwhile, averaged during 2016 3.79% versus an average of 2.64% in 2015. From the June 1, 2015 the SeR limit, which step of 3.35% to 6.50%, was also amended. Both indexes increased rate risk of banking book which are well below the limits.

NOTE 36 - RISK MANAGEMENT, Continued

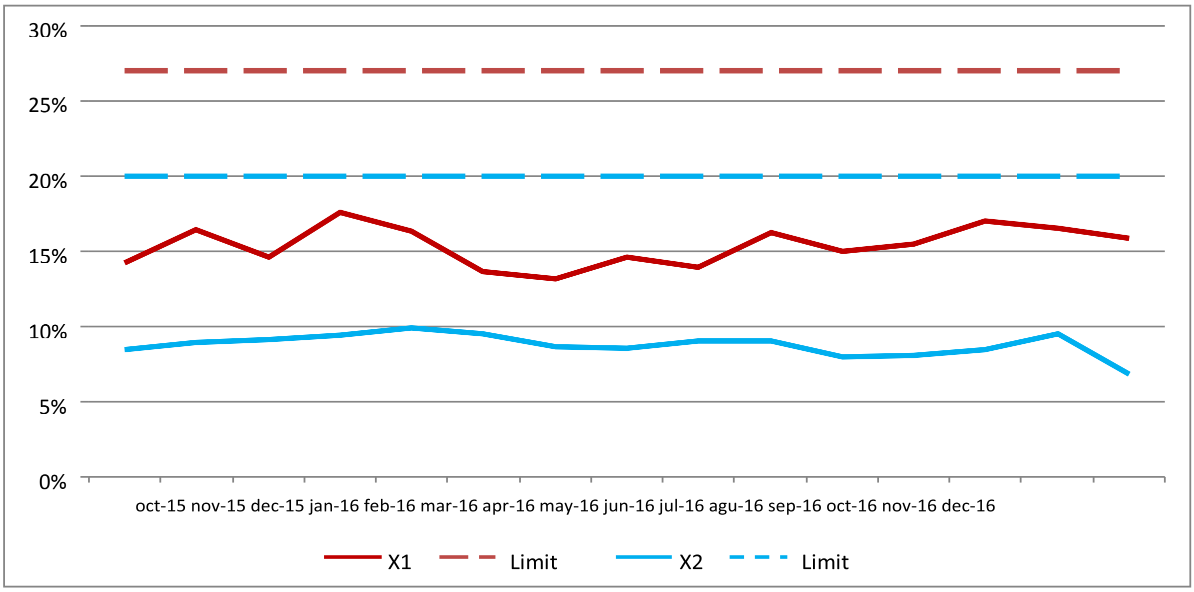
Fig. 14. MVS - SeR
As of December 31, 2016



The evolution of regulatory ratios X1 (exposure to market risk in the short term) and X2 (exposure to market risk in the long term) recorded clearance with the limits so far 2016, mainly due to the management of the balance sheet hedge accounting.

NOTE 36 - RISK MANAGEMENT, Continued

Fig. 15. Regulatory Market Risk X1 - X2
Banco de Crédito e Inversiones and City national Bank of Florida (CNB)
As of December 31, 2016



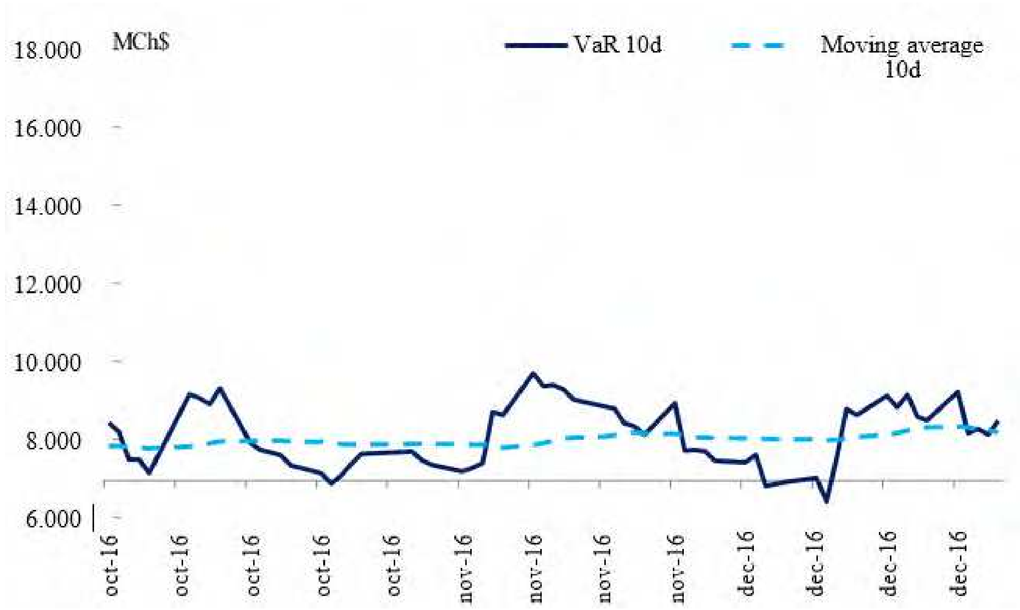
X1: Limit on Financial Margin
X2: Limit on Effective Shareholders Equity

NOTE 36 - RISK MANAGEMENT, Continued

Value at risk

The evolution of the 10-day VaR for the rolling year shown; data as of December 31, 2016.

Fig. 16. Consolidated Value at Risk
As of December 31, 2016 (MCh$)



NOTE 36 - RISK MANAGEMENT, Continued

During 2016, the average consolidated total risk MCh$ 9,554 measured over the regulatory horizon of 10 days experienced an increase of 10% over the 2015 average.

On a consolidated basis, the risk of interest rate averages MCh$ 7,441 while the foreign currency risk averages MCh$ 5,524. In trading the aggregate average was MCh$ 4,963, MCh$ 4,720 for interest rate risk and MCh$ 1,551 for foreign currency risk. Finally, for non-trading portfolios (investments available for sale) the total VaR averaged MCh$ 2,369, MCh$ 1,688 for interest rate risk and MCh$ 1,952 for foreign currency risk.

Fig. 17. Value at risk by portfolio and type of risk
As of December 31, 2016 (MCh$)

a) Consolidated VaR by type of risk (MCh$)

	12 Months ended December 31, 2016			
	Average	**Maximum**	**Minimum**	**Closure**
FX Risk	5,524	13,167	1,636	2,839
Interest rate risk	7,441	11,214	4,405	7,424
Diversification (*)	3,411	7,892	416	1,750
VaR Total	**9,554**	**16,489**	**6,457**	**8,513**

b) VaR trading portfolio by type of risk (MCh$)

	12 Months ended December 31, 2016			
	Average	**Maximum**	**Minimum**	**Closure**
FX Risk	1,551	5,339	73	129
Interest rate risk	4,720	7,983	2,780	4,904
Diversification (*)	1,308	4,658	487	104
VaR Total	**4,963**	**8,664**	**3,340**	**4,929**

c) VaR non-trading portfolio by type of risk (MCh$)

	12 Months ended December 31, 2016			
	Average	**Maximum**	**Minimum**	**Closure**
FX Risk	1,952	7,080	379	1,066
Interest rate risk	1,688	3,685	594	1,510
Diversification (*)	1,271	3,891	365	903
VaR Total	**2,369**	**6,874**	**1,338**	**1,673**

(*) Diversification is defined as the effect of correlation of total VaR.

NOTE 36 - RISK MANAGEMENT, Continued

Fig. 18. Value at Risk by portfolio and type of risk
As of December 31, 2015 (MCh$)

a) Consolidated VaR by type of risk (MCh$)

	12 Months ended December 31, 2015			
	Average	**Maximum**	**Minimum**	**Closure**
FX Risk	4,214	16,491	(1,339)	4,707
Interest rate risk	7,057	10,241	(388)	8,264
Diversification (*)	2,804	13,580	6,485	3,558
VaR Total	**8,467**	**13,152**	**4,758**	**9,413**

b) VaR trading portfolio by type of risk (MCh$)

	12 Months ended December 31, 2015			
	Average	**Maximum**	**Minimum**	**Closure**
FX Risk	2,037	8,210	(1,435)	1,278
Interest rate risk	4,911	6,820	973	5,004
Diversification (*)	1,483	6,658	3,612	1,581
VaR Total	**5,465**	**8,372**	**3,150**	**4,701**

c) VaR non-trading portfolio by type of risk (MCh$)

	12 Months ended December 31, 2015			
	Average	**Maximum**	**Minimum**	**Closure**
FX Risk	1,645	7,527	(134)	1,242
Interest rate risk	2,076	3,279	79	2,040
Diversification	945	4,554	698	985
VaR Total	**2,776**	**6,252**	**643**	**2,297**

(*) Diversification is defined as the effect of correlation of total VaR.

While VaR captures the Bank's daily exposure to the risks of currency and interest rate sensitivity analysis, it also evaluates the impact of a reasonably possible change in interest rates and exchange rates over one year, The longer time frame of sensitivity analysis complements VaR and helps the Bank to assess their exposure to market risk, The details of the sensitivity analysis for the risk of exchange rate and interest rate risk are set out below.

NOTE 36 - RISK MANAGEMENT, Continued

Sensitivity of interest rate

The following table shows the sensitivity of the fair values to reasonably possible alternative assumptions:

	Recognition in statements of income		Recognition in statements of other comprehensive income	
	Favourable change	Not favourable change	Favourable change	Not favourable change
As of December 31, 2016	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Securities backed by assets held for trading	9	(9)	-	-
Other non-derivative assets held for trading	(25)	25	-	-
Securities backed by available for sales assets	-	-	(128)	128
As of December 31, 2015				
Securities backed by assets held for trading	(107)	107	-	-
Other non-derivative assets held for trading	6	(6)	-	-
Securities backed by available for sales assets	-	-	(156)	156

Currency Risk

The currency risk is defined as the risk that the value of a financial instrument will fluctuate true to changes in exchange rates. The Bank is exposed to the effects of fluctuations in prevailing exchange rates regarding its financial position and cash flows.

NOTE 36 - RISK MANAGEMENT, Continued

The Bank's exposure to the risk of exchange rates of foreign currencies is presented in the table below:

As of December 31, 2016

MCh$

Assets	USD	EUR	Others
Cash	441,302	32,809	2,578
Commercial loans	2,025,710	27,943	651
Investments under agreement to resell	-	-	-
Commercial leasing operations	58,628	-	-
Mortgage loans LC	-	-	-
Mortgage loans MHE	-	-	-
Other mortgage loans	-	-	-
Residential leasing	-	-	-
Consumer loans	16,366	-	-
Consumer leasing	-	-	-
Commercial loans LCS	-	-	-
Consumer loans LCS	-	-	-
Central Bank of Chile	-	-	-
State of Chile	-	-	-
Domestic banks and financial institutions	-	-	-
Other domestic entities	1,618	-	-
State and governments bodies MX	-	-	-
Foreign banks	-	-	-
Other foreign entities	150,562	107,659	-
Forward	5,933,173	128,593	57,902
Futures	19,869	-	-
Swaps	10,133,742	112,798	98,348
Other, excluding options	-	-	-
Other assets	977,551	3,719	371
Delta options	81,860	-	473
Total Assets	**19,840,381**	**413,521**	**160,323**

Liabilities	USD	EUR	Others
Demand deposits	679,829	44,752	581
Term deposits	937,044	6,519	-
Saving accounts with deferred withdrawal	-	-	-
Savings accounts with unconditional withdrawal	-	-	-
Liabilities under agreements to repurchase	7,377	-	-
Loans and other liabilities contracted MN	8,407	-	-
Loans and other liabilities contracted MX	1,019,354	944	-
Letters of credit	-	-	-
Ordinary bonds	737,748	14,924	96,173
Subordinated bonds	-	-	-
Forward	5,919,009	137,385	59,511
Futures	19,732	-	-
Swaps	10,227,777	216,304	-
Other, excluding options	-	-	-
Other liabilities	413,814	2,334	87
Delta Options	12,221	-	473
Total Liabilities	**19,982,312**	**423,162**	**156,825**
Net	**(141,931)**	**(9,641)**	**3,498**

NOTE 36 - RISK MANAGEMENT, Continued

As of December 31, 2015

MCh$

Assets	USD	EUR	Others
Cash	450,794	43,713	3,792
Commercial loans	4,161,843	20,952	302
Investments under agreement to resell	35,388	-	-
Commercial leasing operations	58,774	-	-
Mortgage loans LC	-	-	-
Mortgage loans MHE	567,356	-	-
Other mortgage loans	-	-	-
Residential leasing	-	-	-
Consumer loans	135,711	-	-
Consumer leasing	-	-	-
Commercial loans LCS	-	-	-
Consumer loans LCS	-	-	-
Central Bank of Chile	-	-	-
State of Chile	-	-	-
Domestic banks and financial institutions	-	-	-
Other domestic entities	1,716	-	-
State and governments bodies MX	-	-	-
Foreign banks	-	-	-
Other foreign entities	1,299	35,240	-
Forward	7,373,465	307,706	144,981
Futures	3,051	-	-
Swaps	9,763,773	20,530	101,263
Other, excluding options	-	-	-
Other assets	81,711	5,795	68
Delta options	133,525	5,592	48,557
Total Assets	**22,768,406**	**439,528**	**298,963**

Liabilities	USD	EUR	Others
Demand deposits	3,548,266	45,594	139
Term deposits	1,237,524	11,365	-
Saving accounts with deferred withdrawal	-	-	-
Savings accounts with unconditional withdrawal	-	-	-
Liabilities under agreements to repurchase	62,239	-	-
Loans and other liabilities contracted MN	46,854	-	-
Loans and other liabilities contracted MX	1,844,440	1,475	524
Letters of credit	-	-	-
Ordinary bonds	778,525	-	100,305
Subordinated bonds	-	-	-
Forward	6,813,681	297,358	150,696
Futures	3,024	-	-
Swaps	10,221,787	58,321	-
Other, excluding options	-	-	-
Other liabilities	534,596	18,869	5,634
Delta options	98,791	16,580	42,063
Total Liabilities	**25,189,727**	**449,562**	**299,361**
Net	**(2,421,321)**	**(10,034)**	**(398)**

NOTE 36 - RISK MANAGEMENT, Continued

Sensitivity of currency risk

The following tables detail the Bank's sensitivity against an increase and decrease of 10% in the Chilean peso against the relevant foreign currencies, 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of reasonable possible changes in exchange rates.

The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and it adjusts its conversion at the end of the period, of which it reports a 10% change in the exchange rates. The sensitivity analysis includes external loans as well as loans to foreign operations with the Bank where the loan is denominated in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in earnings and other net equity when the Chilean peso goes up by 10%, compared to the corresponding currency.

In the case of a low of 10% of the Chilean peso against the relevant currency, a comparable impact on the earnings and other equity would be produced, and the balances would be negative, as shown below.

NOTE 36 - RISK MANAGEMENT, Continued

	As of December 31, 2016			
MCh$	**Decrease 10%**		**Increase 10%**	
Assets	**USD**	**EUR**	**USD**	**EUR**
Cash	397,172	29,528	485,432	36,090
Commercial loans	1,823,139	25,149	2,228,281	30,738
Investments under agreement to resell	-	-	-	-
Commercial leasing operations	52,765	-	64,490	-
Mortgage loans LC	-	-	-	-
Mortgage loans MHE	-	-	-	-
Other mortgage loans	-	-	-	-
Residential leasing	-	-	-	-
Consumer loans	14,729	-	18,002	-
Consumer leasing	-	-	-	-
Commercial loans LCS	-	-	-	-
Consumer loans LCS	-	-	-	-
Central Bank of Chile	-	-	-	-
State of Chile	-	-	-	-
Domestic banks and financial institutions	-	-	-	-
Other domestic entities	1,456	-	1,780	-
State and governments bodies MX	-	-	-	-
Foreign banks	-	-	-	-
Other foreign entities	135,506	96,893	165,619	118,424
Forward	5,339,855	115,734	6,526,490	141,453
Futures	17,882	-	21,856	-
Swaps	9,120,368	101,519	11,147,116	124,078
Other, excluding options	-	-	-	-
Other assets	879,796	3,347	1,075,306	4,091
Delta options	73,674	-	90,046	-
Total Assets	**17,856,342**	**372,170**	**21,824,418**	**454,874**

Liabilities	**USD**	**EUR**	**USD**	**EUR**
Demand deposits	611,846	40,277	747,812	49,228
Term deposits	843,340	5,867	1,030,748	7,171
Saving accounts with deferred withdrawal	-	-	-	-
Savings accounts with unconditional withdrawal	-	-	-	-
Liabilities under agreements to repurchase	6,640	-	8,115	-
Loans and other liabilities contracted MN	7,566	-	9,248	-
Loans and other liabilities contracted MX	917,419	850	1,121,289	1,039
Letters of credit	-	-	-	-
Ordinary bonds	663,973	13,432	811,523	16,417
Subordinated bonds	-	-	-	-
Forward	5,327,108	123,647	6,510,910	151,124
Futures	17,759	-	21,705	-
Swaps	9,204,999	194,673	11,250,555	237,934
Other, excluding options	-	-	-	-
Other liabilities	372,432	2,101	455,195	2,567
Delta options	10,999	-	13,443	-
Total Liabilities	**17,984,081**	**380,847**	**21,980,543**	**465,480**
Net	**(127,739)**	**(8,677)**	**(156,125)**	**(10,606)**

NOTE 36 - RISK MANAGEMENT, Continued

	As of December 31, 2015			
MCh$	**Decrease 10%**		**Increase 10%**	
Assets	**USD**	**EUR**	**USD**	**EUR**
Cash	324,512	39,342	396,626	48,084
Commercial loans	1,765,611	18,857	2,157,968	23,047
Investments under agreement to resell	-	-	-	-
Commercial leasing operations	52,896	-	64,651	-
Mortgage loans LC	-	-	-	-
Mortgage loans MHE	-	-	-	-
Other mortgage loans	-	-	-	-
Residential leasing	-	-	-	-
Consumer loans	13,307	-	16,264	-
Consumer leasing	-	-	-	-
Commercial loans LCS	-	-	-	-
Consumer loans LCS	-	-	-	-
Central Bank of Chile	-	-	-	-
State of Chile	-	-	-	-
Domestic banks and financial institutions	-	-	-	-
Other domestic entities	1,544	-	1,887	-
State and governments bodies MX	-	-	-	-
Foreign banks	-	-	-	-
Other foreign entities	1,169	31,716	1,429	38,764
Forward	6,636,118	276,935	8,110,811	338,476
Futures	2,746	-	3,356	-
Swaps	8,785,836	18,477	10,738,244	22,583
Other, excluding options	-	-	-	-
Other assets	1,127,575	5,215	1,378,147	6,374
Delta options	120,173	5,033	146,878	6,151
Total Assets	**18,831,487**	**395,575**	**23,016,261**	**483,479**

Liabilities	**USD**	**EUR**	**USD**	**EUR**
Demand deposits	602,032	41,034	735,816	50,153
Term deposits	850,349	10,228	1,039,315	12,501
Saving accounts with deferred withdrawal	-	-	-	-
Savings accounts with unconditional withdrawal	-	-	-	-
Liabilities under agreements to repurchase	64	-	78	-
Loans and other liabilities contracted MN	42,169	-	51,539	-
Loans and other liabilities contracted MX	1,054,497	1,327	1,288,829	1,622
Letters of credit	-	-	-	-
Ordinary bonds	700,673	-	856,378	-
Subordinated bonds	-	-	-	-
Forward	6,132,313	267,622	7,495,049	327,094
Futures	2,721	-	3,326	-
Swaps	9,198,003	52,489	11,242,004	64,153
Other, excluding options	-	-	-	-
Other liabilities	474,577	16,982	580,039	20,756
Delta options	88,912	14,922	108,670	18,238
Total Liabilities	**19,146,310**	**404,604**	**23,401,043**	**494,517**
Net	**(314,823)**	**(9,029)**	**(384,782)**	**(11,038)**

NOTE 36 - RISK MANAGEMENT, Continued

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain the same, In fact, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger and smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into account that the Bank's assets and liabilities are actively managed, moreover, the financial position of the Bank may vary at the time that an actual market movement occurs. For example, the strategy of financial risk management of the Bank seeks to manage the exposure to market fluctuations. As investment markets go through different trigger levels, management actions could include selling investments, changing the allocation of the investment portfolio and taking other protective measures.

Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statements of financial position. In these circumstances, the different measurement bases of assets and liabilities could result in volatility of equity.

Price risk - own products

The Bank is exposed to price risks of its products that are subject to general and specific fluctuations in the market.

The Bank manages price risk through the estimation of periodic stress tests, which establish various scenarios of adverse market conditions; on the other hand it has contingency plans that address transverse actions in the corporation in order to face scenarios that expose the corporation to significant loss.

Other Price Risks

The price risk of equity is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to individual value and its issuer or factors affecting all actual market values.

The sensitivity analyses below have been determined based on the exposure to equity price at period over which it is reported.

If equity prices had been 1% higher / lower:

Net income for the as of December 31, 2016 would not have been affected as the equity investments are classified as available for sale and no investment was expropriated or damaged; notwithstanding, the negative effect on equity would have been MCh$ 24,990, similar to 2015 when the negative effect would have been MCh$ 24,103.

NOTE 36 - RISK MANAGEMENT, Continued

f. Fair Value

The area of Market Risk is responsible for defining the methodologies of valuation of assets and liabilities measured at fair value, while operations are responsible for the implementation thereof. The fundamental principle of the task of fair value measurement is to determine the starting price of an asset or liability in an ordinary transaction in a representative market. But not only the accounting information depends on this assessment; risk indicators such as value-at-risk are also based on these prices, so that the implied volatility on any valuation model is also very relevant.

Following international accounting rules, are used - provided they are available- quotations or observable prices of identical assets or liabilities that are measured. These are known as Level 1 Inputs Absent identical assets or liabilities measurement is made based on observable prices. Interpolations typically classified in this group for the case of derivatives and other instruments or matrix pricing models for fixed income instruments, this class is known as Level 2 inputs.

Finally, when it is not possible to rely on the above inputs, the measurement is performed based on inputs that are not directly observable on the market. These are the Level 3 Inputs Note 35 present the classification of financial instruments according to their valuation. Below is a brief explanation of that system.

Positions in foreign currency bonds Central Bank and futures contracts and other instruments traded on exchanges have very liquid markets where prices or prices for identical instruments are usually observable. These instruments are included in Level 1.

Even for liquid instruments, some markets require the existence of brokers to raise supply with demand and allow transactions to be carried out under those circumstances. Normally deposits and derivatives traded over-the-counter are in this segment. These have quotes from different broker, which guarantees the existence of market prices or inputs needed for valuation. Among derivatives instruments are currency forwards and interest rate forwards, interest rate swaps, cross-currency swap and foreign currency options. As usual for those instruments other than those listed, valuation techniques and interpolation curves that are standard in the market are used. Debt instruments are less liquid as some sovereign bonds, corporate bonds and mortgage securities of domestic issue, and are valued - unless there is available pricing - based on fair value models based on directly observable prices or market factors. All these instruments are classified in Level 2 valuation.

The base model for the valuation of fixed income securities without much liquidity in the local market is a dynamic model of interest rates using panel's incomplete data and incorporates all the recent price history of the papers in question and instruments with similar characteristics as to issuer risk rating, duration, etc. The fair value models used both internal and external are tested periodically and back testing audited by independent parties.

Finally, all instruments whose prices or market factors are not directly observable are classified in Level 3.

NOTE 36 - RISK MANAGEMENT, Continued

g. Derivative instruments

As of December 31, 2016 the Bank had MCh$ 59,839 derivative instruments at fair value, Derivatives are classified into two groups according to their accounting treatment: (1) instruments for trading and (2) instruments with special hedge accounting treatment. The trading instruments come from activities of Sales & Trading (S&T), whether from sales to third parties or hedging the risks involved in such sales. The areas responsible for Asset & Liability Management (ALM) also use derivatives to hedge their risks. They can follow the standard treatment for negotiation (trading) or have special hedge accounting treatment. The toppings look according to current accounting standards reduce fluctuations in the value of assets and liabilities or cash flows.

The market risk associated with derivative instruments is measured by VaR and stress tests.

h. Counterparty risk

The Bank manages its counterparty risk by two actions, consumer line in derivatives and Credit Value Adjustment (CVA).

Use of line

Consumption credit line derived over-the-counter (OTC) must match the credit exposure generated by the Bank. The credit risks on these contracts exist when the recovery or mark-to-market (MTM) is positive in favour of the Bank. As these contracts are valued daily, in this there is uncertainty regarding the potential value that can reach the MTM over the life of the operation.

Monte Carlo simulation techniques are used to estimate future peak exposures by counterparty, Specific counterparty limits ensure that the accepted risk levels are not exceeded and proper diversification is achieved, The table below details the use of line segment at the end of December 2016.

Segment	December 31, 2016 MCh$	December 31, 2015 MCh$
Retail Banking	**3,782**	**4,803**
Retail banking	360	-
Small and Medium Enterprises	3,422	(4,803)
Wholesale Banking	**822,079**	**861,317**
Commercial banking	136,905	158,184
Corporate & Investment Banking Commercial Division	685,174	703,133
Corporate & Investment Banking Finance Division	**679,873**	**711,283**
Total	**1,505,734**	**1,577,403**

NOTE 36 - RISK MANAGEMENT, Continued

Adjustment for credit risk in derivatives (CVA)

The objective is to determine the expected loss for counterparty risk in OTC derivative contracts. The CVA of a derivative is defined as the difference between the value of open derivative counterparty risk (equivalent to the original derivative without risk of default of either party) and the value of a derivative (which corresponds to the original derivative, which has an inherent risk) considering the possibility of counterparty default, Thus the CVA of a client can be obtained from the expected exposure (EE) for counterparty risk (how much is expected to lose) and the rate of expected loss (EL) associated with the default of the counterparty. The table below details the provision of CVA segment as of December 31, 2016 and 2015.

Credit Value Adjustment			
Segment	**31.12.2016**	**31.12.2015**	**Variation**
	MCh$	**MCh$**	**MCh$**
Retail Banking	**300**	**443**	**(143)**
Retail banking	-	-	-
Small and Medium Enterprises	300	443	(143)
Wholesale Banking	**13,895**	**8,179**	**5,716**
Commercial	3,704	5,107	(1,403)
Corporate & Investment Banking Commercial Division	10,191	3,072	7,119
Corporate & Investment Banking Finance Division	**569**	**636**	**(67)**
Total	**14,764**	**9,258**	**5,506**

i. Hedge accounting

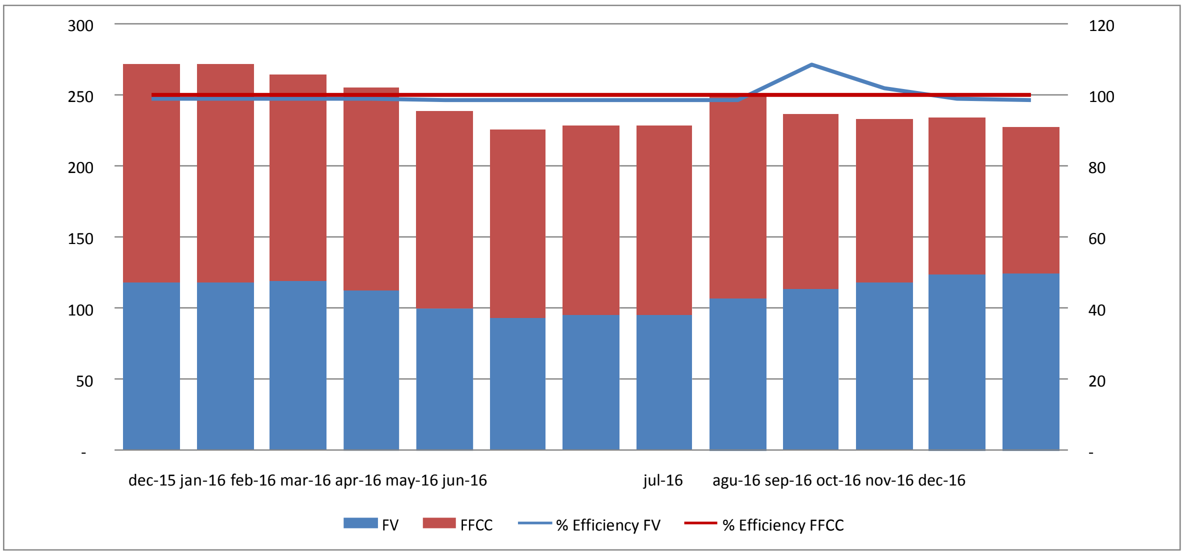
The Bank uses hedge accounting to manage the risk of fair value and cash flow to which it is exposed. The fair value hedges using derivative instruments to hedge the change in fair value of an asset or liability in the Consolidated Financial Statements.

The cash flow hedges effects meanwhile, recognized in equity changes in fair value of derivatives that are part of the coverage. Treatment of this type of instrument strictly follows international accounting standards IAS 39. Financial Risk Management is responsible for designing and validating the effectiveness of the hedges, generating effectiveness indicators that are monitored and reported to ALCO.

As of December 31, 2016 the total notional amount of cash flow hedges amounted to UF 102,251,050 where as fair value hedges reach UF 125,019,127 (including macro hedge).

NOTE 36 - RISK MANAGEMENT, Continued

Fig. 19. Amount, Type and effectiveness of Hedge Accounting
As of December 31, 2016 (UF Millions)



CREDIT RISK

Risk Management structure

The Bank has structured its credit approval process on the basis of personal and non-delegable discretionary limits authorized by the Board of Directors. Based on these credit faculties, the operations are approved at the different levels of Management, always requiring the concurrence of two executives with discretionary limits.

As the amount of the operation increases, pairs of senior executives both from the commercial and risk areas and from the senior management committees must approve the operation, until reaching the highest level represented by approval from the Board of Director's Executive Committee.

Provisions for credit risk

According to the Superintendence of Banks and Financial Institutions (SBIF), the Banks should permanently maintain evaluations of their loans and contingent credit portfolios, in order to establish provisions opportunely and sufficiently, so as to cover possible losses, in accordance with the regulation of said Superintendence, contained on Compendium of Accounting Standards, chapter B1 referring to provisions for credit risk.

The Bank has a series of models both for the individual and the group portfolios, which are applied depending on the type of portfolio and operations. These models are approved by the Board of Directors, which is informed annually about the adequacy of the provisions.

NOTE 36 - RISK MANAGEMENT, Continued

Models based on the individual analysis of borrowers

These models are applied when the companies involved, given their size, complexity or level of exposure with the entity, are required to be identified and analysed in detail, one by one.

These models consider the analysis of issues such as the financial situation of the borrower, payment behaviour, knowledge and experience of the partners and managers in the business, the degree of commitment of the same with the company and the industry in which it operates the company and the relative position of the company on this.

Quality of the loans by type of financial asset

Regarding the quality of the loans, these are described in accordance with the Compendium of Accounting Standards issued by the Superintendence of Banks and Financial Institutions (SBIF):

	As of December 31, 2016					
	BALANCE			ALLOWANCE		
Debt	Loans and receivables to banks	Loans and receivables to customers	Total	Loans and receivables to banks	Loans and receivables to customers	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
A1	46	176,892	176,938	-	62	62
A2	60,689	880,874	941,563	50	626	676
A3	133,129	2,175,226	2,308,355	291	2,542	2,833
A4	382	1,742,152	1,742,534	7	11,640	11,647
A5	-	1,509,259	1,509,259	-	7,890	7,890
A6	225	681,805	682,030	20	6,212	6,232
B1	-	399,275	399,275	-	22,855	22,855
B2	-	173,152	173,152	-	9,414	9,414
B3	-	16,494	16,494	-	3,042	3,042
B4	-	19,932	19,932	-	3,217	3,217
C1	-	48,528	48,528	-	971	971
C2	-	67,317	67,317	-	6,732	6,732
C3	-	40,298	40,298	-	10,074	10,074
C4	-	10,984	10,984	-	4,393	4,393
C5	-	11,448	11,448	-	7,441	7,441
C6	-	26,065	26,065	-	23,459	23,459
Collective assessment	-	9,319,860	9,319,860	-	207,573	207,573
Subsidiaries	**29,189**	**5,024,451**	**5,053,640**	**64**	**41,523**	**41,587**
Total	**223,660**	**22,324,012**	**22,547,672**	**432**	**369,666**	**370,098**

NOTE 36 - RISK MANAGEMENT, Continued

	As of December 31, 2015					
	BALANCE			ALLOWANCE		
Debt	Loans and receivables to banks	Loans and receivables to customers	Total	Loans and receivables to banks	Loans and receivables to customers	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
A1	2,765	163,394	166,159	1	58	59
A2	48,239	921,016	969,255	40	598	638
A3	79,298	2,109,779	2,189,077	173	2,498	2,671
A4	140	1,596,690	1,596,830	2	9,068	9,070
A5	46	1,417,247	1,417,293	2	9,232	9,234
A6	-	537,496	537,496	-	12,172	12,172
B1	-	284,310	284,310	-	8,092	8,092
B2	-	153,634	153,634	-	21,315	21,315
B3	-	17,072	17,072	-	646	646
B4	-	23,288	23,288	-	6,538	6,538
C1	-	35,987	35,987	-	720	720
C2	-	22,723	22,723	-	2,272	2,272
C3	-	10,856	10,856	-	2,714	2,714
C4	-	11,499	11,499	-	4,600	4,600
C5	-	48,509	48,509	-	31,531	31,531
C6	-	32,099	32,099	-	28,889	28,889
Collective assessments	-	8,460,360	8,460,360	-	180,182	180,182
Subsidiaries	**39,233**	**4,289,022**	**4,328,245**	**77**	**43,327**	**43,404**
Total	**169,711**	**20,134,981**	**20,304,692**	**295**	**364,452**	**364,747**

The analysis of the age of past due loans by type of financial assets is the following.

	Less than 30 days		Between 31 and 89 days		90 days or more		Total	
	31.12.2016 MCh$	31.12.2015 MCh$	31.12.2016 MCh$	31.12.2015 MCh$	31.12.2016 MCh$	31.12.2015 MCh$	31.12.2016 MCh$	31.12.2015 MCh$
Loans and receivables to banks	-	-	-	-	-	-	-	-
Loans and receivables to customers	30,589	19,765	32,869	16,248	158,677	189,468	222,135	225,481
Total	30,589	19,765	32,869	16,248	158,677	189,468	222,135	225,481

NOTE 36 - RISK MANAGEMENT, Continued

Maximum exposure to credit risk

The maximum exposure to credit risk varies significantly and depends on both individual risks and general market economy risks.

As of December 31, 2016

	Maximum exposure MCh$	Allowance MCh$	Net exposure after allowances MCh$	Associated collateral MCh$	Net exposure MCh$
Trading portfolio financial assets	1,267,979	-	**1,267,979**	-	**1,267,979**
Loans and receivables to banks	223,660	(432)	**223,228**	-	**223,228**
Loans and receivables to customers, and credit commitments (1)	28,720,587	(389,845)	**28,330,742**	(9,605,164)	**18,725,578**
Financial investments available for sale	2,524,500	-	**2,524,500**	-	**2,524,500**
Financial investments held to maturity	872	-	**872**	-	**872**
Derivative financial agreements (2)	1,375,681	(15,434)	**1,360,247**	-	**1,360,247**

(1) In this line included loans and receivables of MCh$ 22,324,012 (see Note 11) and credit commitments of MCh$ 6,396,575 (see Note 23). Reported collateral is legally pledged to the Bank and there is no uncertainty regarding its possible execution or settlement.
(2) For the year 2016 no collateral was provided in favour of the Bank.

As of December 31, 2015

	Maximum exposure MCh$	Provision MCh$	Net exposure after provision MCh$	Associated guarantees MCh$	Net exposure MCh$
Trading portfolio financial assets	1,298,131	-	**1,298,131**	-	**1,298,131**
Loans and receivables to banks	169,711	(295)	**169,416**	-	**169,416**
Loans and receivables to customers, and credit commitments (3)	25,531,045	(382,977)	**25,148,068**	(7,709,571)	**17,438,497**
Financial investments available for sale	2,407,882	-	**2,407,882**	-	**2,407,882**
Financial investments held to maturity	708	-	**708**	-	**708**
Derivative financial agreements (4)	1,508,682	(9,259)	**1,499,423**	-	**1,499,423**

(3) In this line included loans and receivables of MCh$ 20,134,981 (see Note 11) and credit commitments of MCh$ 5,396,064 (see Note 23). Reported collateral is legally pledged to the Bank and there is no uncertainty regarding its possible execution or settlement.
(4) For the year 2015 no collateral was provided in favour of the Bank.

Operational Risk

The Bank manages its operational risks through specific committees with the active participation of those responsible for the areas and processes. These committees are: a) committee for operational risks b) security of information and technological risk, c) continuity of business and d) externalized services. These committees meet periodically and their objective is overseeing the proper execution of programs for the identification and evaluation of risks, as well as managing the identification of causes in order to mitigate such risks.

NOTE 36 - RISK MANAGEMENT, Continued

Information Security

The Bank has a security strategy based on the best practices of the industry which is sustained in the regulatory frame and whose main component is the General Policy for Information Security, approved by the Board of Directors Committee, an organization consisting of specialized areas, where the recent creation of a dedicated unit to manage cybersecurity risks is highlighted, adding to the existing units oriented to the administration and operation of security and focused on the administration and operation of security and the management of technological risks, and an Information Security Committee consisting of representatives of several areas of the Bank that monitor compliance with the annual plan of security and the approval of specific policies for security.

This strategy is implemented by various investments during 2016 in order to strengthen technological infrastructure and specific procedures of operation and monitoring of cybersecurity, oriented towards preventing, identifying and stop attacks on the information security of the clients and the Bank.

Business continuity

The continuity strategies developed during the last several years have been consolidated, adding new risk scenarios and increasing the coverage plan to the different units that need to continue operating in situations of contingency.

The Bank is constantly working on strengthening of its business continuity plan. Plan coverage has increase according to the requirements of the Bank, including the processes that according to it are critical.

During 2016, significant investments have been made in order to strengthen information and communication technologies and improve the Bank's capacity to maintain the continuity of its services to clients and the community, in the face of contingency scenarios that may occur. At the same time, activities has been carried out for maintaining and improving business continuity including updating, testing and training of employees. The tests were carried out during working hours, with customer service in order to validate the effectiveness of the procedures and continuity strategies that were established, giving a constant and satisfactory customer service. Tests carried out involve the implementation of operational procedures, technological tests and drills.

Capital calculation according to Basel

The Bank has participated in the capital calculation exercises according to the standards of Basel II (QIS), a calculation integrating the operating risk with credit and market risks, as a global indicator of risk exposure, however, the Bank during 2016 and 2015 made the calculation of Operational Risk Capital under the Advanced Model and the Standard Model.

NOTE 37 - MATURITIES OF ASSETS AND LIABILITIES

As of December 31, 2016 and 2015, the breakdown of maturities of assets and liabilities is as follows:

December 31, 2016	**NIB**	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Subtotal up to 1 year**	**Between 1 and 5 years**	**M tha ye**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MC**
Assets							
Cash and deposits in banks	1,577,565	-	-	-	1,577,565	-	
Items in course of collection	264,265	-	-	-	264,265	-	
Trading portfolio financial assets	-	1,267,979	-	-	1,267,979	-	
Investments under agreement to resell	-	72,562	25,246	18,653	116,461	-	
Derivative financial agreements	-	223,339	75,906	130,371	429,616	449,473	481
Loans and receivables to banks (*)	-	36,668	61,748	125,244	223,660	-	
Loans and receivables to customers (**)	-	1,959,620	1,656,793	3,758,937	7,375,350	7,656,293	7,126
Financial investments available for sale	-	119,188	11,441	104,887	235,516	741,299	1,547
Investment investments held to maturity	-	-	-	-	-	-	
Total assets	**1,841,830**	**3,679,356**	**1,831,134**	**4,138,092**	**11,490,412**	**8,847,065**	**9,156**
Liabilities							
Current accounts and demand deposits	8,194,263	-	-	-	8,194,263	-	
Items in course of collection	132,507	-	-	-	132,507	-	
Liabilities under agreements to repurchase	-	790,518	8,918	408	799,844	-	
Term deposits and saving accounts (***)	-	3,948,454	2,741,741	2,926,696	9,616,891	338,755	2
Derivative financial agreements	-	256,188	47,362	175,735	479,285	489,225	451
Borrowings from financial institutions	-	364,380	357,058	668,922	1,390,360	258,404	
Debt issued	-	2,128	368	617,406	619,902	1,576,034	2,202
Other financial liabilities	-	914,963	1,129	1,722	917,814	33,336	2
Total liabilities	**8,326,770**	**6,276,631**	**3,156,576**	**4,390,889**	**22,150,866**	**2,695,754**	**2,658**

(*) Gross values.
(**) Excludes provisions and amounts whose maturity date has already passed.
(***) Excludes term savings accounts.

NOTE 37 - MATURITIES OF ASSETS AND LIABILITIES, Continued

December 31, 2015	NIB	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Subtotal up to 1 year	Between 1 and 5 years	M th ye
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	M
Assets							
Cash and deposits in banks	1,272,552	-	-	-	1,272,552	-	
Items in course of collection	434,550	-	-	-	434,550	-	
Trading portfolio financial assets	-	1,142,227	15,006	83,417	1,240,650	36,191	2
Investments under agreement to resell	-	177,279	6,454	22,372	206,105	-	
Derivative financial agreements	-	147,043	89,694	227,810	464,547	534,812	50
Loans and receivables to banks (*)	-	17,204	30,483	97,960	145,647	24,064	
Loans and receivables to customers (**)	-	1,886,691	1,485,141	3,349,680	6,721,512	7,049,347	6,17
Financial investments available for sale	-	109,482	461,554	225,937	796,973	424,951	1,18
Investment investments held to maturity	-	-	-	-	-	-	
Total assets	**1,707,102**	**3,479,926**	**2,088,332**	**4,007,176**	**11,282,536**	**8,069,365**	**7,88**
Liabilities							
Current accounts and demand deposits	8,047,288	-	-	-	8,047,288	-	
Items in course of collection	255,800	-	-	-	255,800	-	
Liabilities under agreements to repurchase	-	441,835	7,252	41	449,128	-	
Term deposits and saving accounts (***)	-	3,795,015	2,142,822	2,851,079	8,788,916	509,633	
Derivative financial agreements	-	184,340	129,880	240,426	554,646	582,445	39
Borrowings from financial institutions	-	638,116	214,388	410,312	1,262,816	527,274	
Debt issued	-	3,705	434	173,975	178,114	1,796,690	1,84
Other financial liabilities	-	705,129	553	1,925	707,607	36,243	
Total liabilities	**8,303,088**	**5,768,140**	**2,495,329**	**3,677,758**	**20,244,315**	**3,452,285**	**2,25**

(*) Gross values.
(**) Excludes provisions and amounts whose maturity date has already passed.
(***) Excludes term savings accounts.

NOTE 38 - FOREIGN CURRENCY

The Consolidated Statements of Financial Position as of December 31, 2016 and 2015 include assets and liabilities in foreign currencies or re-adjustable by the variation in the exchange rate as follows:

	In foreign currency		In Chilean Pesos		Total	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
ASSETS	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Cash and deposits in banks	792,953	607,777	784,612	664,775	1,577,565	1,272,552
Items in course of collection	73,369	129,558	190,896	304,992	264,265	434,550
Trading portfolio financial assets	25,075	9,946	1,242,904	1,288,185	1,267,979	1,298,131
Investments under agreement to resell	-	35,388	116,461	170,717	116,461	206,105
Derivative financial agreements	8,918	6,920	1,351,329	1,492,503	1,360,247	1,499,423
Loans and receivables to banks, net	223,228	168,385	-	1,031	223,228	169,416
Loans and receivables to customers, net	6,260,834	5,604,206	15,693,512	14,166,323	21,954,346	19,770,529
Financial investments available for sale	1,714,524	1,631,895	809,976	775,987	2,524,500	2,407,882
Financial investments held to the maturity	872	708	-	-	872	708
Investments in other companies	60,032	53,102	127,926	117,001	187,958	170,103
Intangible assets	2,284	2,740	175,232	172,811	177,516	175,551
Property, plant and equipment	53,165	55,911	226,331	226,645	279,496	282,556
Current income tax	-	298	33,625	4,795	33,625	5,093
Deferred income taxes	103,794	111,822	94,300	91,864	198,094	203,686
Other assets	400,487	511,196	285,643	276,920	686,130	788,116
TOTAL ASSETS	**9,719,535**	**8,929,852**	**21,132,747**	**19,754,549**	**30,852,282**	**28,684,401**
LIABILITIES						
Current accounts and demand deposits	3,868,836	3,740,597	4,325,427	4,306,691	8,194,263	8,047,288
Items in course of collection	85,312	175,503	47,195	80,297	132,507	255,800
Liabilities under agreements to repurchase	211,893	73,969	587,951	375,159	799,844	449,128
Term deposits and saving accounts	2,458,090	2,011,828	7,499,598	7,290,068	9,957,688	9,301,896
Derivative financial agreements	6,418	2,687	1,413,668	1,532,504	1,420,086	1,535,191
Borrowings from financial institutions	1,281,362	1,604,598	367,402	185,492	1,648,764	1,790,090
Debt issued	1,205,655	1,342,395	3,192,775	2,480,255	4,398,430	3,822,650
Other financial liabilities	889,919	685,502	63,327	61,444	953,246	746,946
Current income tax	2,378	-	-	-	2,378	-
Deferred income taxes	-	-	55,655	42,611	55,655	42,611
Provisions	24,018	12,006	239,477	243,126	263,495	255,132
Other liabilities	89,762	63,227	417,487	373,917	507,249	437,144
TOTAL LIABILITIES	**10,123,643**	**9,712,312**	**18,209,962**	**16,971,564**	**28,333,605**	**26,683,876**

NOTE 39 - SUBSEQUENT EVENTS

On January 24, 2017, it was agreed to accept the resignation of the Bank's Director Mr. Dionisio Romero Paoletti and to appoint on this position Mr. Hernán Orellana Hurtado. On the same date, Luis Enrique Yarur resigned from his position as director of Credicorp Ltda.

Between January 1, 2017 and the date of issuance of these Consolidated Financial Statements, there have been no subsequent events which may have impact on the presentation of these Consolidated Financial Statements.

Notwithstanding the foregoing, National Economic Prosecutor Office ("Fiscalia Nacional Economica" or "FNE") announced it's intend to review the self-regulatory plan approved by Transbank in 2004, which is currently in force. FNE believes that current rates charged by Transbank S.A. would be presumptively in the upper range of the table in most markets, which would provoke its review. The disintegration of the current integrated model, advocated by the normative recommendation recently issued by the Court of Defence of Free Competition, could eventually result, however, in an increase in costs and fees to be charged to businesses as market discount due to the cancelation of the current model, which provides important economies of scale, efficiencies and extensive experience by issuing banks.

Fernando Vallejos Vásquez	Eugenio Von Chrismar Carvajal
Corporate Accounting Manager	Chief Executive Officer

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INDEPENDENT AUDITORS' REPORT

To the Board of Shareholders and Directors of
Banco de Crédito e Inversiones

We have audited the accompanying consolidated financial statements of Banco de Crédito e Inversiones and Subsidiaries (the "Bank"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of income, statements of other comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting standards and instructions issued by the Superintendency of Banks and Financial Institutions. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco de Crédito e Inversiones and Subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting standards and instructions issued by the Superintendency of Banks and Financial Institutions.

Emphasis of Matter

As discussed in Note 4 to the consolidated financial statements, during 2015 the Bank acquired 100 % of CM Florida Holding INC. for an amount of US$ 946.9 million. CM Florida Holding INC has been consolidated in these financial statements as from October 31, 2015. The fair value of the adquiree's identifiable assets and liabilities assumed have been determined on provisional basis as stated in notes to the consolidated financial statements, and in accordance with the regulatory framework of IFRS 3 are subject to possible variations for a measurement period of one year. Our opinion is not modified with respect to this matter.

Other matters

The accompanying financial statements have been translated into English for the convenience of readers outside Chile.

Deloitte

February 26, 2016
Santiago, Chile

Mauricio Farias N.
Socio

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2015 and 2014
(In millions of Chilean pesos - MCh$)

	Notes	As of December, 31	
		2015	**2014**
		MCh$	**MCh$**
ASSETS			
Cash and deposits in banks	6	1,272,552	1,547,758
Items in course of collection	6	434,550	940,888
Trading portfolio financial assets	7	1,298,131	1,227,807
Investments under agreements to resell	8	206,105	143,451
Derivative financial agreements	9	1,499,423	2,400,505
Loans and receivables to banks, net	10	169,416	328,960
Loans and receivables to customers, net	11	19,770,529	15,430,932
Financial investments available for sale	12	2,407,882	859,185
Financial investments held to maturity	12	708	-
Investments in other companies	13	170,103	101,086
Intangible assets	14	175,551	91,030
Property, plant and equipment, net	15	282,556	230,785
Current income tax	16	5,093	-
Deferred income taxes	16	203,686	74,076
Other assets	17	788,116	426,705
TOTAL ASSETS		**28,684,401**	**23,803,168**
LIABILITIES			
Current accounts and demand deposits	18	8,047,288	4,592,440
Items in course of collection	6	255,800	725,573
Obligations under agreements to repurchase	8	449,128	407,531
Time deposits and savings accounts	18	9,301,896	8,228,609
Derivative financial agreements	9	1,535,191	2,448,134
Borrowings from financial institutions	19	1,790,090	1,673,565
Debt issued	20	3,822,650	3,298,967
Other financial obligations	20	746,946	70,741
Current income tax	16	-	23,832
Deferred income taxes	16	42,611	45,309
Provisions	21	255,132	239,195
Other liabilities	22	437,144	248,308
TOTAL LIABILITIES		**26,683,876**	**22,002,204**
SHAREHOLDERS' EQUITY			
Attributable to equity holders of the Bank:			
Capital	24	1,781,396	1,547,126
Reserves	24	109	-
Accumulated other comprehensive income	24	(12,790)	13,756
Retained earnings:			
Net income for the prior period	24	-	-
Net income for the year	24	330,819	342,972
Less: Accrual for minimum dividends	24	(99,247)	(102,891)
TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK		2,000,287	1,800,963
Non-controlling interest		238	1
TOTAL SHAREHOLDERS' EQUITY		**2,000,525**	**1,800,964**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**28,684,401**	**23,803,168**

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2015 and 2014
(In millions of Chilean pesos - MCh$)

	Note	For the years ended December 31, 2015	2014
		MCh$	MCh$
Interest income	25	1,344,842	1,324,982
Interest expense	25	(544,336)	(557,003)
Net interest income		**800,506**	**767,979**
Fee and commission income	26	304,289	270,492
Fee and commission expense	26	(70,019)	(58,279)
Net fee and commission income		**234,270**	**212,213**
Trading and investment income, net	27	111,278	139,934
Foreign exchange results, net	28	(19,378)	(38,726)
Other operating income	33	31,370	30,887
Operating income		**1,158,046**	**1,112,287**
Provisions for loan losses	29	(189,206)	(195,310)
NET OPERATING INCOME		**968,840**	**916,977**
Personnel salaries and expenses	30	(304,611)	(276,646)
Administrative expenses	31	(189,442)	(163,748)
Depreciation and amortization	32	(43,450)	(40,860)
Impairment of property, plant and equipment	32	(6,896)	(84)
Other operating expenses	33	(37,224)	(31,769)
TOTAL OPERATING EXPENSES		**(581,623)**	**(513,107)**
TOTAL NET OPERATING INCOME		**387,217**	**403,870**
Income attributable to investments in other companies	13	13,495	10,102
Income before income tax		**400,712**	**413,972**
Income tax	16	(69,889)	(71,000)
Net income from continuing operations		**330,823**	**342,972**
Net income discontinued operations		-	-
CONSOLIDATED NET INCOME FOR THE YEAR		**330,823**	**342,972**
Attributable to:			
Equity holders of the Bank		330,819	342,972
Non-controlling interest		4	-
Earnings per share attributable to equity holders of the Bank:			
(stated in Ch$)			
Basic earnings per share		2,986	3,155
Diluted earnings per share		2,986	3,155

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2015 and 2014
(In millions of Chilean pesos - MCh$)

	For the years ended December 31,	
	2015	**2014**
	MCh$	**MCh$**
CONSOLIDATED NET INCOME FOR THE YEAR	330,823	342,972
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO THE STATEMENT OF INCOME		
Net gain/(loss) resulting on revaluation of financial investments available for sale	(36,656)	6,857
Net gain/(loss) on cash flow hedge derivatives	(6,407)	12,564
Accumulated gain/(loss) adjustment for translation differences	6,990	9,169
Other comprehensive income before income tax	**(36,073)**	**28,590**
Income tax for other comprehensive income	9,527	(4,856)
Total other comprehensives income that may be reclassified to the statement of income in subsequent periods	**(26,546)**	**23,734**
OTHER COMPREHENSIVE INCOME (LOSS) THAT WILL NOT BE RECLASSIFIED TO THE STATEMENT OF INCOME IN SUBSEQUENT PERIODS	**-**	**-**
TOTAL OTHER COMPREHENSIVE INCOME	(26,546)	23,734
CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR	**304,277**	**366,706**
Attributable to:		
Equity holders of the Bank	304,273	366,706
Non-controlling interest	4	-
Comprehensive income per share attributable to equity holders of the Bank: (stated in Ch$)		
Basic comprehensive income per share	$2,746	$3,374
Diluted comprehensive income per share	$2,746	$3,374

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements.

<u>BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES</u>

<u>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY</u>

<u>For the years ended December 31, 2015 and 2014</u>
<u>(In millions of Chilean pesos - MCh$)</u>

			Accumulated other comprehensive income					Retained earnings			
	Capital	Reserves	Financial instruments available for sale reserve	Cash flow hedges reserve	Cumulative translation adjustment reserve	Income Tax	Total	Retained earnings	Net Income for the period	Accrual for minimum dividends	Tot
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MC**
As of January 1, 2015	**1,547,126**	**-**	**9,275**	**(9,460)**	**14,876**	**(935)**	**13,756**	**-**	**342,972**	**(102,891)**	**24**
Transfer to retained earnings	-	-	-	-	-	-	**-**	342,972	(342,972)	-	
Dividends paid	-	-	-	-	-	-	**-**	(108,702)	-	102,891	(
Capitalization of reserves	234,270	-	-	-	-	-	**-**	(234,270)	-	-	**(23**
First adoption adjustment	-	109	-	-	-	-	**-**	-	-	-	
Other comprehensive income	-	-	(36,656)	(6,407)	6,990	9,527	**(26,546)**	-	-	-	
BCI Financial Group, Inc. and Subsidiaries Purchase	-	-	-	-	-	-	**-**	-	-	-	
Net income for 2015 period	-	-	-	-	-	-	**-**	-	330,819	-	**33**
Accrual for minimum dividends 2015	-	-	-	-	-	-	**-**	-	-	(99,247)	**(9**
Shareholders' equity as of December 31, 2015	**1,781,396**	**109**	**(27,381)**	**(15,867)**	**21,866**	**8,592**	**(12,790)**	**-**	**330,819**	**(99,247)**	**23**
As of January 1, 2014	**1,381,871**	**-**	**2,418**	**(22,024)**	**5,707**	**3,921**	**(9,978)**	**-**	**300,294**	**(90,088)**	**21**
Transfer to retained earnings	-	-	-	-	-	-	**-**	300,294	(300,294)	-	
Dividends paid	-	-	-	-	-	-	**-**	(135,039)	-	90,088	**(4**
Capitalization of reserves	165,255	-	-	-	-	-	**-**	(165,255)	-	-	**(16**
Other comprehensive income	-	-	6,857	12,564	9,169	(4,856)	**23,734**	-	-	-	
Net income for 2014 period	-	-	-	-	-	-	**-**	-	342,972	-	**34**
Accrual for minimum dividends 2014	-	-	-	-	-	-	**-**	-	-	(102,891)	**(10**
Shareholders' equity as of December 31, 2014	**1,547,126**	**-**	**9,275**	**(9,460)**	**14,876**	**(935)**	**13,756**	**-**	**342,972**	**(102,891)**	**24**

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014
(In millions of Chilean pesos - MCh$)

		For the years ended December 31	
		2015	2014
	Notes	MCh$	MCh$
CASH FLOW (USED IN) PROVIDED BY OPERATING ACTIVITIES:			
CONSOLIDATED NET INCOME FOR THE YEAR		**400,712**	**413,972**
Charges (credits) to income not representing cash flows:			
Depreciation and amortization	32	43,450	40,860
Impairment of property, plant and equipment	32	6,896	84
Provision for loan losses		239,829	235,154
Provision for assets received in lieu of payment	33	219	-
Adjustment to fair value of financial instruments		(4,151)	2,840
Net income from investment in other companies	13	(13,495)	(10,102)
Net loss (gain) from sale of assets received in lieu of payment	33	(4,224)	(5,354)
Gain from sale of property, plant and equipment	33	(600)	(241)
Loss from sale of property, plant and equipment	33	340	1,103
Write-off of assets received in lieu of payment	33	2,398	2,847
Other changes (credits) to income not representing cash flows		(295,339)	163,179
Net income from interest and adjustments		(800,506)	(767,979)
Net income from fees		(234,270)	(212,213)
Changes in assets and liabilities affecting operating cash flows:			
Net increase in loans and receivables to banks		159,838	(222,291)
Net increase in loans and receivables to customers		(4,457,744)	(1,405,922)
Net (increase) decrease in investments		(1,221,168)	(220,309)
Increase in current accounts and demand deposits		3,454,599	74,783
Increase in obligations under agreements to repurchase		(20,561)	71,827
Increase in time deposits and savings accounts		813,894	503,643
(Decrease) increase in borrowing from financial institutions		161,300	(38,266)
Decrease in other financial obligations		3,594	(1,161)
Loans from Central Bank of Chile (long-term)		1,661	7
Decrease in foreign borrowings (long-term)		4,622,092	8,266,658
Repayment of foreign borrowings (long term)		(4,687,341)	(8,059,297)
Income tax	16	(69,889)	(71,000)
Interest and indexation received		1,203,587	1,161,754
Interest and indexation paid		510,870	(465,729)
Fees and commissions received	26	304,289	270,492
Fees and commissions paid	26	(70,019)	(58,279)
Total cash flows provided by (used in) operating activities		**50,261**	**267,473**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	15	(18,858)	(27,098)
Proceeds from sale of property, plant and equipment		141	328
Purchase of BCI Financial Group, Inc. and Subsidiaries	4	(393,544)	-
Increase of investments in other companies	13	(2,607)	(4,066)
Sale of investments in other companies	13	28	-
Purchase of intangible assets	14	(46,708)	(28,311)
Dividends received from investments		2,946	1,936
Sale of assets received in lieu of payment or in foreclosure		8,625	8,773
Net (increase) in other assets and liabilities		**(619,376)**	(41,631)
Total cash flows (used in) investing activities		**(864,982)**	**(90,069)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Redemption of letters of credit		(7,498)	(9,852)
Bond issuance		766,065	463,915
Bond redemption		(319,598)	(292,864)
Dividends paid	24	(108,702)	(135,039)
Total cash flows provided by financing activities		**330,267**	**26,160**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**(86,044)**	**296,100**
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCY		**(152,804)**	**(92,536)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1,913,758**	**1,710,194**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**6**	**1,674,910**	**1,913,758**

Notes No. 1 to No. 39 are an integral part of the Consolidated Financial Statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014
(In millions of Chilean pesos - MCh$)

Reconciliation of loan losses provisions to Consolidated Statements of Cash Flows for the period

		For the years ended December 31,	
		2015	**2014**
	Notes	**MCh$**	**MCh$**
Loan losses provision in the Consolidated Statements of Cash Flows		239,829	235,154
Recovery of previously written off loans		(50,623)	(39,844)
Loan losses provision	**29**	**189,206**	**195,310**

Net cash and cash equivalents paid for acquisition of BCI Financial Group, Inc. and Subsidiaries acquisition, dated on October 16, 2015

		As of October 16, 2015
		MCh$
BCI Financial Group, Inc. and Subsidiaries acquisition		
Cash and cash equivalents paid		(639,150)
Cash and cash equivalents received		245,606
Net cash and cash equivalents paid	4	**(393,544)**

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

a) The Bank

Banco de Crédito e Inversiones or Banco BCI (hereinafter "the Bank") is a bank incorporated in Chile and regulated by the Superintendence of Banks and Financial Institutions (SBIF). The registered office of the Bank is located at El Golf Avenue, 125, Las Condes. The Consolidated Financial Statements as of and for the years ended December 31, 2015 and 2014 include the financial information of the Bank and its subsidiaries listed below, as well as its Miami Branch. The Bank's business consists of all of the businesses and transactions permitted by the General Banking Law, including retail, corporate and real estate banking, large and medium size companies' services, private banking and asset management services.

The Consolidated Statements of Other Comprehensive Income include the net income for the years and other comprehensive income accumulated in equity, including translation exchange differences between Chilean Pesos and US Dollars originated by BCI Financial Group, Inc. and Subsidiaries and BCI Securities. The financial result to be considered for distribution of dividends is the net income for the year attributable to the equity holders of the Bank, as stated in the Consolidated Income Statement.

Consolidated Financial Statements of the Bank and Subsidiaries as of December 31, 2015 have been approved and authorized for issuance by the Board in meeting held on February 25, 2016.

b) Basis of Preparation of the Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with the Compendium of Accounting Standards and Instructions issued by the Superintendence of Banks and Financial Institutions (SBIF), the regulatory agency set up under Article 15 of the General Banking Law, which stipulates that, pursuant to legal provisions, banks must apply the accounting criteria issued by that Superintendence and, in all such matters not specifically covered by it, provided they do not contradict its instructions, banks must abide by the following generally accepted accounting criteria, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). In case of any discrepancy between accounting policies and criteria issued by the SBIF, the latter are followed.

Notes to the Consolidated Financial Statements contain additional information to that presented in the Consolidated Statements of Financial Position, in the Consolidated Statements of Income, in the Consolidated Statements of Other Comprehensive Income, Consolidated Statements of Changes in Equity and in Consolidated Statement of Cash Flows. Narrative descriptions and breakdowns of these Statements are supplied in clear, relevant, reliable and comparable way.

The Consolidated Financial Statements as of December 31, 2015 and December 31, 2014 incorporate the financial statements of the Bank and entities controlled by the Bank (subsidiaries). Control is achieved when the Bank has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect the returns. Specifically, the Bank controls an investee if and only if:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

I. Has power over the investee (i.e.: has the rights that give it the current ability to direct relevant activities of the investee);
II. Is exposed, or has right, to variable returns from its involvement with the investee; and
III. Has ability to use its power to affect the returns.

When Bank has less than majority of voting rights of an investee, it has power over investee when these voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in the investee are sufficient to give it power, including:

- The size of Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- Potential voting rights held by Bank, other vote holders or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate the Bank has, or does not have, the current ability to direct relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Loss of control results in the deconsolidation of the assets and liabilities of the entity that has ceased to be a subsidiary from the Consolidated Statements of Financial Position and the recognition of a gain or loss on the sale/disposal of the subsidiary.

When necessary, adjustments and reclassifications are made to the financial statements of subsidiaries to bring their accounting policies into line with the Bank's accounting policies. All intragroup balances are eliminated in full on the consolidation.

The Consolidated Statement of Financial Position consider the separate financial statements (individual) of the Bank and the companies involved in the consolidation, and include the adjustments and reclassifications required to unify the accounting policies and valuation criteria applied by the Bank, as well as the elimination of all balances and transactions between consolidated companies

In addition, third party interest in the equity of the consolidated bank is presented as Non-controlling Interest in the Consolidated Statement of Financial Position. Its profit share is presented as Income attributable to non-controlling Interest in the Consolidated Statement of Income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

The following table represents entities over which the Bank exercises control:

i. Entities controlled by the Bank through interest ownership:

	Ownership			
	Direct		Indirect	
Entity	2015	2014	2015	2014
	%	%	%	%
Análisis y Servicios S.A. (1)	99,00	99,00	1,00	1,00
BCI Asset Management Administradora de Fondos S.A. (2)	99,90	99,90	0,10	0,10
BCI Asesoría Financiera S.A.	99,00	99,00	1,00	1,00
BCI Corredor de Bolsa S.A.	99,95	99,95	0,05	0,05
BCI Corredores de Seguros S.A.	99,00	99,00	1,00	1,00
BCI Factoring S.A.	99,97	99,97	0,03	0,03
BCI Securitizadora S.A.	99,90	99,90	-	-
Banco de Crédito e Inversiones Sucursal Miami	100,00	100,00	-	-
Servicio de Normalización y Cobranza, Normaliza S.A.	99,90	99,90	0,10	0,10
BCI Securities INC (3)	99,90	99,90	0,10	0,10
BCI Corredores de Bolsa de Productos (4)	99,00	-	1,00	-
BCI Financial Group, INC. and Subsidiaries (5)	100,00	-	-	-

(1) On August 1, 2015, Análisis y Servicios S. A.'s employees were integrated into the management model of BCI business and customers, becoming partners of it. Análisis y Servicios S.A. is still in force and operational as a support business company.

(2) BCI Asset Management Administradora de Fondos S.A. consolidates its results with BCI Activos Inmobiliarios Fondo de Inversión (explained in below in b.ii).

(3) BCI Securities Inc. is a subsidiary located in the State of Florida, United States of America, whose principal business is stockbrokerage. The investment in this entity was authorized by the Superintendence of Banks and Financial Institutions on January 10, 2013 and by the Central Bank of Chile on February 21, 2013. The company is in the process of starting operations.

(4) BCI Corredores de Bolsa de Productos S.A. is a company whose principal business focus is sale of commercial papers traded on the Products Stock Exchange. It is registered with the Superintendence of Securities and Insurance on November 2, 2015.

(5) On October 16, 2015, Banco de Credito e Inversiones acquired City National Bank of Florida (CNB). BCI acquired 100% of CM Florida Holding (actually BCI Financial Group, Inc. and Subsidiaries), which owns and controls City National Bank of Florida (CNB).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

ii. Entities controlled by the Bank through other considerations:

Although the Bank holds less than majority of voting rights in the following companies, they are considered subsidiaries since the Bank exercises control through ability to direct the relevant activities (corporate business support):

	Ownership interest			
	Direct		Indirect	
Entity	2015	2014	2015	2014
	%	%	%	%
BCI Activos Inmobiliarios Fondo de Inversión Privado (1)	40,00	40,00	-	-
Incentivos y Promociones Limitada (2)	SE	SE	SE	SE

(1) For consolidation purposes, this subsidiary is consolidated into BCI Asset Management.
(2) This structured Entity (“EN” for its acronyms in Spanish) is responsible for the promotion of credit and debit cards products. The Bank does not hold any ownership interest in that company.

iii. Associates:

An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control.

In general, if the Bank holds more than 20% but less than 50% of the voting power of an investee, it is presumed that the Bank has significant influence over an investee. The following factors also might be indicators of significant influence: Having representatives on the Board of Directors, participation in policy-setting processes, significant transactions between the investor and partner, interchange of managerial personnel and providing essential technical information.

These investments are recognized using the equity method.

The following entities are considered associates, in which the Bank has an interest and those results are recognized using the equity method:

	Ownership interest	
Company	2015	2014
	%	%
Artikos Chile S.A.	50,00	50,00
Servipag Ltda.	50,00	50,00
Centro de Compensación Automatizado ACH Chile	33,33	33,33
AFT S.A.	20,00	20,00
Nexus S.A.	12,90	12,90
Redbanc S.A.	12,71	12,71
Servicio de Infraestructura de Mercado OTC S.A.	11,48	11,48
Combanc S.A.	10,33	10,93
Transbank S.A.	8,72	8,72
Sociedad Interbancaria de Depósitos de Valores S.A.	7,03	7,03
Credicorp Ltda.	1,93	1,90

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

iv. Investments in other Companies:

In this category are presented those entities in which the Bank has no control neither significant influence. These investments are recognized at the acquisition cost (historical cost).

Effects of transactions with subsidiaries have been eliminated and the participation of minority shareholders is recognized and presented in the Consolidated Statements of Income in the "Non-controlling Interest" line.

For consolidation purposes, the assets and liabilities of BCI Financial Group, Inc. and Subsidiaries and BCI Securities Subsidiaries have been translated into Chilean Pesos at the exchange rate at the end of each year and the income statement accounts have been translated at the monthly average exchange rates.

c) Basis of consolidation

The Consolidated Financial Statements comprise the Consolidated Financial Statements of the Bank and subsidiaries as of December 31, 2015 and 2014, and for the years then ended.

The Financial Statements of subsidiaries (including the structured entities controlled by the Bank), were homogenized according to the rules laid down in the Compendium of Accounting Standards and Instructions issued by the Superintendence of Banks and Financial Institutions.

The intercompany balances and any unrealized income or expense arising from intercompany transactions between entities on consolidation are eliminated on the preparation of these Consolidated Financial Statements. The unrealized income arising from transactions with companies whose investment is recognized using the equity method are eliminated from the investment to the extent of the group's interest in these companies.

d) Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank. Non-controlling interest are presented separately in the Consolidated Statements of Income, the Consolidated Statement of Other Comprehensive Income and Consolidated Statement of Financial Position.

e) Functional currency

The Bank has determined its functional currency and presentation currency as Chilean Peso (Ch$). Likewise, all the entities of the group have determined the Chilean Peso as the functional currency, except for BCI Financial Group, Inc. and BCI Securities Subsidiary, which have determined the US dollar as their functional currency.

The balances of the financial statements of the consolidated entities whose functional currency is other than the Chilean peso are translated into Chilean peso in the following way:

i. Assets and liabilities, using the exchange rates prevailing as of December 31, 2015 and 2014.
ii. Income and expenses and cash flows, using of the monthly average exchange rates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

The cumulative translation adjustments resulted from translating into Chilean peso the balances of entities whose functional currency is other than the Chilean peso, are presented in the Consolidated Statement of Changes in Equity under the line item “Cumulative translation adjustments reserve”. When an entity whose functional currency is other than the Chilean peso is disposed, the accumulated translation adjustments are reclassified to the income statement.

All the information presented in Chilean Pesos has been rounded to the closest millions of Chilean Peso.

f) Transactions in foreign currency

As stated previously, the functional currency of the Bank is the Chilean peso. Therefore, all the balances and transactions denominated in currencies different from the Chilean peso are considered denominated in “foreign currency”. The differences in the exchange rate produced when converting the balances denominated in foreign currency into functional currency are recorded in “Foreign exchange results, net” of Consolidated Statements of Income.

As of December 31, 2015, the assets and liabilities of the Bank nominated in foreign currency are shown at their equivalent value in pesos, calculated using the exchange rate of Ch$707.75 per US$1 (Ch$606.75 per US$1 as of December 31, 2014).

g) Business segments

Business segments are determined by the Bank on the basis of its different business units, considering that they are the components:

(i) Which engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).
(ii) Whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
(iii) For which discrete financial information is available.

These business units deliver products and services subject to different risks and returns and therefore the chief operating decision makers of the Bank separately evaluate the performance of them.

h) Measurement of assets and liabilities

Measurement criteria of the assets and liabilities recognized in the Consolidated Statements of Financial Position are the following:

i. Assets and liabilities measured at amortized cost:

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

In the case of financial assets, the amortized cost also includes adjustments to their value caused by any recognized impairment.

In the case of financial instruments, the systematic part reflected in the profit and loss is recognized by the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

ii. Assets measured at fair value:

For financial instruments traded in active markets, the determination of fair values is based on their listed or recent transaction prices. This includes instruments traded in local or international stock markets.

A financial instrument is considered quoted in an active market, if prices are regularly and freely available on a stock, index, broker, dealer, supplier prices or regulatory agency and those prices represent current and regular market transactions. If the market does not meet that condition, it is considered inactive. The lack of recent transactions or a too wide spread between bid-offer prices, are indications of the inactive market.

For all other financial instruments, fair value is determined using valuation techniques. The valuation techniques used should maximize the use of relevant observable inputs with respect to similar financing instruments. The fair value is estimated using models to estimate the present value of the expected cash flows or other valuation techniques, using inputs (e.g. deposits, swaps, exchange rates, volatilities, etc.) observable at the date of the Consolidated Financial Statements.

As of the dates of the Consolidated Financial Statements, the Bank has no instruments whose fair value had been determined based on unobservable data. However, for this type of instrument, the Bank has models developed internally, which are based on techniques and methods generally recognized in the industry. When the data used in the models is unobservable, the Bank must develop assumptions in order to estimate the fair values. These valuations are known as Level 3 valuations. Instruments classified according to their valuation level are detailed in Note 35 to the Consolidated Financial Statements.

The results of the models are always an estimate or approximation of the value and cannot be determined with certainty. Valuations are adjusted, when applicable, in order to reflect additional factors, such as liquidity or credit risks of the counterparty. Based on the model and the credit risk policies of the Bank, Management estimates that these adjustments to the valuations are necessary and appropriate in order to reasonably present the values of the financial instruments in the Consolidated Financial Statements. The data, prices and parameters used in the valuations are carefully and regularly checked, and adjusted if necessary.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

iii. Assets measured at acquisition cost:

Acquisition cost measurement is recognition of the asset at the consideration paid for the purchase of the asset, less impairment losses if applicable.

The Consolidated Financial Statements have been prepared on a historic basis, except for:

- The derivative financial instruments, measured at their fair value.
- Assets received in lieu of payment are measured at the lower of carrying amount or fair value less costs to sell.
- The trading instruments, measured at fair value.
- The financial investments available for sale, measured at fair value.
- Property, Plant and Equipment are measured at fair value when Management decided to revaluate such assets and consider this value as deemed cost for the first adoption.

iv. Derecognition of financial assets and liabilities:

The accounting treatment of transfers of financial assets depends on the extent and the manner in which the risks and rewards associated with the financial assets are transferred to third parties:

1. If the Bank transfers substantially all the risks and rewards of ownership of the financial asset to third parties, such as the unconditional sales, sales with resale agreements at the fair value on the date of resale, the sale of financial assets with the option to repurchase or a sale issued with a high probability that it will not be finalized, the use of assets where the transferring entity does not retain subordinated financing or give up a credit improvement to the new owners, among other similar cases, the transferred financial asset is derecognized from the Consolidated Financial Statement, recognizing simultaneously any right or obligation retained or created as a result of the transfer.

2. If retained substantially all the risks and rewards of the transferred financial asset, such as the financial assets sale with a resale agreement at a fixed price or at sale price plus interest, the contracts for securities in which the borrower has the obligation to return the same or similar assets, among other similar cases, the transferred financial asset is not derecognized from the Consolidated Financial Statements and continuous measuring under the same criteria which were applied before the transfer. Consequently, it recognizes:

   a) A financial liability for an amount equivalent to the consideration received that is subsequently measured at amortized cost.

   b) Any income on the transferred (but not derecognized) financial asset and any expenses incurred on the new financial liability.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

3. If the Bank neither transfers nor retains substantially all the risks and rewards of the financial asset transferred, such as the sale of financial assets with the option to buy or sell issued with a high or low probability of exercising it, the use of assets where the grantor does not retain subordinated financing or give up a credit improvement for a portion of the transferred asset among other similar cases, it distinguishes between:

   a) If the Bank does not retain the control of the transferred financial asset: then it is derecognized from the Consolidated Statement of Financial Position and any withheld right or obligation is recognized or created as a consequence of the transfer.

   b) If the Bank maintains control of the financial asset: then it continues recognizing the asset in the Consolidated Statement of Financial Position and recognizes a financial liability associated with the financial asset. The net amount of the asset and the associated liability will be the amortized cost of the withheld rights and obligations if the asset is measured by its amortized cost or the fair value of the withheld rights and obligations if the asset is measured by its fair value.

Accordingly, financial assets are derecognized from the Consolidated Statement of Financial Position when, and only when, the contractual rights to the cash flows from the financial asset expire; or when the Bank transfers the financial assets and substantially all the risks and rewards of ownership of the assets to third parties.

Similarly, financial liabilities are derecognized from the Consolidated Statement of Financial Position when, and only when, the obligations are extinguished, cancelled or expired.

i) Investment instruments

Investment instruments are classified into two categories: held to maturity and available for sale. The category of financial assets held to maturity includes only those instruments which the Bank has the capacity and intention of holding until their maturity. The rest of the investment instruments are classified as available for sale.

Investment instruments are initially recognized at their fair value, including transaction costs. The available for sale instruments are then marked to market at their fair value according to market prices or valuations obtained from models. The unrealized gains or losses originated by the change in their fair value are recognized in other comprehensive income. When these investments are sold the available for sale investment instruments' valuation reserve accumulated in other comprehensive income associated with these instruments is reclassified to income statement and is recognized under "Trading and investment income, net" as well as any realized gain/loss on disposal. In the case of a significant or prolonged decline in the fair value of any of these instruments, an impairment is recorded by a reclassification from other comprehensive income to the line item "Impairment" in the income statement.

The investments in held to maturity financial assets are subsequently measured at their amortized cost plus interest and inflation-indexing, less impairment constituted when its carrying amount exceeds the estimated recovery value.

The interests and inflation–indexing of held to maturity and available for sale investments are included in "Interest income" in the Consolidated Statement of Income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

The purchases and sales of investment instruments that must be submitted within the period established by the market's regulations or conventions are recognized at the date of trade on which the purchase or sale of the asset is agreed. The rest of the sales or purchases are recorded using settlement date accounting.

j) Trading investments

The trading investments correspond to securities acquired with the intention of generating profits from the price fluctuation in the short-term or through gross earnings' margins, or that are included in a portfolio in which there is a short-term profit-taking strategy.

Trading investments are measured at their fair value in accordance with market prices at the closing date of the Consolidated Financial Statements. The transaction costs are recognized directly in income statement. The mark to market adjustments, as well as the realized income/loss from trading activities, are included in "Trading and investment income, net" in the Consolidated Statements of Income.

The interest and inflation-indexing are recognized in "Trading and investment income, net" in the Consolidated Statement of Income.

All the purchases and sales of trading investments that must be submitted within the period established by the market's regulations or conventions are recognized at the date of trade on which the purchase or sale of the asset is agreed. Any other purchase or sale is recognized using settlement date accounting.

k) Transactions with repurchased agreements and securities lending

Repurchase agreements operations are made as a form of investment. Under these agreements, financing instruments are purchased, which are included as assets in "Investments purchased under agreements to resell" which are measured at amortized cost.

Repurchase agreement operations are also performed as a form of financing In this regard, investments that are sold subject to a repurchase obligation and that serves as collateral for the loan part of their respective areas "instruments for trading" or "available-for-sale". The obligation to buy back the investment is classified under liabilities as "Repurchase agreements and securities lending" and is measured at amortized cost.

l) Financial derivative instruments

The financial derivative instruments, which include forwards in foreign currency and Unidades de Fomento (UF), interest rate futures, currency and interest rate swaps, currency and interest rate options and other financial derivative instruments are initially recognized on the Consolidated Statement of Financial Position at fair value, which is usually their acquisition cost (including transaction costs) and subsequently measured at their fair value. The fair value is obtained from corresponding market pricings, discounted cash flow models and pricing valuation models. The derivative instruments are recognized as an asset when their fair value is positive and as a liability when they are negative in "Derivative financial agreements".

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risk and characteristics are not closely related with those of the host contract and such host contracts are not measured at fair value through profit or loss.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

At the moment of subscribing to a derivative agreement, the Bank must designate it either as a derivative instrument for trading or for hedge accounting purposes.

The changes in the fair value of derivative instruments held for trading are included in "Trading and investment income, net" of the Consolidated Statement of Income.

If the derivative instrument is classified for hedge accounting purposes, the hedge can be: (1) a fair value hedge of existing assets or liabilities or firm commitments or (2) a cash flow hedge of existing assets or liabilities or forecast transactions. A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met: (a) at the inception of the hedge there is formal designation and documentation of the hedging relationship; (b) the hedge is expected to be highly effective; (c) the effectiveness of the hedge can be reliably measured and; (d) the hedge is assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting periods for which the hedge was designated.

Certain transactions with derivatives that do not qualify for being classified as hedging derivatives are treated and recognized as trading derivatives, even if they provide effective hedging for the management of risk positions.

When a derivative hedges the exposure to changes in the fair value of an existing item of the asset or liability, such hedged item is measured at fair value from the designation of the fair value hedge until its expiration, termination, etc. The mark to market adjustments for both the hedged item and the hedging instrument are recorded through income.

If the item hedged in a fair value hedge is a firm commitment, the changes in the fair value of the firm commitment regarding the covered risk are recognized as assets or liabilities with effect on the income statement for the period. Gains or losses from the fair value measurement of the hedging derivative are recognized with effect on the income statement for the period. When a new asset or liability is acquired as a result of the firm commitment, the initial recognition of the acquired asset or liability is adjusted to incorporate the accumulated effect of fair value adjustment of the firm commitment recognized in the Consolidated Statement of Financial Position.

When a derivative hedges exposure to changes in the cash flows of existing assets or liabilities, or forecast transactions, the effective portion of changes in fair value related to the hedged risk is recognized in other comprehensive income and accumulated in equity. Any ineffective portion is recognized directly in the income statement for the period.

The cumulative loss or gain in cash flow hedge reserve is transferred to the income statement to the extent that the hedged item impacts the income because of the hedged risk, offsetting the effect in the same income statement account.

In case of fair value hedge of interest rate risk of a portfolio with the hedged item representing currency value instead of individual assets or liabilities, gains or losses from the fair value measurement for both the hedged item and the hedging instrument, are recognized in income, but the fair value adjustment of the hedged instrument is presented in the Consolidated Statement of Financial Position under "Other assets" or "Other liabilities" accounts, depending on the hedged item position in a moment of time.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

The adjustment for counterparty credit risk in derivatives (Credit Valuation Adjustment, "CVA") determines the expected losses from counterparty risk in OTC derivatives contracts. The CVA of a derivative is defined as the difference between the value of free derivative counterparty risk (equivalent to the original derivative but without the risk of default of either party) and the value of risky derivative (corresponding to the original derivative, which has an inherent risk) that considers the possibility of counterparty default. In this way, a customer CVA can be obtained from the expected exposure (EE) for counterparty risk (how much is expected to lose) and the expected loss rate (PE in Spanish) associated with the default of the counterparty.

The valuation adjustment for the existence of the spread bid / offer on financial instruments markets which applies to all financial instruments recognized at market value, both in normal market conditions and financial stress conditions, is based on best practices, the recommendations of the Basel Committee and the requirements of the Superintendence of Banks and Financial Institutions (SBIF) and the Central Bank of Chile.

In order to make the bid / offer adjustment to financial instruments of Banco de Credito e Inversiones (BCI) portfolios, the following methodology was established:

i. Define market makers or BCI customer condition:

On an annual basis the BCI condition will be redefined to be considered market makers (BCI must be within 4 main markets) or customers in each of the financial products it operates. This will be done with 2 main brokers' information of the domestic market TRADITION and ICAP.

ii. Condition of Market Makers:

For products (markets) where it is considered that BCI is liquidity provider, shall be valued at mid-price and no bid / offer adjustment will be made for recovery.

iii. Customer status:

For products (markets) where BCI is considered as instruments demanding for different types, shall be valued at mid-price and adjusted at bid / offer to recovery or valued to bid if any liquid ends are held.

m) Loans and receivables to customers

Loans receivable are non-derivative financial assets with fixed or determined payments that are not quoted in an active market and which the Bank does not intend to sell immediately or in the short-term.

Loans receivable are initially measured at their fair value plus direct costs of transaction and subsequently measured at their amortized cost using the effective interest method.

i. Financial leas contracts

Accounts receivable from leasing contracts, included under "Loans and receivables to customers", correspond to periodic installments of leasing contracts that comply with the requirements to be qualified as finance leases and are presented at present value at period-end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

ii. Factoring Operations

The Bank and its subsidiary BCI Factoring S.A. perform operations with their clients, in which they receive invoices and other credit representative trading instruments with or without recourse to the transferor, anticipating a percentage of the total amount receivable of the debtor upon collection.

n) Allowances for Credit Risk

The allowances required to cover the expected losses of a certain financial assets have been recognized in accordance with the regulations and instructions of the Superintendence of Banks and Financial Institutions (SBIF). The assets are presented net of these allowances, or at a new cost basis in the case of investments. In the case of contingent credits, they are shown as liabilities under “Provisions”.

The Bank uses models and methods based on individual and group analysis of the debtors, approved by the Board of Directors, to recognize the allowance on loan losses as indicated in the Accounting Standards Compendium issued by the SBIF.

i. Individual assessment:

Individual evaluation of debtors is necessary when it involves companies which, due to their size, complexity or level of exposure with the entity, are required to be identified and analyzed on an individual basis.

Naturally, the analysis of the debtors should be focused on their capacity and disposition to comply with their credit obligations by means of sufficient and reliable information, and analyzing their credit with respect to guarantees, terms, interest rates, currency, inflation - indexation, etc.

For the effects of creating the allowances, the debtors and their operations related to contingent investments and loans must be classified in their corresponding risk category, after being assigned to one of the following portfolio categories: normal, substandard and noncompliance.

ii. Portfolios in normal and substandard compliance:

The portfolio in normal compliance includes those whose payment capacity allows them to comply with their obligations and commitments, a condition that according to their economic-financial situation evaluation, is not expected to change. The classifications assigned to this portfolio are categories A1 to A6.

The substandard portfolio includes the debtors with financial difficulties or significant worsening of their payment capacity presenting reasonable doubt regarding the total reimbursement of principal and interest under the contractually agreed terms, showing that they are less likely to comply with their financial obligations in the short term.

In addition, those debtors that recently present arrears over 30 days will also be part of the substandard portfolio. The classifications assigned to this portfolio are categories B1 to B4.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

As a result of an individual analysis of these debtors, the banks must classify them under the following categories, assigning, subsequently, the probability percentages of noncompliance and loss given default, resulting in the consequent percentage of expected loss:

Type of portfolio	**Debtor Category**	**Default Probability (PI) (%)**	**Loss due to non-compliance (PDI) (%)**	**Expected Loss (%)**
Normal Portfolio	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
	A3	0.25	87.5	0.21875
	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
Substandard Portfolio	B1	15.00	92.5	13.87500
	B2	22.00	92.5	20.35000
	B3	33.00	97.5	32.17500
	B4	45.00	97.5	43.87500

iii. Allowances on portfolios in normal and substandard compliance:

In order to determine the allowances to be established for the normal and substandard portfolios the exposure must be estimated first, to which the respective loss percentages (expressed in decimals) will be applied, which are comprised by the noncompliance probability (PI in Spanish) and loss given default (PDI in Spanish) established for the category in which the debtor and/or guarantor is classified, as applicable.

The exposure subject to impairment corresponds to the loans and receivables plus the contingent loans, less the amount to be recovered by means of the execution of the guaranties. Likewise, loans and receivables is understood as the carrying amount of loans and accounts receivable from the respective debtor, while contingent loans is understood as the value resulting from applying the clause indicated in N°3 of Chapter B-3 of the Accounting Standards Compendium.

iv. Overdue portfolio:

The overdue portfolio includes the debtors and their loans for which their recovery is considered remote, given that they have suffered a loss event resulting in impairment. This portfolio includes those debtors with evident signs of possible bankruptcy, as well as those in which a forced debt renegotiation is necessary in order to avoid noncompliance, and also includes any debtor presenting arrears equal to or more than 90 days in the payment of interests or principal of any loan. This portfolio includes debtors classified under categories C1 to C6 in the classification scale established below and all the loans, including 100% of the amount of contingent loans that those debtors maintain.

For the effects of allocating impairment on the overdue portfolio, allowance percentages are used, which must be applied on the amount of the exposure, which corresponds to the sum of loans and receivables and contingent loans held by the same debtor. In order to apply this percentage, an expected loss rate must be estimated first, deducting from the amount of exposure the recoverable amounts by means of execution of guaranties and, in the case of having solid data that justifies them, deducting also the current value of the recoveries that can be obtained by executing collection actions, net of expenses associated to them. That loss rate must be classified into one of the six categories defined according to the range of losses effectively expected by the Bank for all the operations of an individual debtor.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

These categories and the provision percentages which must be applied on the amounts of the exposures are indicated in the following table:

Type of portfolio	Risk Scale	Expected Loss Range	Provision (%)
Overdue Portfolio	C1	Up to 3 %	2
	C2	More than 3% up to 20%	10
	C3	More than 20% up to 30%	25
	C4	More than 30 % up to 50%	40
	C5	More than 50% up to 80%	65
	C6	More than 80%	90

v. Collective assessment:

Collective assessment is focused on the Commercially Grouped Loans, Consumer Loans and Housing Mortgage Loans portfolios.

For the determination of group portfolio allowances, credit groups with homogeneous features as the type of debtor and agreed conditions are analyzed. Thus, allowances are based on expected losses from a certain probability of default (PI, acronyms in Spanish) and a percentage of severity loss or loss given default (PDI, acronyms in Spanish), both parameters based on historical analysis and estimates technically substantiated.

The amount of allowances is established by multiplying the total amount stated in the respective group by the estimated percentages of default and loss given default.

a. Commercial Loans:

This group of loans is defined as trade receivables of commercial customers who registered trade credits and / or leasing operations and which are not individually evaluated.

The allowance determination is based on statistical models of expected loss, which can estimate the probability of default for each customer (PI) and loss severity (PDI) for each operation. Both parameters are defined in terms of customer behavior and characteristics of each loan, including: delinquencies (internal and /or external), loan/guarantee ratio (loan-to-value), noncompliance portfolio, customer seniority, type product, among others.

b. Consumer Loans:

The Consumer Loan segment that follows this model considers all operations associated with Bci Customers consumption subscribed by individuals, as well as debt from the use of overdraft credit line, emergency credit lines, credit cards and consumer loans.

The allowance determination is based on statistical models of expected loss, which can estimate the probability of default (PI) and loss severity (PDI) for each customer. Both parameters are defined in terms of customer behavior, highlighting: delinquencies (internal and / or external), indebtedness level, noncompliance portfolio, renegotiation, customer seniority, no agreed overdrafts, protests, among others.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

c. Mortgages Loans:

The mortgages portfolio are loans which have the following characteristics: the objective is the financing of the acquisition, extension, repair or construction of housing; the debtor is an individual who is buying or owns the housing, and the value of the mortgage guarantee covers the total loan.

The allowance determination is based on statistical models of expected loss, which can estimate the probability of default for each customer (PI) and loss severity (PDI) for each operation. Both parameters are defined in terms of customer behavior and characteristics of each loan, including: delinquencies (internal and / or external), loan/guarantee ratio (loan-to-value), overdue status, credit conditions, and customer behavior in other products of the Bank, among others.

d. Write-off of loans:

Generally, write-offs must be made when contractual rights over cash flows expire. Even if this is not the case, for loans the Bank has to write-off the respective asset balances when certain conditions are met according to Title II, Chapter B-2 of the Compendium of Accounting Standards and Instructions issued by the Superintendence of Banks and Financial Institutions (SBIF).

The write-off results in the direct reduction of the previously recognized loan asset in the Consolidated Statement of Financial Position, associated to the respective operation, including the part that could have not been expired if it has been paid in installments or partiality, or a leasing operation (for which there are no partial write-offs).

Write-offs are always recognized in provisions for credit risk, according to Chapter B-1 of the Compendium of Accounting Standards, regardless of the reason of the write-off. Subsequent payments received in respect of written-off assets, will be recognized in the Consolidated Income Statement for the year as recoveries of loans written-off.

Write-offs of loans and accounts receivable are made on overdue, past due and current installments, and should be made in accordance with the following terms since their first default:

Type of loan	**Overdue**
Consumer loans with or without guarantees	6 months
Other operations without guarantees	24 months
Commercial loans with guarantees	36 months
Mortgage loans	48 months
Consumer leasing	6 months
Other non-property leasing	12 months
Property leasing (commercial or housing)	36 months

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

Term of write-off is the maximum period between due date to pay of all or part of the obligation that is default of payment and the write-off.

e. Recovery of written-off loans:

The recoveries of loans that were written-off are recognized directly as income, reducing provisions.

o) Fee and commission income and expense

Fee and commission income and expense are recognized in the income statement using different criteria according to their nature. The most significant are:

- Those corresponding to on-off operations are recognized when the operation which originates them is performed.
- Those originating from transactions or services performed over time are recognized over the life of these transactions or services.
- Those relating to financial assets and liabilities are recognized as an adjustment to the effective rate within the operation.

p) Impairment

i. Financial Assets:

A financial asset is assessed at the end of each reporting period to determine if objective evidence of impairment exists. A financial asset is impaired if there is objective evidence indicating that one or more events have had a negative effect on the asset.

A loss due to impairment, regarding financial assets recognized at their amortized cost, is calculated as the difference between the carrying amount of the asset and the present value of the estimated cash flows, discounted using the effective interest rate.

A loss due to impairment, with respect to available for sale financial asset, is calculated in relation to its fair value.

Financial assets that are individually significant are assessed individually to determine their impairment. The remaining financial assets are evaluated in groups that share similar credit risk characteristics.

All the losses due to impairment are recognized in the Consolidated Income Statement for the year. Any impairment loss in relation to an available for sale financial asset previously accumulated in equity is transferred to the Consolidated Income Statement for the year.

Reversal of a loss due to impairment only occurs if it can be objectively related to an event occurring after the impairment was recorded. In the case of financial assets recognized at amortized cost and of those available for sale that are debt instruments, the loss is reversed through the income statement. In the case of equity securities the reversal is recognized directly in equity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

For assets of "Loans and receivables to customers", the impaired portfolio is defined according to Chapter B-2 of the Accounting Standards Compendium of the SBIF as "debtor loans on which there is evidence they will not meet any of their obligations under the agreed-upon payment conditions, without the possibility of recovering the debt by the way of guarantees, by means of exercise of judicial collection actions or by renegotiation."

Policies regarding impairment measurement indicate that it is measured monthly and subject to the following criteria:

ii. Impaired Portfolio:

It consists of loans classified by the Bank as individually significant which include those loans that have a credit risk classified as substandard in categories B3 and B4 or loans in the overdue portfolio.

The remaining impaired loans are classified in the following groups:

- Operations of loans with arrears more than or equal to 90 days.
- Renegotiated operations.
- 100% of the operations associated with the client are moved to the impaired portfolio.

Operations related to mortgage loans for housing or students loans for higher education under Law N°20,027 are excluded as long as no exist non-compliance conditions as established in Circular N°3,454 of December 10, 2008 arise.

The behavior in the financial system is not considered to determine income to impaired portfolio.

<u>Exit Conditions</u>

- <u>Individual case:</u> improvement in risk rating.

- <u>Collectively evaluated case:</u>

a) Non-renegotiated operations: loan operations in the impaired portfolio may return to the normal portfolio only if the operation complies with the following conditions:

   - Receipt of at least 6 consecutive installments of principal and interest, paying them on schedule or with a maximum delay of 30 days.
   - All obligations up to date and no other loan operations in the impaired portfolio.
   - In any case, there must be no arrears with other banks in the Chilean financial system in the last 90 days (last three periods informed to the SBIF at the date of inquiry).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

b) Renegotiated operations: they may exit the impaired portfolio only if the operation complies with the following conditions:

- Receipt of at least 6 consecutive installments of principal and interest, paying them on schedule or with a maximum delay of 30 days.
- All obligations up to date and no other loan operations in the impaired portfolio.
- No other renegotiated operation issued within the last 6 months.
- In any case, there must not be any arrears with other banks in the Chilean financial system in the last 90 days (last three periods informed to the SBIF at the date of inquiry).

c) Group renegotiated portfolio written-off : written-off operations that had been renegotiated may exit the impaired portfolio and enter the normal portfolio only if the operation complies with the following conditions:

- Payment of 30% of the originally renegotiated balance or payment of the first 6 payments negotiated under the renegotiated operation.
- Principal and interests payment up to date.
- No other operations in the impaired portfolio.
- No arrears in the Chilean financial system in the last 90 days.

iii. Income and expenses from interest and inflation–indexation:

Income and expenses from interest and adjustments are recognized in the Consolidated Income Statement of the year based on the accrual principle using the effective interest method.

The effective interest rate is the rate exactly discounts future cash receipts through the expected life of the debt instrument (or, when appropriate, a shorter period) to the carrying amount on initial recognition. To calculate the effective interest rate, the Bank determines cash flows considering all contractual terms of the financial instrument. The effective interest rate calculation includes all fees and other amounts paid or received that form part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

However, in the case of a loan which has reached its maturity and of the current loans with high risk of no recoverability, a prudent criterion is followed by suspending the accrual of interest and inflation–indexation; and only recognizing such in the accounts when they are received.

- Amounts to suspend:

The amount of income suspended on an accrual basis corresponds to the amount calculated between the date of suspension and the Consolidated Statements of Financial Position reporting date. The closing day of the Consolidated Statements of Financial Position corresponds to the last day of the month.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

- Date of suspension:

Individually evaluated loans:

Case a) Loans classified as C5 and C6: the accrual is suspended when the loan is classified as impaired.

Case b) Loans classified as C3 and C4: the accrual is suspended when the loan has been classified as impaired for more than three months.

Collectively evaluated loans:

For the loans with collateral whose fair value is less than 80% of the loan balance, it is suspended when the loan or one of the installments has not been paid for six months.

The 80% percent of collateral refers to the ratio, measured at the time the loan becomes impaired, including the value of the collateral and the estimated value of all covered transactions using the same collateral, including contingent claims.

iv. Non-financial assets:

The carrying amount of non-financial assets of the Bank, excluding investment properties and deferred taxes is evaluated at least annually and more frequently, should circumstances require, determining if indicators of impairment exist. If such indicators exist, then the recoverable amount of the asset is calculated. In the case of goodwill and intangible assets with an indefinite useful life or which are not available for use yet, an impairment test is performed annually or, more frequently, should circumstances warrant.

A loss from impairment in relation with goodwill and intangible assets with indefinite lives is not reversed. Regarding other assets, losses from impairment recognized in previous periods are evaluated to determine if events or circumstances have warranted a reversal of the impairment loss. A loss from impairment is reversed if a change in the estimate has occurred. A loss from impairment may be reversed only to the extent of the original impairment recognized.

q) Intangible assets

Software

The software acquired by the Bank is recognized at its cost less the accumulated amortization and losses from impairment.

The expenses in software developed internally are recognized as assets when the Bank is capable of proving its intention and ability to complete development, when internal use will generate future economic benefits, and when the cost of completing its development can be reliably measured. The capitalized costs of the software developed internally include all the direct costs attributable to the development of the software, and it is amortized over the course of its useful life. Software developed internally is recognized at cost less the accumulated amortization and impairment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

The subsequent expenditures associated with any software are capitalized only when the Bank may derive future economic benefits from them. All other expenditures are recognized in the Consolidated Income Statement for the year.

Amortization is recognized in the income statement using the straight-line method according to the estimated useful life of the software, starting on the date it is ready for use. The estimated useful life of the software is usually six years.

Intangibles arising from business combination

As a consequence of the purchase of BCI Financial Group, Inc. and Subsidiaries materialized in October 2015, amortizable intangible assets and intangible assets with indefinite life were recognized, which were originated in the process of distribution of price paid for acquisition or Purchase Price Allocation (PPA).

According to IFRS 3, values that are exposed as of December 31, 2015 were preliminarily determined and may be adjusted up to one year period from the date of acquisition.

The amortization of these intangible assets is recognized on a straight-line basis according to their estimated useful lives and indefinite useful intangible assets are subject to impairment review, a process that takes place annually.

Goodwill

Goodwill generated in a business combination will be distributed from the date of acquisition, between each of the Cash-Generating Unit (CGU) or group of CGUs of the acquirer, which is expected to benefit from the synergies of the business combination regardless of whether other assets or liabilities of the acquired entity to those units or groups of units assigned.

Goodwill is tested to determine whether there is impairment annually and when circumstances indicate that its carrying amount may be impaired.

The impairment losses relating to Goodwill cannot be reversed in future periods.

r) Business Combination

Business combinations are accounted by the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, the liabilities incurred by the Company to the former owners of the acquiree, and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs generally recognized in income statements as incurred.

In a business combination, an independent expert is used to make a determination of fair value of net assets acquired and is intangible assets identified. For the estimation of recovery of these intangibles identified in a business combination, cash flow projections are used based on yield estimates of acquired businesses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at their fair value, except for the following:

- The deferred tax assets or liabilities, and assets or liabilities related to agreements of employee benefits are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;

- Liabilities or equity instruments related to share-based arrangements of the acquiree or share-based company agreements entered into agreements to replace share-based payments of the acquired payment transactions, are measured in accordance with IFRS 2 at acquisition date; and

- Assets (or group of assets for disposal) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

The goodwill generated in the acquisition of CNB is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any) over the net amounts of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in income statement as a bargain purchase gain.

Non-controlling interests that are represent ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquire's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

The measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which may not exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

s) Property, Plant and Equipment

The items of property, plant and equipment are measured at cost less accumulated depreciation and impairment.

The capitalized cost includes expenses attributed directly to the asset acquisition and any other costs directly attributable to the process of placing the asset in conditions to be used.

When part of an item of the property, plant and equipment has a different useful life, it is recorded as a separate component (Real Estate Remodeling).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

Depreciation is recorded in the Consolidated Statement of Income based on the straight-line basis over the useful life of the item or each component of an item of the property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful life, unless it is certain that the Bank will retain the property at the end of the leasing period.

The estimated useful lives for the property, plant and equipment as of December 31, 2015 and 2014 are the following:

	As of December 31,	
	2015	**2014**
Buildings	50 years	50 years
Machinery and equipment	3 - 10 years	3 - 10 years
Facilities	7 - 10 years	7 - 10 years
Furniture and fixtures	7 years	7 years
Computing equipment	3 - 6 years	3 - 6 years
Real estate improvements	10 years	10 years
Other property, plant and equipment	3 - 6 years	3 - 6 years

t) Assets received in lieu of payment

Assets received in lieu of payment are classified under “Other assets” and recognized at the lesser of their adjudicated-in-court value and net realizable value less regulatory write-offs required by the SBIF and are presented net of provisions. Write-offs are required if the asset is not sold within one year of receipt.

u) Employee benefits

i. Staff Vacations:

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

ii. Short-term benefits:

The entity has an annual incentive plan for its staff to be received upon achieving certain objectives. The incentive is defined as a determined number or portion of monthly remunerations and is provisioned on the basis of the estimated amount to be distributed.

iii. iii. Indemnification for years of service:

The Bank and its subsidiaries have no agreements with their employees with respect to indemnification for years of service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

v) Leases

i. Operating lease:

When the Bank or the subsidiaries act as lessee and the contract qualifies as an operating lease, the contracted payment amount is recorded on a straight-line basis over the life of the contract.

At the end of the operating lease period, any payment for penalties under the contract required by the lessor are recorded as expenses for the period in which said contract ended.

ii. Financial lease:

In the case of financial leases, the sum of the minimum lease payments of the installments to be received from the lessee plus the contractual purchase option price is recognized as financing to third parties, and is therefore recognized in "Loans and receivables to customers".

Inter-company leased assets are treated as own-use assets in the Consolidated Financial Statements.

w) Cash flow statement

For the elaboration of the Consolidated Statement of Cash Flows, the indirect method of presentation was used, in which non-cash transactions are included in the basis of Bank's profit, as well as revenues and expenses associated with cash flows from investing or financing activities.

For the Consolidated Statement of Cash Flows, the following are the definitions of the respective activities:

- Cash flows: the inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments subject to an insignificant risk of changes in their value such as: deposits in the Central Bank of Chile, in local banks and abroad.

- Operating activities: are the principal revenue-producing activities of the Bank, as well as other activities that are not investing or financing activities.

- Investing activities: are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

- Financing activities: are activities that result in changes in size and composition of net equity and borrowings and that do not form part of the operating and investing activities.

x) Contingent provisions and liabilities

Provisions are liabilities for which there is uncertainty regarding their amount or maturity. These provisions are recognized in the Consolidated Statement of Financial Position when they comply with the following requirements:

- It is a present obligation resulting from a past event and, at the date of the Consolidated Financial Statements it is probable that an outflow of economic benefits will be required by the Bank or its subsidiaries to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

A contingent asset or liability is any asset or obligation arising from past events and whose existence will be confirmed only if one or more uncertain future events happen and these events are not under the Bank's control.

Provisions (which are measured considering the best available information regarding the consequences of the related event and are re-estimated on every accounting closure) are used to cover specific obligations for which they were originally recognized which are reversed or utilized upon occurrence of the event.

Provisions are recorded in the following categories:

- Provisions for staff benefits and remunerations.
- Provisions for minimum dividends.
- Provisions for contingent credit risk.
- Provisions for contingencies (include additional provisions).

i. Additional provisions:

The SBIF has defined that the additional provisions are those not deriving from the application of valuation models to the portfolio or to compensate deficiencies in them and that their establishment must be justified by assumed risk as defined in unpredictable economic fluctuations.

The Bank has formal criteria and procedures for the use and constitution for the determination of additional provisions, which must be approved by the Board of Directors.

These provisions, in accordance with the established under N°10 of Chapter B-1 of the Compendium of Accounting Standards issued by the SBIF, will be recognized as liabilities.

ii. Minimum provisions required for the normal individual portfolio:

The Superintendence of Banks and Financial Institutions has determined that the Bank must maintain a percentage of minimum provision of 0.50% on loans and contingent loans from the normal individual portfolio in accordance with Chapter 2.1.3 of the number B-1 Compendium of Accounting Standards. These minimum provisions are to be presented in liabilities.

y) Use of estimates and judgments

The preparation of the Consolidated Financial Statements require the Management of the Bank to make decisions, estimates and assumptions that affect the application of the accounting policies and the amount of assets, liabilities, income and expenses presented. The actual results may differ from these estimates.

The relevant estimates and assumptions are reviewed on a regular basis by the Management of the Bank in order to quantify certain assets, liabilities, income, expenses and uncertainties. The changes of the accounting estimates are recognized in the year in which the estimate is revised and over the future years affected.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

In particular, the information regarding the most significant areas of uncertainties and critical judgment estimates in the application of accounting policies that have the most significant effect on the amounts recorded in the Consolidated Financial Statements are described in the following notes:

- Impairment of certain assets (Note 32).
- Valuation of financial instruments (Note 7, 9 and 12).
- Useful life of property, plant and equipment and intangible assets (Notes 14 and 15).
- Use of tax loss carry-forward (Note 16).
- Commitments and contingencies (Note 23).

z) Income tax and deferred tax

The Bank calculates first category income tax at each year end, according to the current tax law.

The Bank recognizes, when applicable, deferred tax assets and liabilities for the temporary differences attributable to differences between the carrying amount of the assets and liabilities and their tax values. The measurement of deferred tax assets and liabilities is performed based on the tax rate that, according to the tax regulations in force, must be applied in the year in which the deferred tax asset or liability is reversed. The effects of changes in the tax regulations or in tax rates are recognized in deferred taxes as of the date of enactment of the law.

As of December 31, 2015 and 2014, the Bank recognized net deferred tax assets, which Management has assessed are expected to be recoverable from future taxable earnings and profits, which will allow the recoverability of temporary differences existing at the end of each year.

Law 20,780 as published in the Official Gazette dated September 29, 2014, introduces among others, the following amendments to the law on income tax those impacts on the calculation of income tax of the Bank as of the month September 2014:

- Law 20,780 No. 4 of Article 1, provides two alternative tax systems for taxpayers obliged to declare their actual income as complete accounting: Board with full attributed tax credit for first category called “Attributed System” and Regimen partial tax credit for first category called Semi-Integrated System” (SIP).

- Law 20,780 No. 10 of Article 1, establishes a permanent increase in the tax rate of First Category, which speak and gradualness is defined in fourth transitory article, as follows: 21% in 2014, 22.5% in 2015, 24% in 2016, 25% or 25.5%, 25% or 27% in 2018, in the last two years depending on the tax regime adopted.

To choose one of the aforementioned schemes, between June and December 2016, the Bank shall submit an affidavit before the SII, which must be based on prior approval by an Extraordinary Shareholders with a quorum of at least two thirds of the issued voting.

The law states that corporations failed to exercise the option described above shall be subject to arrangements with partial attributed tax credit for first category called Semi-Integrated System (SIP) with rates of 25.5% in 2017 and 27% in 2018 and thereafter.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

aa) Non-current assets held for sale

Non-current assets (or an identifiable group that comprises assets and liabilities) those carrying amount is expected to be recovered principally through a sale transaction, rather than through continuing use, are classified as non-current assets and disposal groups held for sale. Immediately before this classification, the assets (or elements of an identifiable group) are re-measured according to the accounting policies of the Bank. From this moment, the assets (or identifiable group) are measured at the lower of their previous carrying amount and fair value less costs to sell.

ab) Dividends on common shares

Dividends on common shares must be approved by the Board of Directors.

The Bank recognizes a liability for the portion of the year's profit that must be distributed among the shareholders in compliance with Corporate Law, establishing that the minimum of 30% of net income for the year, or more, must be distributed as dividend, or according to the dividends policy.

ac) Earnings per share

Basic earnings per share are determined by dividing the net income attributable to the Bank during the period by the weighted average number of shares during that period.

Diluted earnings per share is calculated similarly to basic earnings, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of stock options, warrants and convertible debt.

ad) Collection and Separated Heritage Operations No. 27 made by the direct subsidiary BCI Securitizadora S.A.

i. Collection Operations:

The securitization companies may acquire assets on behalf of separate assets backing the issue of securitized bonds. These assets must be similar in characteristics and each issue will form a separate fund.

These assets may be of future cash flows (a "business plan" or future cash flows is securitized to obtain a specific asset or group of assets or company) or of an existing asset (a portfolio of receivables, mortgage loans, etc.).

This distinction is relevant when it comes to how to account for debt in the Bank; in the first case the future flows to be recognized by the Separate Heritage and also by the originator, and in case of existing assets only by the Separate Heritage.

These collection operations are part of the securitization process. In fact, the very Securities Market Act, providing for the practical difficulty that means the formation of a separate fund, is considering acquiring assets forming a separate estate even before placement of the respective bonds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

Since there is the possibility that the respective separate assets never will be formed or securitized bond will not be issued for different reasons (legal, market, etc.), these transactions contemplated a PUT option (sale) to resell accounts customer receivables under certain circumstances (mainly in case you cannot prosper securitized bond for the reasons discussed above), this should be recorded as a contingent liability of the customer.

ii. Separated Heritage Operations N°27:

The Consolidated Financial Statements through the direct subsidiary BCI Securitizadora S.A., as of December 31, 2015, maintain a balance of MCh$25,075 corresponding to receivables loans to Separated Heritage Nº27 in training on behalf of which the Securitizadora acquired a loans portfolio originated by Inversiones S.C.G. S.A. On November 7, 2011 La Polar companies introduced a preventive legal agreement to the Creditors Board. In that agreement and according to Separated Heritage N°27, the agreed conditions mentioned on July 28, 2011, with BCI Securitizadora S.A., where fund structure Separated Heritage Nº27 was resolved by Inversiones S.C.G. S.A., according to the following:

- Recognition of portfolio cash payments: MCh$23,820.
- Calendar of decreases of revolving portfolio, starting the sixth year (2018) according to the following:

  Years 2018, 2019 and 2020: 5% payable semiannually.
  Years 2021 and 2022: 7.5% payable semiannually.
  Years 2023 and 2024: 10% payable semiannually.

- Recognition of fees on October 16, 2012, for compliance with the precedent agreement condition: MCh$1,255.

The revolving portfolio decrease will be made semiannually in accordance with the percentages indicated above, on January 31 and July 31 of the respective year, corresponding to the first day on January 31, 2018 and so on the following, to the last on July 31, 2024.

Fees: accrue equivalent to those that corresponded to 4% interest per year between July 1, 2012 and until fulfillment of the condition precedent, which are capitalized and then, thereafter accrue interest fees BCP 10 (in pesos to 10 years) in force the previous day to compliance with the indicated condition plus 1% per annum, which throughout the course of the operation, which will be paid semiannually from 31 July 2013. Fees paid to December 31, 2015 totaled MCh$680 (MCh$680 to December 31, 2014).

On October 25, 2012, the report of agreed procedures implementation was issued, to La Polar companies administration by its external auditors, which confirms that the October 16, 2012 increased capital funds exceed MCh$120,000 so that effect is given to the laid down condition in the Convention of Creditors, generated from October, 16 new conditions for debts payment and other agreement structures. Thus the balance as of December 31, 2015, amounted to MCh$25,755 by Inversiones S.C.G. S.A.

As of December 31, 2015 the Bank recognizes and presents this receivable accounts to Separated Heritage Nº27 in the category "Loans and receivables to customers".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

ae) Consolidated Statements of Changes in Equity

The Consolidated Statement of Changes in Equity presented in these Consolidated Financial Statements, disclose changes in the total consolidated equity during the year. This information is presented in two statements: the Consolidated Statement of Other Comprehensive Income and Consolidated Statement of Changes in Equity. The main features of the information contained in the two statements are explained below:

- **Consolidated Statement of Other Comprehensive Income** - Other comprehensive income comprises items of income and expense as a result of Bank's activities during the period, distinguishing between those recognized as income, in the consolidated income statement, and other income and expenses recognized in equity.

  Therefore, in the Financial Consolidated Statement, the following are presented:

  i) Profit or Loss of the year.

  ii) The net income and expenses temporarily recognized as valuation adjustments in equity.

  iii) The net amount of revenues and expenses permanently recognized in equity.

  iv) The earned income tax on items described above in ii) and iii), except for valuation adjustments arising from investments in associates, accounted for the equity method, which are presented net.

  v) The total recognized income and expense, calculated as the sum of the above, presenting separately the parent entity amounts and the corresponding non-controlling interests.

The revenues and expenses of companies, recognized used equity method of accounting, directly recognized in equity of the associates, whatever its nature, are presented in consolidated equity within "companies accounted using equity".

- **Consolidated Statement of Changes in Equity –** this part of the Consolidated Statement of Changes in Equity discloses all changes in consolidated net equity, including those arising from changes in accounting policies and corrections of errors. Therefore, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all items comprising equity, grouping the changes according to their nature into the following items:

  i) Adjustments for changes in accounting policies and corrections of errors including changes in equity arising as a result of the retrospective restatement of balances of financial statements due to changes in accounting policies or to correct errors. During the reporting year there were no adjustments for changes in accounting policies and corrections of errors.

  ii) Income and expenses recognized in a period: total of the items recognized in the Consolidated Statement of Income, in the aggregate.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

af) Reclassifications Items

The Bank has made classifications of items in the financial statements in order to present better view of the financial position and more relevant information to users. These reclassifications have no significant effect on these Consolidated Financial Statements.

ag) Accounting pronouncements by the International Accounting Standards Board (IASB).

Standards and interpretations, as well as improvements and modifications to IFRS that have been issued but have not yet entered into force at the date of these Consolidated Financial Statements, are detailed below. The Bank has not applied these standards in advance:

	New Regulations	Mandatory Application
IFRS 9	Financial Instruments	January 1, 2018.
IFRS 14	Deferred Regulatory Accounts	January 1, 2016.
IFRS 15	Revenues from Customer's Contracts	January 1, 2018.
IFRS 16	Leases	January 1, 2019.

IFRS 9 "Financial Instruments"

This is the final version of the standard issued in July 2014 and which completes the IASB project to replace IAS 39 "Financial Instruments: Recognition and Measurement". This standard includes new principle based requirements to the classification and measurement, introduces a "more forward" model of expected loss and substantially reformed approach for loan losses accounting. The institutions also have the option of applying in advance accounting of gains and losses from changes in fair value related to the "own credit risk" of financial liabilities designated at fair value through profit or loss, without applying the other requirements of IFRS 9. Standard is mandatory for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The Bank is still evaluating the potential impact of this standard on the Consolidated Financial Statements.

IFRS 14 "Deferred Regulatory Accounts"

IFRS 14 Deferred Regulatory Accounts, issued on January 2014, is an interim standard that aims to improve the comparability of entities financial information that is involved in activities with regulated prices. Many countries have industries subject to price regulation (for example gas, water and electricity), which can have a significant impact on revenue recognition (timing and amount) of the entity. This standard allows entities adopting IFRS for the first time continue to recognize amounts related to price regulation under previous GAAP requirements; however displaying them separately. An entity that already presents financial statements under IFRS should not apply this rule. The standard is mandatory for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The Bank is issues financial statements in accordance with IFRS since 2009, therefore does not apply this standard in their Consolidated Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 Revenue from Customers' Contracts issued on May 2014 is a new standard that is applicable to all customers' contracts except leases, financial instruments and insurance contracts. It is a joint project with the FASB to eliminate differences in revenue recognition between IFRS and US GAAP. This new standard aims to improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparability of companies from different industries and regions. It provides a new model for the recognition of income and more detailed requirements for multiple elements contracts. It also requires more detailed disclosures. The standard is mandatory for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The Bank is still evaluating the potential impacts of this standard on the Consolidated Financial Statements.

IFRS 16 "Leases"

On January 13, 2016, the IASB published a new standard, IFRS 16 Leases. The new standard brings most leases on-balance for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 *Leases* and related interpretations; it is effective for periods beginning on or after January 1, 2019, early application is permitted as long as IFRS 15 *Revenue from Contracts with Customers* is also applied.

The Bank did not have the opportunity to consider the potential impact of the adoption of this new standard.

	Improvements and Amendments	Mandatory Application
IAS 19	Employee Benefit	January 1, 2016.
IAS 16	Property, Plant and Equipment	January 1, 2016.
IAS 38	Intangible Assets	January 1, 2016.
IFRS 11	Joint Ventures	January 1, 2016.
IAS 27	Separate Financial Statements	January 1, 2016.
IAS 28	Investment in Associates and Joint Ventures	January 1, 2016
IFRS 10	Consolidated Financial Statements	January 1, 2016.
IFRS 5	Non-current Assets held for Sale and Discontinued Operations	January 1, 2016.
IFRS 7	Financial Instruments: Disclosures	January 1, 2016.
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2016.
IAS 12	Income Taxes	January 1, 2017.
IAS 7	Disclosure initiative	January 1, 2017.

IAS 19 "Employee Benefit"

"Annual Improvements 2012-2014 cycle" issued in September 2014, clarifies that depth of the market for high credit quality corporate bonds. It is evaluated based on the currency in which the obligation is denominated, rather than the country of the obligation. Where there is no active market for such bonds in that currency, bonds issued by government in the same currency and with the same deadlines will be used. The amendments will become mandatory for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

The Bank evaluated the impacts that could generate this amendment and concluded that it does not significantly affect the Consolidated Financial Statements.

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

IAS 16 and IAS 38 establish the principle of depreciation and amortization basis to be the expected pattern of consumption of the future economic benefits of an asset. In its amendments to IAS 16 and IAS 38 issued in May 2014, the IASB clarified that the use of income-based method to calculate the asset depreciation is not suitable because the income generated by an activity that involves the use of an asset generally reflect different factors than the consumption of the economic benefits added to the asset. The IASB also clarified that income generally has an inadequate basis to measure the consumption of economic benefits added of an intangible asset. However, this presumption may be rebutted in certain limited circumstances. The amendments will become mandatory for annual periods beginning on or after January 1, 2016. Earlier application is permitted.
The Bank evaluated the impacts that could generate this amendment and concluded that it does not significantly affect the Consolidated Financial Statements.

IFRS 11 "Joint Ventures"

Amendments to IFRS 11, issued in May 2014, apply to the acquisition of a stake in a joint venture that constitutes a business. The amendments clarify that buyers of these parts must apply all the principles of accounting for business combinations IFRS 3 *Business Combinations* and other regulations that do not conflict with the IFRS 11 Joint Arrangements guidelines. The amendments will become mandatory for annual periods beginning on or after January 1, 2016. Earlier application is permitted.
The Bank evaluated the impacts that could generate this amendment and concluded that it does not significantly affect the Consolidated Financial Statements.

IAS 27 "Separate Financial Statements"

Amendments to IAS 27, issued in August 2014, reset the option of using the equity method for investments accounting in subsidiaries, joint ventures and associates in the separate financial statements. Amendments will become mandatory for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The Bank evaluated the impacts that could generate this amendment and concluded that it does not significantly affect the Consolidated Financial Statements.

IAS 28 "Investment in Associates and Joint Ventures", IFRS 10 "Consolidated Financial Statements"

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address a recognized inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the treatment of the sale or contribution of assets between an investor and its associate or joint venture. The amendments issued in September 2014, states that when the transaction involves a business (both when in a subsidiary or not) a gain or loss is recognized complete. Partial gain or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are in a subsidiary. The amendments will become mandatory for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

The Bank evaluated the impacts that could generate this amendment and concluded that it does not significantly affect the Consolidated Financial Statements.

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

"Annual Improvements 2012-2014 cycle" issued in September 2014, clarifies that if an entity reclassifies an asset (or group of assets for disposal) from held for sale directly to held for distribution to the owners, or from held for distribution to owners directly to held for sale, then the change in classification is considered a continuation of the original plan of sale. The IASB clarifies that in such cases the requirements for accounting changes will not be applied to a sale plan. The amendments will become mandatory for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The Bank evaluated the impacts that could generate this amendment and concluded that it does not significantly affect the Consolidated Financial Statements.

IAS 12 "Income Taxes"

On January 19, 2016, the IASB published final the amendments clarify the following aspects:

Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

The carrying amount of an asset does not limit the estimation of probable future taxable profits.

Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

The Bank did not have the opportunity to consider the potential impact of the adoption of this amendment.

IAS 7 "Disclosure Initiative".

The amendments are part of the IASB's Disclosure initiative project and introduce additional disclosure requirements intended to address investors' concerns that financial statements do not currently enable them to understand the entity´s cash flows; particularly in respect of the management of financing activities. The amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financial activities. Although there is no specific format required to comply with the new requirements, the amendments include illustrative examples to show how an entity can meet the objective of these amendments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The Bank did not have the opportunity to consider the potential impact of the adoption of this amendment.

ah) Standards and instructions issued by the Superintendence of Banks and Financial Institutions (SBIF)

i) On December 30, 2014, the SBIF issued No. 3.573 Circular Letter with the Compendium of Accounting Standards. B-1, B-2 and E chapters. The use of the standardized approach in provisioning mortgage loans for housing is mandatory starting on January 1, 2016.

Instructions on the portfolio defaulted loans subject to individual assessment are complementary, including certain conditions to remove from the portfolio credits of a debtor, while same material incorporates for group loans. To remove a debtor defaulting Portfolio, once the circumstances that led to its classification in this portfolio under these rules overcome, at least the following copulative conditions must be complied (updated by Circular No. 3,584, June 22, 2015):

i. Any obligation of the debtor presents a delay in its more than 30 calendar days payment.

ii. It has not been granted new refinancing to pay its obligations.

iii. At least one of the payments includes amortization of capital.

iv. If the debtor had some credit with partial payment in less than six months periods, it has already made two payments.

v. If the debtor must pay monthly fees for one or more credits, he had paid four consecutive installments.

vi. The debtor does not appear with unpaid debts on the information that SBIF merges, except for insignificant amounts.

With reference to the agreement that the Board should give on the adequacy of provisions, it states that it must refer to the consolidated financial statements, as well as the bank individually considered, with its subsidiaries in the country and overseas subsidiaries, when appropriate.

Management has estimated that the implementation of this regulatory amendment will impact on the Consolidated Financial Statements of the Bank for the amount of MCh $ 14,028, which they were recognized in additional provisions.

ii) On May 25, 2015 No. 3583 Circular issued, modifies and complements the Compendium of Accounting Standards, Chapter C-3. Student loans, establishing a new opening for the classification of loans for higher studies within Commercial Loans. This new classification include:

• Credits for higher education Law No. 20,027.
• Secured Loans CORFO.
• Other credits for higher education.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continuation

These amendments apply as of the information referred to January 1, 2016.

Management has estimated that the implementation of this regulatory amendment will not have a significant impact on the Consolidated Financial Statements of the Bank.

iii) No. 3,588 Circular, issued on September 25, 2015, changed minor aspects of drafting of the Compendium of Accounting Standards chapters. Chapters A-1, B-1, B-3 and C-3. Modifies specific instructions, while chapter C-3 establishes the creation of a new settlement account for payment card funding (2100.2.07) and delete lines and items in the supplementary information consolidated and individual. The related Amendments to Chapters A-1, B-1 and B3 take effect immediately, while Amendments to Chapter C-3 govern starting on October 31, 2015.

Management has estimated that the implementation of this regulatory amendment will have no significant impact on the Consolidated Financial Statements of the Bank.

iv) On December 24, 2015 the SBIF issued No. 3,598 Circular, where new provisions to Chapter B-1 "Provisions for Credit Risk" of the Compendium of Accounting Standards related to the requirements by the regulator to use internal methodologies are incorporate. The following arrangements are incorporated: Requirements for the use of internal methodologies for purposes of determining credit risk provisions. Information requirements for the application for assessment of internal methodologies for credit risk.

NOTE 2 - ACCOUNTING CHANGES

As indicated in Note 5 to the Consolidated Financial Statements, during 2015 the Bank has changed the presentation of its operating segments to better reflect the nature of the Bank's business.

During the year ended December 31, 2015, no other accounting changes to previous year have occurredwhich affected these Consolidated Financial Statements.

NOTE 3 - SIGNIFICANT EVENTS

a) Issuance and Bonds placement

– During the year 2015, the following bond issuances in UF were issued:

Bonds series	Issuance date	Notional amount, UF	Nominal interest rate	Maturity date
AJ1	03.03.2015	3,000,000	2.06%	01.10.2019
AJ2	10.03.2015	500,000	2.61%	01.10.2024
AJ1	11.03.2015	100,000	1.89%	01.10.2019
AJ2	11.03.2015	3,000,000	2.61%	01.10.2024
AJ1	12.03.2015	615,000	1.89%	01.10.2019
AJ1	13.03.2015	100,000	1.86%	01.10.2019
AJ1	17.03.2015	45,000	1.86%	01.10.2019
AJ1	18.03.2015	140,000	1.86%	01.10.2019
AJ1	15.04.2015	100,000	2.05%	01.10.2019
AJ1	21.04.2015	100,000	2.35%	01.10.2019
AJ1	22.04.2015	25,000	2.35%	01.10.2019
AJ2	22.04.2015	300,000	2.90%	01.10.2024
AJ1	28.04.2015	300,000	2.37%	01.10.2019
AJ2	28.04.2015	200,000	2.87%	01.10.2024
AJ2	29.04.2015	400,000	2.87%	01.10.2024
AJ1	30.04.2015	115,000	2.40%	01.10.2019
AJ2	30.04.2015	200,000	2.87%	01.10.2024
AJ2	05.05.2015	1,090,000	2.91%	01.10.2024
AJ1	06.05.2015	5,000	2.40%	01.10.2019
AJ1	15.05.2015	70,000	2.74%	01.10.2019
AJ2	15.05.2015	100,000	2.74%	01.10.2024
AJ1	20.07.2015	3,770,000	2.14%	01.10.2019
AJ1	21.07.2015	400,000	2.11%	01.10.2019
AJ1	22.07.2015	830,000	2.12%	01.10.2019
AJ1	28.07.2015	1,000,000	1.97%	01.10.2019
AJ1	07.08.2015	350,000	1.88%	01.10.2019
AJ1	14.08.2015	50,000	1.84%	01.10.2019
AJ2	18.08.2015	2,000,000	2.68%	01.10.2024
AJ2	24.08.2015	100,000	2.68%	01.10.2024
AJ1	26.08.2015	2,000,000	1.81%	01.10.2019
AJ1	04.09.2015	55,000	2.06%	01.10.2019
AJ1	02.10.2015	50,000	2.12%	01.10.2019
AJ1	05.10.2015	20,000	2.13%	01.10.2019
AJ1	07.10.2015	50,000	2.14%	01.10.2019
AJ1	08.10.2015	20,000	2.14%	01.10.2019

NOTE 3 - SIGNIFICANT EVENTS, continuation

– **During the year 2015, the following bond were issued in Chilean Pesos:**

Bonds series	Issuance date	Notional amount, pesos	Nominal interest rate	Maturity date
AK	19.03.2015	20,000,000,000	5.20%	01.11.2019
AK	20.05.2015	5,000,000,000	5.35%	01.11.2019
AK	26.05.2015	10,000,000,000	5.37%	01.11.2019
AK	27.05.2015	10,000,000,000	5.38%	01.11.2019
AG	15.06.2015	5,027,000,000	5.03%	01.05.2018
AG	01.09.2015	228,500,000	4.92%	01.05.2018
AK	27.10.2015	2,000,000,000	5.38%	01.11.2019
AK	28.10.2015	2,000,000,000	5.35%	01.11.2019
AK	28.10.2015	2,000,000,000	5.34%	01.11.2019
AK	30.10.2015	1,000,000,000	5.30%	01.11.2019
AK	19.11.2015	400,000,000	5.50%	01.11.2019
AK	20.11.2015	1,000,000,000	5.50%	01.11.2019
AK	23.11.2015	100,000,000	5.50%	01.11.2019
AK	30.11.2015	250,000,000	5.55%	01.11.2019
AG	05.10.2015	3,541,750,000	5.20%	01.05.2018
AG	08.10.2015	5,484,000,000	5.17%	01.05.2018
AG	15.10.2015	7,083,500,000	5.15%	01.05.2018
AG	19.10.2015	3,199,000,000	5.17%	01.05.2018
AG	20.10.2015	457,000,000	5.18%	01.05.2018
AG	21.10.2015	525,550,000	5.18%	01.05.2018

– **During the year 2015, the following bond were issued in Swiss Franc:**

Bonds series	Issuance date	Notional amount, CHF	Nominal interest rate	Maturity date
CH0278875965	17.06.2015	150,000,000	0.25%	17.06.2020

– **During the year 2015, the following subordinated bonds in UF were issued:**

Bonds series	Issuance date	Notional amount, UF	Nominal interest rate	Maturity date
AH	20.10.2015	2,500,000	3.28%	01.09.2043
AH	23.10.2015	1,500,000	3.26%	01.09.2043

b) Distribution of dividends and capitalization of earnings

At the Annual Shareholders' Meeting held on March 24, 2015, the distribution of net income for the period 2014 was approved, amounting to MCh$342,972, as follows:

- Distribute a dividend of Ch$1,000 per share among the total 108,701,164 shares issued and registered in the Register of Shareholders, which amounts to the sum of MCh$108,702.

- Allocate the remaining balance of MCh$234,270 to future capitalization reserve fund.

NOTE 3 - SIGNIFICANT EVENTS, continuation

c) Increase in capital stock

- On March 24, 2015, at the Extraordinary Shareholders' Meeting, it was approved inter alia, to increase the share capital for the amount of MCh$234,270, through the capitalization of reserves from accumulated profits.

1. Capitalization without issuance of shares, for the amount of MCh$171,472; and

2. Capitalization through the issuance of 2,105,835 bonus shares, for the amount of MCh$62,798.

The capital of the Bank in accordance with applicable by-laws amounted to MCh$1,547,126 divided into 108,701,164 shares of the same series and no par value. As a result of the approved capital increase, the share capital of Banco de Crédito e Inversiones, amounts to MCh$1,781,396 divided into 110,806,999 shares of a single series without par value.

The aforementioned capital increase was approved by the Superintendence of Banks and Financial Institutions through Resolution No. 297 of June 18, 2015, which was registered on page 45,208, number 26,603 of Trade Register of Real Estate of Santiago, and published in the Official Gazette dated June 30, 2015.

At Extraordinary Shareholders' Meeting held on October 27, 2015, it was approved the annulment of capital increase of MCh$198,876, which was approved by the Extraordinary Shareholders' Meeting held on September 26, 2013, and which was neither subscribed nor paid.

Additionally, it was agreed to increase the share capital by the amount of MCh$309,128 through the issuance of 10,737,300 shares for payment, which shall be subscribed and paid within three years from the date of the aforesaid meeting.

On December 15, 2015, the Superintendence of Banks and Financial Institutions Resolution No. 526 approved the amendment introduced to the Banco de Credito e Inversiones by-laws agreed at the Extraordinary Shareholders' Meeting on October 27, 2015, in which the capital increase of MCh$2,090,524 represented by 123,544,299 registered shares of one series and with no par value was approved, to be signed and paid as follows:

- With the amount of MCh$1,781,396 corresponding to the authorized capital of the Bank, divided into 110,806,999 registered shares of one series and with no par value are fully subscribed and paid, and

- With the amount of MCh$309,128 through the issue of 10,737,300 paid shares to be subscribed and paid in accordance with what is stated in the transitional article of the by-laws within a maximum period of three years from the date of the Meeting.

d) BCI Securities INC Capital Increase

On July 15, 2015, a capital increase of subsidiary BCI Securities Inc., of US$1,500,000 was made. Banco de Credito e Inversiones contribution was the amount of US$1,498,500 equivalent to 99.9% of ownership and BCI Asesoría Financiera SA, for US$1,500 equivalent to 0.01% share. This transaction was materialized with a $642.3 exchange rate.

NOTE 3 - SIGNIFICANT EVENTS, continuation

e) BCI Financial Group, INC. and Subsidiaries purchase

At the Extraordinary Board Meeting held on October 6, 2015 it was noted that although, throughout the CNB acquisition process, the respective regulators were informed about a capital increase of US$360 million to maintain adequate capital ratios after the consolidation, it seem appropriate to propose to shareholders waive the capital increase approved at the Extraordinary Shareholders’ Meeting on September 26, 2013, which has not been neither subscribed nor paid, and carry out a capital increase in the amount of US$450 million or its equivalent in pesos, to finance the purchase of CNB and adjust equity ratios after consolidation to the target range.

On October 16, 2015 the acquisition of City National Bank of Florida, subsidiary of BCI Financial Group, Inc. and Subsidiaries by Banco de Crédito e Inversiones took place. City National Bank of Florida is an America Bank owned by Bankia Inversiones Financieras S.A.U., part of the Bankia group.

Consideration paid by Banco de Crédito e Inversiones for the acquisition of City National Bank of Florida totaled US$946.9 million.

NOTE 4 - BUSINESS COMBINATION

i. General Operation

On October 16, 2015, Banco de Crédito e Inversiones (BCI) acquired City National Bank of Florida (CNB) through the acquisition of 100% of BCI Financial Group, Inc. and Subsidiaries, which owned and controlled 99.96% of City National Bank of Florida (CNB) shareholding, the remaining 0.04% percentage, is in equal portions held by the six directors of the CNB Bank, who according to Federal Standard of the United States of America (hereinafter "United States"), should hold shares in order to exercise their roles as directors.
With this transaction, BCI strengthens its growth and internationalization strategy, becoming the first Chilean financial institution that has a banking subsidiary in the United States. The acquisition payment totaled US$946.9 million, or its equivalent in Chilean peso of MCh$639,150.

ii. Description of the Acquired Subsidiaries

BCI Financial Group, Inc. is an investment company whose sole business purpose is to hold the investment in CNB and other instruments to a lesser extent.
CNB is a banking financial institution, which is recognized as one of the oldest banks in the State of Florida. It was established in 1946 and headquartered in Miami. CNB is a commercial full service bank offering a range of financial products, including real estate, commercial and consumer banking, to more than 22,000 customers, with 26 branches and 478 employees in four counties in Florida. Also, historically it was focused on a small and medium enterprises as a segment of target market.
At the acquisition date, CNB hold loans of MCh$2,694,027, deposits of MCh$2,949,446 and equity of MCh$629,500, equivalent to 11%, 12% and 3% of consolidated total assets of the Bank as of October 31, 2015, respectively.

NOTE 4 - BUSINESS COMBINATION, continuation

iii. Primary reasons for the acquisition

This acquisition represents an important step in the internationalization strategy of BCI, which aims to generate new sources of income, geographically diversify its business, and accompany Chilean and Latin American customers in their regional operations and, at the same time, strengthen their participation in the State of Florida, in which it already operates for 16 years, through the branch which is currently located in the city of Miami.

The purchase represents an important business opportunity for BCI in Florida, the third largest US state in terms of population, fourth in the volume of deposits, distinguished by having a dynamic and attractive economy and population, which both economic and demographic growth is above the average of the other states of the United States. Additionally, it is distinguished by its strong connection with Latin America, being the gateway for Latin American investments to the United States, and vice versa.

Particularly, CNB stands out as one of the oldest banks and one of the leaders in the market, being placed within the 5 biggest banks in the State of Florida. CNB management has a long history of successful operating. The excellent position and performance of CNB, together with the know-how accumulated by BCI in its 70-year history, represent a key pillar for the future development of BCI in the US market.

NOTE 4 - BUSINESS COMBINATION, continuation

iv. Details of assets acquired and liabilities assumed

The following is the Consolidated Statement of Financial Position of the CNB at the acquisition date, as well as fair value measurement adjustments as of October 16, 2015:

	Pre-acquisition balance	Adjustments on acquisitior	Reference	Post-acquisition balance
	MCh$	MCh$		MCh$
ASSETS				
Cash and deposits in banks	272,337	(26,731)	a	245,606
Items in course of collection	-	-		-
Trading portfolio financial assets	9,465	-		9,465
Investments under agreements to resell	48,782	-		48,782
Derivative financial agreements	2,141	-		2,141
Loans and receivables to banks, net	-	-		-
Loans and receivables to customers, net	2,681,665	12,362	b	2,694,027
Financial investments available for sale	881,671	126,043	c	1,007,714
Financial investments held to maturity	124,132	(123,456)	c	676
Investments in other companies	37,017	-		37,017
Intangible assets	143,369	(81,872)	d	61,497
Property, plant and equipment, net	47,493	4,397	e	51,890
Current income tax	-	-		-
Deferred income taxes	91,016	34,449	f	125,465
Other assets	11,200	-		11,200
TOTAL ASSETS	**4,350,288**	**(54,808)**		**4,295,480**
LIABILITIES				
Current accounts and demand deposits	2,949,446	-		2,949,446
Items in course of collection	-	-		-
Obligations under agreements to repurchase	119,058	-		119,058
Time deposits and savings accounts	259,349	541	g	259,890
Derivative financial agreements	2,147	-		2,147
Borrowings from financial institutions	-	-		-
Debt issued	-	-		-
Other financial obligations	321,010	-		321,010
Current income tax	1,379	-		1,379
Deferred income taxes	-	-		-
Provisions	5,773	-		5,773
Other liabilities	7,277	-		7,277
TOTAL LIABILITIES	**3,665,439**	**541**		**3,665,980**
SHAREHOLDERS' EQUITY				
Attributable to equity holders of the Bank:				
Capital and reserves	658,261	(28,761)	h	629.500
Accumulated other comprehensive income	1,621	(1,621)	i	-
Retained earnings:				
Net income for the prior period	-	-		-
Net income for the year	24,967	(24,967)	i	-
Less: Accrual for minimum dividends	-	-		-
TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK	**684.849**	**(55,349)**		**629,500**
Non-controlling interest	-	-		-
TOTAL SHAREHOLDERS' EQUITY	**684,849**	**(55,349)**		**629.500**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**4,350,288**	**(54,808)**		**4,295,480**

NOTE 4 - BUSINESS COMBINATION, continuation

Fair value adjustments for the acquisition correspond to:

Reference	Adjustments Detail	MCh$
a)	Bank Deposits	(26,731)
b)	Loans and receivables to customers	12,362
c)	Financial investments available for sale	126,043
c)	Financial investments held to maturity	(123,456)
d)	Intangible assets	(81,872)
e)	Property, plant and equipment	4,397
f)	Deferred income taxes	34,449
	Total Assets	**(54,808)**
g)	Time deposits and savings accounts	541
h)	Equity	(28,761)
i)	Accumulated other comprehensive income	(1,621)
i)	Net Income for the year	(24,967)
	Total Liabilities and Equity	**(54,808)**

The fair value adjustments are determined at the date of acquisition. The valuation process was carried out by qualified professionals independent from BCI Management.

Fair Value is defined as the price that would be received in order to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants on the valuation or, in the case of BCI, acquisition date.

Adjustments reflect the assets acquired and liabilities assumed by the acquirer, as a result of business combination.

Accounting of a business combinations, according to IFRS 3, is the following:

Business combinations are accounted by the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in income statement as incurred.

The adjustments made to fair value the assets acquired and liabilities assumed at the acquisition date are as follows:

a) Adjustment related to bank deposits at the acquisition date amounted to MCh$ 244,473 and corresponds to the updating of nominal rates to market rates.

NOTE 4 - BUSINESS COMBINATION, continuation

b) Adjustment related to loans and receivables from customers corresponds to updating of effective interest rate of loans. In addition, allowance for loan losses was adjusted.

i) As of October 31, 2015, the composition of the loan portfolio was as follows:

	Assets before allowances			Allowances Established			
	Normal portfolio	Impaired portfolio	Total	Individual allowance	Collective allowance	Total	Net Assets
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Commercial loans:							
Commercial loans (*)	2,134,080	286	2,134,366	-	(13,370)	(13,370)	2,120,996
Foreign trade loans	-	-	-	-	-	-	-
Checking accounts	-	-	-	-	-	-	-
Factoring operations	-	-	-	-	-	-	-
Leasing transactions	-	-	-	-	-	-	-
Other loans and receivables	-	-	-	-	-	-	-
Subtotal	**2,134,080**	**286**	**2,134,366**	**-**	**(13,370)**	**(13,370)**	**2,120,996**
Mortgage loans:							
Letters of credit	-	-	-	-	-	-	-
Endorsable mortgage loans	544,719	3,734	548,453	-	(7,458)	(7,458)	540,995
Other mortgage loans	-	-	-	-	-	-	-
Leasing transactions	-	-	-	-	-	-	-
Other loans		-	-	-	-	-	-
Subtotal	**544,719**	**3,734**	**548,453**	**-**	**(7,458)**	**(7,458)**	**540,995**
Consumer loans:							
Consumer loans in installments	108,337	323	108,660	-	(1,501)	(1,501)	107,159
Checking accounts	-	-	-	-	-	-	-
Credit card debtors	-	-	-	-	-	-	-
Consumer leasing transactions	-	-	-	-	-	-	-
Other loans and receivables	7,663	-	7,663	-	(34)	(34)	7,629
Subtotal	**116,000**	**323**	**116,323**	**-**	**(1,535)**	**(1,535)**	**114,788**
TOTAL	**2,794,799**	**4,343**	**2,799,142**	**-**	**(22,363)**	**(22,363)**	**2,776,779**

ii) Default

The portfolio of overdue loans (default equal to or greater than 90 days), as of October 16, 2015, is as the following:

	Commercial	Mortgage	Consumer	Total
	MCh$	MCh$	MCh$	MCh$
Secured debt	-	-	-	-
Unsecured debt	286	3,734	323	4,343
TOTAL	286	3,734	323	4,343

NOTE 4 - BUSINESS COMBINATION, continuation

iii) As of October 31, 2015, the breakdown of loans receivables to customers by maturity is as follows:

	On demand	Up to 1 month	1 to 3 months	3 to 12 months	Subtotal up to 1 year	1 to 5 years	More than 5 years	Total
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Asset								
Loans and receivables to customers	-	37,492	87,985	208,121	333,598	1,268,372	1,197,172	2,799,142
Total loans and receivables to customers	**-**	**37,492**	**87,985**	**208,121**	**333,598**	**1,268,372**	**1,197,172**	**2,799,142**

c) Adjustments related to financial investments available for sale and financial investments held to maturity correspond to classifications or designations that the acquirer made on the basis of the pertinent conditions as they exist at the acquisition date, which led to reclassifications some held to maturity assets to available for sale assets and revaluation of them at fair value.

d) Adjustment related to intangibles assets corresponds to three concepts:

i) Derecognition of goodwill generated in the previous acquisition or business combination which is present in the CNB Financial Statements,
ii) Recognition of assets identified in the business combination which will be detailed in the following table, and
iii) Goodwill.

Breakdown of intangible assets identified in the business combination

Detail	**Amount (MCh$)**	**Type**	**Useful Life**
Core deposits	43,855	Amortizable	9 years
Leasehold interest	2,814	Amortizable	30 years
Trade name	12,630	Undefined Useful Life	-
Goodwill	2,198	Undefined Useful Life	-

Core deposits

Corresponds to permanent-term deposits at rates below the actual placement market, rates held by CNB.

Leasehold interest

Corresponds to leases contracts at more favorable prices when actual market prices, held by CNB.

Trade name

Corresponds to the value of CNB recognized brand and tradition in the state of Florida.

NOTE 4 - BUSINESS COMBINATION, continuation

Goodwill

Corresponds to the goodwill generated in the acquisition of CNB and is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after a reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in income statement as a bargain purchase gain. Generated goodwill is not deductible for tax purposes.

The intangible assets will be subject to impairment assessment in accordance with the definitions and terms established in the accounting standards.

As of December 31, 2015, there are no signs of impairment of intangible assets acquired in a business combination and goodwill.

e) Adjustment related to Property, plant and equipment corresponds to revaluation of CNB's buildings.

f) Adjustments related to deferred income taxes correspond to the temporary differences generated by the differences between the financial and tax treatment of assets and liabilities. These differences should be recognized as deferred tax assets or liabilities. A deferred tax asset was generated by this business combination.

h) Adjustments related to equity and reserves corresponds to the net effect of fair value adjustments of identifiable assets acquired and liabilities assumed generated by the acquisition.

i) Adjustments related to Accumulated comprehensive income and Net income for the year correspond to reversal of the financial net income for the year, which belong to the previous owners or to reversals of accumulated valuation reserves at the acquisition date.

NOTE 4 - BUSINESS COMBINATION, continuation

The post-acquisition Consolidated Statements of Financial Position of BCI Financial Group, Inc. and Subsidiaries as of October 16, 2015 is presented below:

As of October 16, 2015	BCI Financial Group, Inc. and Subsidiaries Individual	CNB Post-acquisition	BCI Financial Group, Inc. and Subsidiaries Consolidated
	MCh$	MCh$	MCh$
ASSET			
Cash and deposits in banks	746	245,606	245,606
Items in course of collection	-	-	-
Trading portfolio financial assets	-	9,465	9,465
Investments under agreements to resell	-	48,782	48,782
Derivative financial agreements	-	2,141	2,141
Loans and receivables to banks, net	-	-	-
Loans and receivables to customers, net	-	2,694,027	2,694,027
Financial investments available for sale	80	1,007,714	1,007,794
Financial investments held to maturity	-	676	676
Investments in other companies	629,235	37,017	37,018
Intangible assets	-	61,497	61,497
Property, plant and equipment, net	-	51,890	51,890
Current income tax	-	-	-
Deferred income taxes	7,998	125,465	133,463
Other assets	1,262	11,200	12,462
TOTAL ASSETS	**639,321**	**4,295,480**	**4,304,821**
LIABILITIES			
Current accounts and demand deposits	-	2,949,446	2,948,700
Items in course of collection	-	-	-
Obligations under agreements to repurchase	-	119,058	119,058
Time deposits and savings accounts	-	259,890	259,890
Derivative financial agreements	-	2,147	2,147
Borrowings from financial institutions	5	-	5
Debt issued	-	-	-
Other financial obligations	-	321,010	321,010
Current income tax	151	1,379	1,530
Deferred income taxes	-	-	-
Provisions	-	5,773	5,773
Other liabilities	15	7,277	7,292
TOTAL LIABILITIES	**171**	**3,665,980**	**3,665,405**
SHAREHOLDERS' EQUITY			
Attributable to equity holders of the Bank:			
Capital and reserves	639,150	629,500	639,150
Accumulated other comprehensive income	-	-	-
Retained earnings:			
Net income for the prior period	-	-	-
Net income for the year	-	-	-
Less: Accrual for minimum dividends	-	-	-
TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK	**639,150**	**639,150**	**639,150**
Non-controlling interest	-	-	266
TOTAL SHAREHOLDERS' EQUITY	**639,150**	**629,500**	**639,416**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**639,321**	**4,295,480**	**4,304,821**

Non-controlling interest of the financial position of the BCI Financial Group, Inc. and Subsidiaries is measured at fair value and corresponds to CNB directors' shares that they must acquire in order to exercise their functions in accordance with Fed (Federal Reserve Bank) regulation.

NOTE 4 - BUSINESS COMBINATION, continuation

Finally, in order to explain the impact of this business combination on the consolidated financials of the bank, the Statement of Financial Position of Banco de Crédito e Inversiones as of October 31, 2015 is provided post of acquisition of BCI Financial Group, Inc. and Subsidiaries (BCIFG) shares:

	BCI Consolidated pre-acquisition	BCFG Consolidated	BCI Consolidated post-acquisition
	MCh$	MCh$	MCh$
ASSETS			
Cash and deposits in banks	1,353,773	104,545	1,458,318
Items in course of collection	613,097	-	613,097
Trading portfolio financial assets	1,139,615	9,636	1,149,251
Investments under agreements to resell	144,287	50,000	194,287
Derivative financial agreements	1,531,188	1,990	1,533,178
Loans and receivables to banks, net	167,867	-	167,867
Loans and receivables to customers, net	16,573,751	2,776,779	19,350,530
Financial investments available for sale	1,299,078	1,043,525	2,342,603
Financial investments held to maturity	-	692	692
Investments in other companies	685,506	39,401	155,079
Intangible assets	166,461	2,371	168,832
Property, plant and equipment, net	225,562	53,519	279,081
Current income tax	-	-	-
Deferred income taxes	117,756	98,251	216,007
Other assets	645,675	6,379	652,054
TOTAL ASSETS	**24,663,616**	**4,187,088**	**28,280,876**
LIABILITIES			
Current accounts and demand deposits	4,628,384	2,890,028	7,518,412
Items in course of collection	492,295	-	492,295
Obligations under agreements to repurchase	294,938	82,062	377,000
Time deposits and savings accounts	9,455,625	261,866	9,717,491
Derivative financial agreements	1,597,598	2,061	1,599,659
Borrowings from financial institutions	1,566,256	5	1,566,261
Debt issued	3,903,605	-	3,903,605
Other financial obligations	69,770	363,521	433,291
Current income tax	678	3,072	3,750
Deferred income taxes	42,112	-	42,112
Provisions	226,238	5,952	232,190
Other liabilities	398,877	8,396	407,273
TOTAL LIABILITIES	**22,676,376**	**3,616,963**	**26,293,339**
SHAREHOLDERS' EQUITY			
Attributable to equity holders of the Bank:			
Capital and reserves	1,781,505	564,316	1,781,505
Accumulated other comprehensive income	13,977	3,443	13,977
Retained earnings:			
Net income for the prior period	-	-	-
Net income for the year	273,937	2,069	273,937
Less: Accrual for minimum dividends	(82,181)	-	(82,181)
TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK	**1.987.238**	**569,828**	**1,987,238**
Non-controlling interest	2	297	299
TOTAL SHAREHOLDERS' EQUITY	**1,987,240**	**570,125**	**1,987,537**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**24,663,616**	**4,187,088**	**28,280,876**

NOTE 4 - BUSINESS COMBINATION, continuation

v. Other considerations

a) On this business combination neither contingent assets nor contingent liabilities were identified; contingent considerations were not identified either.

b) Transaction costs related to the acquisition amounted US$5 million approximately, which relates mainly to external legal advice and due diligence costs. These costs are presented in administrative expenses in the Consolidated Income Statement for the year.

c) The detail of balances included in cash and cash equivalents as of October 31, 2015, is as follows:

	As of October 31, 2015
	MCh$
Cash and deposits banks	
Cash	32,144
Deposits in Central Bank of Chile	-
Deposits in local banks	-
Foreign deposits	72,401
Subtotal of cash and deposits in banks	104,545
Operations pending settlement, net	-
Highly liquid financial instruments	-
Investments under agreements to resell	50,000
Total cash and cash equivalents	**154,545**

d) The results contributed by BCI Financial Group, Inc. and Subsidiaries to consolidated results of Banco BCI October 16 and December 31, 2015 and corresponding percentage, are as follows:

	MCh$	**%**
Operating Income	29,920	2.58
Net Operating income	29,224	2.52
Net Income	10,599	2.74
Income before Income tax	**11,014**	**2.75**

e) Had the acquisition taken place on January 1, 2015, it is estimated that results contributed by BCI Financial Group, Inc. and Subsidiaries would have been MCh$36,598.

The methodology used to estimate the results was adding the pre-acquisition CNB results to the post-acquisition results.

NOTE 5 - BUSINESS SEGMENTS

Segments Structure

In accordance with IFRS 8, the Bank has aggregated operating segments with similar economic characteristics based on the aggregation criteria specified in the standard. Thus, a business segment comprises clients to whom differentiated products are addressed, which are homogeneous in terms and those performance is measured in a similar way, as a part of the same business segment. Overall, this aggregation has no significant impact on understanding the nature and effects of the business activities of the Bank and the economic environment in which it operates.

Segment reporting is presented by the Bank based on the defined business structure, which is focused on optimizing assistance to clients with products and service, according to relevant commercial characteristics.

To faithfully reflect the nature of the Bank's business segments, there have been incorporated the following changes in the presentation of this note:

1. The former Corporate and Investment Banking was separated by Commercial Division which serves corporate and high net worth clients and Finance Division which manages trading, own investments and financial clients.

2. The allocation of the results of balance sheet management of the business segments is performed according to the composition of assets of each business (which generates this outcome for the Bank).

3. A greater proportion of corporate expenses is allocated to the business segments, under the same allocation methodology that is used for other expenses or support staff.

4. Results for recognition or reversal of additional provisions and minimum provision adjustments were allocated to the segments in accordance with the classification of customers for which these results were originated.

New commercial structure with five reporting segments and BCI Financial Group, Inc. and Subsidiaries:

Retail Banking: This segment includes individuals. The business units in this segment are Individuals, Preferential, Nova and Tbanc.

Small and Medium Enterprises: This new segment includes entrepreneurs and enterprising entities (with sales of between UF2,400 and UF80,000) and includes microenterprises (with sales of less than UF2,400).

Commercial banking: This segment composed mainly of companies whose annual sales exceeding UF80,000 per year. This segment encompasses different business units, such as Large Companies, Real Estate, Companies and Leasing Companies.

Corporate & Investment Banking Commercial Division: This segment includes large corporations, financial institutions and high net worth investors with financial needs of high value added financial services. It includes wholesale Banks, Corporate and Private.

NOTE 5 - BUSINESS SEGMENTS, continuation

Corporate & Investment Banking Finance Division: This segment includes the Sales and Trading unit and manages the Bank's own investment portfolio.

BCI Financial Group, Inc. and Subsidiaries (BCIFG): This segment includes the results of operations of City National Bank of Florida, which operates as an independent unit under the supervision of senior management in Chile.

Others: In "Others" included those expenses and / or income, which by their nature are not directly identifiable within the business segments and therefore not assigned.

Assignment of income from subsidiaries by client:

Consistent with its customer-focused strategy, management of the above segments is considered in each income and expenses item that occurs in the subsidiaries as a result of care/service delivery to the Bank's customers in each segment, as well as results of the Bureau of Distribution and leasing business.

Assigning result of balance management:

To consider in each segment all the benefits and costs associated with the care of their customers, the results of currency and maturity mismatches management are distributed in the proportion corresponding to the total income for the assets of each segment less the average cost of liabilities to finance them.

Allocation of expenses to business segments:

Direct expenses: correspond to the costs directly attributable to each cost center of each segment which are clearly recognizable and assignable. For example, personnel expenses, materials, and equipment and depreciation.

Indirect expenses (centralized allocation of expenses): expenses recognized in general costs centers, according to Bank's policy are distributed to the various segments.

Support management expenses: there expenses are allocated depending on the time and resources consumed by different segments, based on the requirements to support managements. These expenses were previously defined and are agreed by the areas involved (user and support area).

These criteria have been applied for the years ended December 31, 2015 and 2014.

The management of commercial areas indicated above is measured with the concepts presented in this Note, which is based on the accounting principles applied to BCI Consolidated Income Statement of the year.

NOTE 5 - BUSINESS SEGMENTS, continuation

a) Income Statement 2015:

	For the year ended December 31, 2015						
	Commercial Banking	Retail Banking	SME	C&IB Commercial Division	C&IB Finance Division	Total Segments less BCI Financial Group, Inc. and Subsidiaries	BCIFG
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Net interest income	146,830	359,770	118,066	76,142	62,563	763,371	25,872
Net fee and commission income	31,654	140,738	34,352	19,733	4,842	231,319	2,120
Other operating income	38,908	49,096	19,851	52,013	(13,472)	146,396	1,927
Total operating income	**217,392**	**549,604**	**172,269**	**147,888**	**53,933**	**1,141,086**	**29,919**
Provisions for loan losses	(11,264)	(119,456)	(32,929)	(16,310)	(3,692)	(183,651)	(697)
Net operating income	**206,128**	**430,148**	**139,340**	**131,578**	**50,241**	**957,435**	**29,222**
Total operating expenses	**(92,865)**	**(297,296)**	**(70,770)**	**(57,966)**	**(21,520)**	**(540,417)**	**(18,623)**
Operating income by segment	**113,263**	**132,852**	**68,570**	**73,612**	**28,721**	**417,018**	**10,599**
Investment in companies results							
Income before taxes							
Income tax							
CONSOLIDATED FINANCIAL INCOME							

b) Business Volumes 2015:

	As of December 31, 2015						
	Commercial Banking	Retail Banking	Business Bank	Commercial Division C&IB	Finance Division C&IB	BCIFG	Total Segments
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
ASSETS	4,929,180	7,580,395	2,184,316	4,978,679	4,508,604	4,503,227	28,684,401
LIABILITIES	4,506,056	6,952,111	1,986,843	4,573,434	4,740,449	3,924,983	26,683,876
EQUITY							2,000,525

NOTE 5 - BUSINESS SEGMENTS, continuation

c) Income Statement 2014:

	For the year ended December 31, 2014						
	Commercial Banking	**Retail Banking**	**Business Bank**	**Commercial Division C&IB**	**Finance Division C&IB**	**Total Segments**	**BCIF**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh**
Net interest income	158,769	336,289	125,944	81,831	72,719	775,552	
Net fee and commission income	28,630	123,705	33,576	19,384	8,223	213,518	
Other operating income	37,179	44,305	11,902	57,110	(18,377)	132,119	
Total operating income	**224,578**	**504,299**	**171,422**	**158,325**	**62,565**	**1,121,189**	
Provisions for loan losses	(32,300)	(90,733)	(34,727)	(31,653)	(3,617)	(193,030)	
Net operating income	**192,278**	**413,566**	**136,695**	**126,672**	**58,948**	**928,159**	
Total operating expenses	**(89,862)**	**(264,281)**	**(68,552)**	**(56,357)**	**(24,004)**	**(503,056)**	
Operating income by segment	**102,416**	**149,285**	**68,143**	**70,315**	**34,944**	**425,103**	
Investment in companies results							
Income before taxes							
Income tax							
CONSOLIDATED FINANCIAL INCOME							

d) Business Volumes 2014:

	As of December 31, 2014						
	Commercial Banking	**Retail Banking**	**Business Bank**	**Commercial Division C&IB**	**Finance Division C&IB**	**BCIFG**	**Total Segments**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
ASSETS	4,801,158	6,443,651	1,956,805	4,673,033	5,928,521	-	23,803,168
LIABILITIES	4,331,624	5,802,261	1,744,504	4,235,121	5,888,694	-	22,002,204
EQUITY							1,800,964

NOTE 6 - CASH AND CASH EQUIVALENTS

a) Details of balances included within cash and cash equivalents, and their reconciliation with the Consolidated Statement of Cash Flows at each year end, are as follows:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Cash and deposits in banks		
Cash	421,190	351,082
Deposits in Central Bank of Chile (*)	350,767	522,978
Deposits in local Banks	5,657	5,041
Foreign deposits	494,938	668,657
Subtotal cash and deposits in banks	1,272,552	1,547,758
Operations pending settlement, net	178,750	215,315
Highly liquid financial instruments	17,503	7,234
Investments under agreements to resell	206,105	143,451
Total cash and cash equivalents	**1,674,910**	**1,913,758**

(*) Deposits in Central Bank of Chile represent monthly updated mandatory reserve deposits with the Central Bank of Chile.

b) Items in course of collection:

Items in course of collection correspond to those transactions pending settlement which will increase or decrease the funds at the Central Bank of Chile or in foreign banks, usually within 12 or 24 hours. At each period end, details are as follows:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Assets		
Outstanding notes from other banks (swap)	189,426	191,428
Funds receivable	245,124	749,460
Subtotal assets	434,550	940,888
Liabilities		
Funds payable	255,800	725,573
Subtotal liabilities	255,800	725,573
Items in course of collection, net	**178,750**	**215,315**

NOTE 7 - TRADING INVESTMENTS

The following is the detail of instruments designated as trading investments:

	As of December 31	
	2015	**2014**
	MCh$	**MCh$**
Instruments of the Government and Central Bank of Chile (*):		
Bonds of the Central Bank of Chile	888,726	781,129
Promissory notes of the Central Bank of Chile	245	2,300
Other instruments of the Government and Central Bank of Chile	14,918	4,601
Instruments of other domestic institutions:		
Bonds (**)	18,080	40,121
Time deposits	183,781	205,858
Letters of credit	21,343	8
Documents issued by other financial institutions	84,406	70,244
Other instruments	45,449	61,179
Instruments of other foreign institutions:		
Other instruments	156	12
Investments in mutual funds:		
Funds administered by related entities	16,768	60,921
Funds administered by third parties	24,259	1,434
Total	**1,298,131**	**1,227,807**

(*) As of December 31, 2015 and 2014, the Bank has instruments with the Central Bank of Chile, classified in the "Instruments of the State and Central Bank of Chile" of MCh$112,455 and MCh$238,743, respectively.

(**) In this classification, the following operation is recorded on February 5, 2015: La Polar S.A. companies conducted BLAPO BLAPO-F-G swap bonds for a new convertible BLAPO-H shares series bond, changing the conditions of the above bonds to a new contract emission.

As of December 31, 2015 the Bank held in its trading portfolio the following La Polar companies bonds classified as "Instruments of other domestic institutions" category: BLAPO-F MCh$4 and BLAPO-G MCh$7.

NOTE 8 – INVESTMENTS UNDER AGREEMENTS TO RESELL AND OBLIGATIONS UNDER AGREEME

a) Securities purchased under agreements to resell:

	Maturity of the agreement					
	Up to 3 months		Between 3 months – 1 year		Over 1 year	
Type of entity		**Average Rate**		**Average Rate**		**Avera Rate**
	MCh$	**%**	**MCh$**	**%**	**MCh$**	**%**
Individual or related party	-	-	-	-	-	
Domestic banks	-	-	-	-	-	
Securities broker	65,512	0.59	5,229	0.37	-	
Other domestic financial institutions	-	-	-	-	-	
Foreign financial institution	-	-	-	-	-	
Other individual or corporation	111,767	0.35	23,597	0.36	-	
Total	**177,279**		**28,826**		**-**	

	Maturity of the agreement					
	Up to 3 months		Between 3 months – 1 year		Over 1 year	
Type of entity		**Average Rate**		**Average Rate**		**Avera Rate**
	MCh$	**%**	**MCh$**	**%**	**MCh$**	**%**
Individual or related party	-	-	-	-	-	
Domestic banks	-	-	-	-	-	
Securities broker	23,601	0.32	200	0.32	-	
Other domestic financial institutions	-	-	-	-	-	
Foreign financial institution	-	-	-	-	-	
Other individual or corporation	107,446	0.32	12,204	0.32	-	
Total	**131,047**		**12,404**		-	

NOTE 8 - INVESTMENTS UNDER AGREEMENTS TO RESELL AND OBLIGATIONS UNDER AGREE continuation

b) Securities sold under repurchase agreements:

	Maturity of the agreement					
	Up to 3 months		Between 3 months – 1 year		Over 1 year	
Type of entity		**Average Rate**		**Average Rate**		**Average Rate**
	MCh$	**%**	**MCh$**	**%**	**MCh$**	**%**
Individual or related party	-	-	-	-	-	-
Domestic banks	68,409	0.33	-	-	-	-
Securities broker	-	-	-	-	-	-
Other domestic financial institutions	126,694	0.29	-	-	-	-
Foreign financial institution	-	-	-	-	-	-
Other individual or corporation	246,731	0.19	7,253	0.20	41	0.33
Total	**441,834**		**7,253**		**41**	

	Maturity of the agreement					
	Up to 3 months		Between 3 months – 1 year		Over 1 year	
Type of entity		**Average Rate**		**Average Rate**		**Average Rate**
	MCh$	**%**	**MCh$**	**%**	**MCh$**	**%**
Individual or related party	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-
Securities broker	2,600	0.20	-	-	-	-
Other domestic financial institutions	95,752	0.27	-	-	-	-
Foreign financial institution	-	-	-	-	-	-
Other individual or corporation	308,942	0.19	237	0.34	-	-
Total	**407,294**		**237**		**-**	

NOTE 9 - FINANCIAL DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

a) As of December 31, 2015 and 2014, the Bank and its subsidiaries held the following portfolio of derivative instruments:

As December 31, 2015

	Notional amount		Fair Value	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	MCh$	**MCh$**	**MCh$**	**MCh$**
Trading Derivatives:				
Forwards	29,537,235	29,545,133	240,951	239,325
Swaps	45,442,063	45,319,160	1,022,312	1,057,366
Call Options	394,821	385,314	4,889	6,089
Put Options	298,857	306,356	2,518	2,341
Futures	3	3	50	-
Others	-	-	-	-
Subtotal	**75,672,979**	**75,555,966**	**1,270,720**	**1,305,121**
Fair Value Hedge Derivatives:				
Forwards	-	-	-	-
Swaps	2,779,780	263,166	87,160	76,167
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Others	-	-	-	-
Subtotal	**2,779,780**	**263,166**	**87,160**	**76,167**
Cash Flow Hedge Derivatives:				
Forwards	113,240	991,846	16,541	22,001
Swaps	1,712,137	1,110,400	125,002	131,902
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Others	-	-	-	-
Subtotal	**1,825,377**	**2,102,246**	**141,543**	**153,903**
Total	**80,278,136**	**77,921,378**	**1,499,423**	**1,535,191**

NOTE 9 - FINANCIAL DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING, continuation

As December 31, 2014

	Notional amount		Fair Value	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	MCh$	**MCh$**	**MCh$**	**MCh$**
Trading Derivatives:				
Forwards	22,588,423	22,444,787	183,565	197,565
Swaps	39,494,003	39,478,791	824,177	780,652
Call Options	280,561	271,687	5,757	1,419
Put Options	245,467	246,242	1,945	1,287
Futures	12,137	12,137	50	99
Others	-	-	-	-
Subtotal	**62,620,591**	**62,453,644**	**1,015,494**	**981,022**
Fair Value Hedge Derivatives:				
Forwards	-	-	1	-
Swaps	2,921,749	179,990	31,607	79,763
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Others	-	-	-	-
Subtotal	**2,921,749**	**179,990**	**31,608**	**79,763**
Cash Flow Hedge Derivatives:				
Forwards	351,915	435,900	24,707	17,217
Swaps	1,604,361	935,041	1,328,696	1,370,132
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Others	-	-	-	-
Subtotal	**1,956,276**	**1,370,941**	**1,353,403**	**1,387,349**
Total	**67,498,616**	**64,004,575**	**2,400,505**	**2,448,134**

NOTE 9 - FINANCIAL DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING, continuation

b) Types of derivatives

The Bank uses hedge accounting to manage its exposure to fair value and cash flow risk.

Fair value hedges:

For positions in both foreign currency and in local currency, the fair value of the position is hedged against changes in the base interest rate, the implied credit spread is not considered for this type of strategy. These operations reduce the duration of the positions and reduce the risk related to interest rate changes.

Below is a summary table detailing the items and instruments used in hedge accounting (fair value) as of December 31, 2015 and 2014:

	As December 31, 2015		As December 31, 2014	
	Asset	**Liabilities**	**Asset**	**Liabilities**
Hedged item	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Bonds issued MX	-	501,825	-	860,219
Loans MX, UF	218,196	-	134,393	11,079
Time deposits MN	-	1,959,468	-	1,920,000
Investment MX	44,970	-	45,597	-
Liabilities MX	-	318,487	-	130,451
Total	**263,166**	**2,779,780**	**179,990**	**2,921,749**

	As December 31, 2015		As December 31, 2014	
	Asset	**Liabilities**	**Asset**	**Liabilities**
Hedging instrument	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Cross Currency Swaps	461,505	215,547	95,177	-
Swap Rate MN	1,959,468	-	1,920,000	-
Swap Rate MX	358,807	47,619	906,572	179,990
Total	**2,779,780**	**263,166**	**2,921,749**	**179,990**

NOTE 9 - FINANCIAL DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING, continuation

Cash flow hedges:

The Bank uses cash flow hedge instruments such as Cross Currency Swaps, Forwards (inflation and exchange rate) and UF rate Swaps for the assets and liabilities exposed to variations in interest rates, exchange rates and/or inflation.

	As December 31, 2015		As December 31, 2014	
	Asset	Liabilities	Asset	Liabilities
Hedged item	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Assets UF > 1Y	1,940,122	-	1,223,967	-
Future obligations USD	-	155,705	-	388,320
Time deposits CLP	-	1,247,368	-	1,198,602
Assets UF	106,163	-	91,013	-
Bond MN/MX	-	422,304	-	369,354
Asset USD	,55,961	-	55,961	-
Total	**2,102,246**	**1,825,377**	**1,370,941**	**1,956,276**

	As December 31, 2015		As December 31, 2014	
	Asset	Liabilities	Asset	Liabilities
Hedging instrument	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Cross Currency Swaps	464,769	1,054,439	405,760	879,080
Forward UF	-	991,846	-	435,900
Forward USD	113,240	-	351,915	-
Swap rate	1,247,368	55,961	1,198,601	55,961
Total	**1,825,377**	**2,102,246**	**1,956,276**	**1,370,941**

NOTE 9 - FINANCIAL DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING, continuation

Below is a summary table detailing the expected future cash flows related to cash flow hedge:

	Periods of expected cash flows in MCh$				
	As of December 31, 2015				
	Within 1Y	Between 1Y and 5Y	Between 5Y and 10Y	More than 10 Y	Total
Hedged item					
Cash outflows	(929,815)	(2,355,919)	(913,777)	(54,319)	(4,253,830)
Cash inflows	917,705	2,232,080	875,107	54,258	4,079,150
Net cash flows	**(12,110)**	**(123,839)**	**(38,670)**	**(61)**	**(174,680)**
Hedging instrument					
Cash outflows	929,815	2,355,919	913,777	54,319	4,253,830
Cash inflows	(917,705)	(2,232,080)	(875,107)	(54,258)	(4,079,150)
Net cash flows	**12,110**	**123,839**	**38,670**	**61**	**174,680**
	As of December 31, 2014				
	Within 1Y	Between 1Y and 5Y	Between 5Y and 10Y	More than 10 Y	Total
Hedged item					
Cash outflows	(1,249,391)	(1,558,424)	(758,419)	(57,386)	(3,623,620)
Cash inflows	1,256,929	1,521,548	713,559	56,722	3,548,758
Net cash flows	**7,538**	**(36,876)**	**(44,860)**	**(664)**	**(74,862)**
Hedging instrument					
Cash outflows	1,249,391	1,558,424	758,419	57,386	3,623,620
Cash inflows	(1,256,929)	(1,521,548)	(713,559)	(56,722)	(3,548,758)
Net cash flows	**(7,538)**	**36,876**	**44,860**	**664**	**74,862**

NOTE 10 - INTERBANK LOANS

a) As of December 31, 2015 and 2014, balances for this concept are the following:

	As of December 31, 2015 MCh$	As of December 31, 2014 MCh$
Domestic banks		
Highly liquid interbank loans	1,032	1,237
Allowance for loan losses of domestic banks	(1)	(1)
Foreign banks		
Highly liquid interbank loans	168,679	328,518
Allowance for loan losses of foreign banks	(294)	(794)
Total	**169,416**	**328,960**

b) The amount for the year 2015 and 2014 of provisions and impairment is as follows:

	For the year ended December 31, 2015			For the year ended December 31, 2014		
	Domestic Banks	Foreign Banks	Total	Domestic Banks	Foreign Banks	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balance as of January 1	**1**	**794**	**795**	**-**	**244**	**244**
Write-offs	-	-	**-**	-	-	**-**
Provisions	41	265	**306**	33	689	**722**
Recovery of provisions	(41)	(765)	**(806)**	(32)	(139)	**(171)**
Impairment	-	-	**-**	-	-	**-**
Reversal of impairment	-	-	**-**	-	-	**-**
Total	**1**	**294**	**295**	**1**	**794**	**795**

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET

a) Loans and receivables to customers

As of December 31, 2015 and 2014, the composition of the loan portfolio was as follows:

	Assets before allowances			Allowances Established			
As of December 31, 2015	**Normal Portfolio**	**Impaired Portfolio**	**Total**	**Individual Allowance**	**Collective allowance**	**Total**	**Net**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**M**
Commercial loans:							
Commercial loans (*)	10,071,571	420,582	10,492,153	(108,627)	(72,132)	(180,759)	10
Foreign trade loans	845,960	17,796	863,756	(21,427)	(20)	(21,447)	
Checking accounts	98,517	11,059	109,576	(2,756)	(4,733)	(7,489)	
Factoring operations	687,860	4,807	692,667	(6,638)	(1,144)	(7,782)	
Leasing transactions	831,267	39,111	870,378	(13,117)	(1,417)	(14,534)	
Other loans and receivables	178,755	29,398	208,153	(2,112)	(8,166)	(10,278)	
Subtotal	**12,713,930**	**522,753**	**13,236,683**	**(154,677)**	**(87,612)**	**(242,289)**	**12**
Mortgage loans:							
Letters of credit	25,685	1,652	27,337	-	(134)	(134)	
Endorsable mortgage loans	577,242	5,855	583,097	-	(5,941)	(5,941)	
Other mortgage loans	3,701,786	173,265	3,875,051	-	(16,911)	(16,911)	3
Leasing transactions	-	-	-	-	-	-	
Other loans	-	-	-	-	-	-	
Subtotal	**4,304,713**	**180,772**	**4,485,485**	**-**	**(22,986)**	**(22,986)**	**4**
Consumer loans:							
Consumer loans in installments	1,723,561	178,560	1,902,121	-	(86,778)	(86,778)	1
Checking accounts	99,395	7,414	106,809	-	(4,930)	(4,930)	
Credit card debtors	376,462	9,096	385,558	-	(7,079)	(7,079)	
Consumer leasing transactions	2,571	8	2,579	-	(16)	(16)	
Other loans and receivables	15,432	314	15,746	-	(374)	(374)	
Subtotal	2,217,421	195,392	2,412,813	-	(99,177)	(99,177)	2
TOTAL	**19,236,064**	**898,917**	**20,134,981**	**(154,677)**	**(209,775)**	**(364,452)**	**19**

(*) Includes debt corresponding to Separate Heritage No. 27 as stated in Note 1 letter ad).

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET, continuation

As of December 31, 2014	Assets before allowances			Allowances Established			
	Normal Portfolio	Impaired Portfolio	Total	Individual Allowance	Collective allowance	Total	Net
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	M
Commercial loans:							
Commercial loans (*)	7,375,089	400,804	7,775,893	(118,900)	(62,703)	(181,603)	7,5
Foreign trade loans	970,243	10,761	981,004	(21,667)	(198)	(21,865)	9
Checking accounts	121,778	31,602	153,380	(3,180)	(4,970)	(8,150)	1
Factoring operations	560,046	10,048	570,094	(5,909)	(812)	(6,721)	5
Leasing transactions	760,384	36,626	797,010	(11,295)	(1,704)	(12,999)	7
Other loans and receivables	176,193	16,848	193,041	(131)	(6,695)	(6,826)	1
Subtotal	**9,963,733**	**506,689**	**10,470,422**	**(161,082)**	**(77,082)**	**(238,164)**	**10,2**
Mortgage loans:							
Letters of credit	32,606	2,475	35,081	-	(191)	(191)	
Endorsable mortgage loans	16,279	2,622	18,901	-	(215)	(215)	
Other mortgage loans	3,101,724	161,638	3,263,362	-	(14,658)	(14,658)	3,2
Leasing transactions	-	-	-	-	-	-	
Other loans	-	-	-	-	-	-	
Subtotal	**3,150,609**	**166,735**	**3,317,344**	**-**	**(15,064)**	**(15,064)**	**3,3**
Consumer loans:							
Consumer loans in installments	1,396,353	162,680	1,559,033	-	(77,334)	(77,334)	1,4
Checking accounts	90,439	6,218	96,657	-	(4,756)	(4,756)	
Credit card debtors	312,841	7,845	320,686	-	(6,647)	(6,647)	3
Consumer leasing transactions	588	85	673	-	(73)	(73)	
Other loans and receivables	8,424	289	8,713	-	(558)	(558)	
Subtotal	**1,808,645**	**177,117**	**1,985,762**	**-**	**(89,368)**	**(89,368)**	**1,8**
TOTAL	**14,922,987**	**850,541**	**15,773,528**	**(161,082)**	**(181,514)**	**(342,596)**	**15,4**

(*) Includes debt corresponding to Separate Heritage No. 27 as stated in Note 1 letter ad).

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET, continuation

The collateral received by the Bank with respect to the loans portfolio relates to mortgages, and consists of cash, securities, accounts receivable, property and real estate assets, and warrants, among others.

The Bank uses the financial lease agreements from 1 to 10 years depending on the contract, to finance to its clients the acquisition of property, both movable and immovable. As of December 31, 2015 and 2014, the Bank held approximately MCh$380,850 and MCh$395,924, respectively, of financial leases on movable assets, and MCh$484,107 and MCh$401,759, respectively, of financial leases on property.

The following is reconciliation between gross investment and the present value of minimum payments as of December 31, 2015 and 2014:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Gross financial leases	1,020,723	941,949
Not accrued income from financial leases	(147,766)	(144,266)
Net financial leases	**872,957**	**797,683**

	As of December 31,	
	2015	2014
	MCh$	MCh$
Less than 1 year	237,444	226,721
Between 1 and 5 years	289,796	271,078
Over 5 years	345,717	299,884
Total	**872,957**	**797,683**

There is no evidence of impairment of the financial lease contracts that the Bank holds.

The Bank has obtained assets in lieu of payment for an amount of MCh$10,845 as of December 31, 2015 and MCh$2,881 for December 31, 2014 through the execution of collaterals or pledge of collateral assets.

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET, continuation

b) Portfolio characteristics:

As of December 31, 2015 and 2014, the loan portfolio before allowances for loan losses by type of the customer's econ

	Domestic Loans		Foreign Loans		Total	
	As of December 31, 2015	**As of December 31, 2014**	**As of December 31, 2015**	**As of December 31, 2014**	**As of December 31, 2015**	**As of Decemb 31, 20**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh**
Commercial loans:						
Agriculture and livestock except fruit	187,281	194,587	89,374	80,446	276,655	275
Fruit	42,660	41,179	62,043	39,139	104,703	80
Forestry and Wood extraction	147,689	114,569	28,735	7,047	176,424	121
Fishing	21,756	27,506	107,349	137,441	129,105	164
Mining	46,178	45,110	172,930	148,262	219,108	193
Crude oil and natural gas production	3,144	2,373	113,421	57,795	116,565	60
Food, beverage and tobacco industry	171,778	177,013	110,609	105,710	282,387	282
Textile and leather industry	24,227	24,131	43,112	24,985	67,339	49
Timber and furniture industry	29,460	25,751	16,556	11,546	46,016	37
Print and editorial industry	27,769	26,512	7,266	6,440	35,035	32
Chemical product, derived from oil, coal, rubber and plastic	98,173	111,638	88,568	86,313	186,741	197
Production of metal and non-metal production, machinery and equipment	301,871	292,147	154,612	169,064	456,483	461
Other manufacturing industries	6,205	5,266	95,789	93,549	101,994	98
Electricity, gas and water	183,505	192,446	225,939	219,259	409,444	411
Home construction	973,365	884,586	199	7,500	973,564	892
Other construction	389,552	375,121	69,305	20,761	458,857	395
Wholesale business	428,408	405,916	367,643	326,666	796,051	732
Retail, restaurants and hotels	535,489	548,896	320,581	202,233	856,070	751
Transporting and storage	318,244	289,195	283,930	280,980	602,174	570
Communications	83,205	85,129	34,387	46,446	117,592	131
Financial and insurance companies	1,808,866	1,559,081	213,904	279,155	2,022,770	1,838
Real estate and service providers	1,018,897	920,961	938,966	124,582	1,957,863	1,045
Services	1,681,994	1,575,549	1,161,749	70,441	2,843,743	1,645
Subtotal	**8,529,716**	**7,924,662**	**4,706,967**	**2,545,760**	**13,236,683**	**10,470**
Mortgage loans	**3,918,129**	**3,317,344**	**567,356**	**-**	**4,485,485**	**3,317**
Consumer loans	**2,277,101**	**1,974,295**	**135,712**	**11,467**	**2,412,813**	**1,985**
Total	**14,724,946**	**13,216,301**	**5,410,035**	**2,557,227**	**20,134,981**	**15,773**

NOTE 11 – LOANS AND RECEIVABLES TO CUSTOMERS, NET, continuation

c) Provisions

The changes in allowances for loan losses during the years ended December 31, 2015 and 2014 are summarized as follows:

	For the year ended December 31, 2015			For the year ended December 31, 2014		
	Individual Allowance	Collective Allowance	Total	Individual Allowance	Collective Allowance	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balances as of January 1	**161,082**	**181,514**	**342,596**	**159,898**	**174,349**	**334,247**
Portfolio write-offs:						
Commercial loans	(63,796)	(58,091)	(121,887)	(41,069)	(45,040)	(86,109)
Mortgage loans	-	(4,719)	(4,719)	-	(5,585)	(5,585)
Consumer loans	-	(107,716)	(107,716)	-	(104,181)	(104,181)
Total Write-offs	**(63,796)**	**(170,526)**	**(234,322)**	**(41,069)**	**(154,806)**	**(195,875)**
Provisions	84,086	181,705	265,791	59,071	178,712	237,783
Reversal of provisions	(26,695)	(10,618)	(37,313)	(16,818)	(16,741)	(33,559)
Effect of provision in BCI Financial Group	-	27,700	27,700	-	-	-
Total Provisions	**154,677**	**209,775**	**364,452**	**161,082**	**181,514**	**342,596**

In addition to these provisions for credit risk, the provisions for country risk are maintained to cover operations abroad and additional provisions approved by the Board, which are presented as liabilities in "Provisions" (Note 21). Therefore, the total of provisions for credit risk constituted for different concepts correspond to the following:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Individual and group provisions	364,452	342,596
Provisions for contingent credit risk (Note 21)	18,525	17,017
Additional provisions (Note 21)	76,754	57,754
Minimum Allowance 0.50% (Note 21)	-	1,193
Provisions for country risk (Note 21)	2,669	2,555
Provisions on loans and accounts to banks (Note 10)	295	795
Total	**462,695**	**421,910**

During the years 2015 and 2014, the Bank has not participated in the purchase, sale, substitution or swap of credits of the loan portfolio with other than those financial institutions reported in the present Consolidate Financial Statement.

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET, continuation

d) Collateral

The impaired loan portfolio secured and unsecured as of December 31, 2015 and 2014 was as follows:

	As of December 31, 2015				As of December 31, 2014			
	Commercial	**Mortgage**	**Consumer**	**Total**	**Commercial**	**Mortgage**	**Consumer**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Secured debt	344,832	167,796	52,452	565,080	394,438	155,456	44,576	594,470
Unsecured debt	177,921	12,976	142,940	333,837	112,251	11,279	132,541	177,921
Total	**522,753**	**180,772**	**195,392**	**898,917**	**506,689**	**166,735**	**177,117**	**850,541**

e) Overdue

The overdue portfolio (with payment default equal to or more than 90 days) as of December 31, 2015 and 2014 was as follows:

	As of December 31, 2015				As of December 31, 2014			
	Commercial	**Mortgage**	**Consumer**	**Total**	**Commercial**	**Mortgage**	**Consumer**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Secured debt	16,612	-	-	16,612	26,839	-	-	26,839
Unsecured debt	177,874	74,681	32,330	284,885	233,553	66,052	33,302	332,907
Total	**194,486**	**74,681**	**32,330**	**301,497**	**260,392**	**66,052**	**33,302**	**359,746**

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET, continuation

f) Current and past due portfolio by impaired and unimpaired:

	As of December 31, 2015							
	non-impaired				Impaired			
	Commercial	Mortgage	Consumer	Total non-Impaired	Commercial	Mortgage	Consumer	Total Impaired
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Normal portfolio	12,700,717	4,303,772	2,213,136	19,217,625	371,502	151,784	168,589	691,875
Past due for 1 to 29 days	8,641	-	3,017	11,658	5,878	-	2,229	8,107
Past due for 30 to 89 days	4,179	467	1,268	5,914	6,914	788	2,632	10,334
Past due for 90 days or more	393	474	-	867	138,459	28,200	21,942	188,601
Total portfolio before allowances	**12,713,930**	**4,304,713**	**2,217,421**	**19,236,064**	**522,753**	**180,772**	**195,392**	**898,917**
Overdue loans (less than 90 days) as a percentage of the total portfolio	0.10%	0.01%	0.19%	0.09%	2.45%	0.44%	2.49%	2.05%
Overdue loans (more than 90 days) as a percentage of the total portfolio	0.00%	0.01%	0.00%	0.00%	26.49%	15.60%	11.23%	20.98%

	As of December 31,					
	Non-Impaired				Impaired	
	Commercial	Mortgage	Consumer	Total non-Impaired	Commercial	Mortgage
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Normal portfolio	9,941,802	3,150,175	1,806,165	14,898,142	287,012	121,602
Past due for 1 to 29 days	14,160	-	1,729	15,889	5,265	-
Past due for 30 to 89 days	7,440	434	751	8,625	6,769	557
Past due for 90 days or more	331	-	-	331	207,643	44,576
Total portfolio before allowances	**9,963,733**	**3,150,609**	**1,808,645**	**14,922,987**	**506,689**	**166,735**
Overdue loans (less than 90 days) as a percentage of the total portfolio	0.22%	0.01%	0.14%	0.16%	2.38%	0.33%
Overdue loans (more than 90 days) as a percentage of the total portfolio	0.00%	0.00%	0.00%	0.00%	40.98%	26.73%

NOTE 12 - INVESTMENT INSTRUMENTS

As of December 31, 2015 and 2014, instruments designated as financial instruments available for sale and held to maturity included the following:

	As of December 31, 2015			As of December 31, 2014		
	Available for sale	Held to maturity	Total	Available for sale	Held to maturity	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Investments priced in active markets:						
Of the government and the Central Bank of Chile (a):						
Instruments of the Central Bank	292,132	-	292,132	236,264	-	236,264
Bonds or promissory notes of the Treasury	321,142	-	321,142	132,944	-	132,944
Other fiscal instruments	14,145	-	14,145	16,312	-	16,312
Other instruments issued in the country:				-	-	-
Instruments from other domestic Banks	121,308	-	121,308	177,545	-	177,545
Bonds and instruments from companies	24,783	-	24,783	34,157	-	34,157
Other domestic instruments (b)	2,477	-	2,477	25	-	25
Instruments issued abroad:				-	-	-
Instruments from foreign governments and Banks				-	-	-
Foreign bonds	565,433	-	565,433	261,938	-	261,938
Other foreign instruments (c)	1,066,462	708	1,067,170	-	-	-
Total	**2,407,882**	**708**	**2,408,590**	**859,185**	**-**	**859,185**

As of December 31, 2015, the portfolio of available for sale instruments includes an unrealized loss net of deferred taxes of MCh$22,795 (unrealized profit net of deferred taxes of MCh$5,877 as of December 31, 2014) recognized as valuation adjustments in equity.

(a) As of December 31, 2015 and 2014, the Bank has no intermediary instruments classified as available for sale.

(b) Includes the shares that the BCI Corredor de Bolsa S.A. subsidiary has in the Santiago Stock Exchange, in the Chilean Electronic Stock Exchange and the Valparaiso Stock Exchange. These shares are valued according to their last transaction value.

(c) Others held to maturity financial instruments corresponding to the subsidiary BCI Financial Group, Inc. and Subsidiaries portfolio, which recognizes in its consolidated balance sheet investments in government bonds held by the City National Bank of Florida (CNB), intended to hold to maturity.

NOTE 13 - INVESTMENT IN COMPANIES

a) As of December 31, 2015 and 2014, the main investments in companies and joint ventures are detailed below:

Company	As of December 31, 2015				As of December 31,		Inve
	Equity	Participation	Investment value	Income / Loss	Equity	Participation	v
	MCh$	%	MCh$	MCh$	MCh$	%	M
Investment accounted by using equity method:							
Redbanc S.A	5,419	12.71	689	82	4,969	12.71	
Combanc S.A.	4,956	10.33	512	92	4,643	10.93	
Transbank S.A.	40,302	8.72	3,514	438	34,177	8.72	
Nexus S.A.	9,472	12.90	1,222	225	8,252	12.90	
Servicios de Infraestructura de mercado OTC S.A.	9,831	11.48	1,128	(119)	10,907	11.48	
AFT S.A	12,758	20.00	2,552	323	11,145	20.00	
Centro de Compensación Automatico ACH Chile	3,252	33.33	1,084	353	2,614	33.33	
Sociedas Interbancaria de Depósitos de Valores S.A.	2,656	7.03	178	39	2,137	7.03	
Credicorp Ltda	3,304,601	1.93	101,278	10,942	2,833,892	1.90	
Investment recognized at cost:							
SWIFT Shares			34	-			
FED and FHLB Shares (*)			53,102	414			
Other Shares			13	2			
Bladex Shares			219	146			
Total			**165,525**	**12,937**			
Joint ventures investments:							
Servipag Ltda	7,778	50.00	3,889	248	7,281	50.00	
Artikos Chile S.A.	1,378	50.00	689	310	1,491	50.00	
Total			**4,578**	**558**			
Total investments in other companies, associates and joint ventures			**170,103**	**13,495**			

(*) These are actions that recognizes BCI Financial Group, Inc. and Subsidiaries subsidiary in its Consolidated Stateme
equity securities to be acquired by City National Bank (CNB) of Federal Reserve (Fed) and Federal Home Bank Loans
in the funding these government agencies provide to banks.

NOTE 13 - INVESTMENT IN COMPANIES, continuation

b) The reconciliation of investment in companies for the years ended December 31, 2015 and 2014, is the following:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Balance at the beginning of the year	**101,086**	**80,093**
Acquisition of investments	2,607	4,066
Translation differences	3,338	9,228
Share of income	13,495	10,102
Incorporation of BCI Financial Group, Inc. and Subsidiaries Purchase	53,102	-
Sale of company participation	(28)	-
Dividends received	(2,946)	(1,936)
Adjustment for minimum dividend	(249)	(212)
Minimum dividends provision	(302)	(255)
Total	**170,103**	**101,086**

As of December 31, 2015 and 2014, there was no impairment recognized on the investments.

c) Summary of relevant information about associates and joint ventures.

1) Information in respect of investments in associates and joint ventures at December 31, 2015 is as follows:

Investment in Associates or Joint Ventures	Share	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Interests Income	Operational Expenses	Net Profit (Loss)
	%	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Redbanc S.A.	12.71	5,222	15,074	12,360	2,518	32,242	(25,025)	642
Combanc S.A.	10.33	5,328	401	775	-	3,062	(1,870)	889
Servicio de Infraestructura de Mercado OTC S.A.	11.48	6,653	10,978	4,815	2,985	2,569	(1,716)	(1,038)
Transbank S.A.	8.72	549,891	51,736	561,184	141	130,454	(120,364)	5,024
Nexus S.A.	12.90	9,388	13,766	10,230	3,452	44,632	(42,630)	1,741
AFT S.A.	20.00	41,203	1,315	29,325	435	3,168	-	1,612
Centro de Compensación Automatizado S.A.	33.33	1,273	3,875	1,371	526	6,465	(4,661)	635
Servipag Ltda.	50.00	50,449	17,193	55,128	4,737	38,863	(25,820)	497
Artikos Chile S.A.	50.00	1,224	755	602	-	3,147	(735)	620
Sociedad Interbancaria de Depósitos de Valores S.A.	7.03	100	2,614	58	-	4	(26)	563

NOTE 13 - INVESTMENT IN COMPANIES, continuation

2) Information in respect of the investments in associates and joint ventures at December 31, 2014 is as follows:

Investment in Associates or Joint Ventures	Share	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Interests Income	Operational Expenses	Net Profit (Loss)
	%	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Redbanc S.A.	12.71	4,471	14,444	9,355	4,891	29,329	(21,538)	633
Combanc S.A.	10.93	4,759	520	637	-	2,934	(1,800)	740
Servicio de Infraestructura de Mercado OTC S.A.	11.48	6,057	5,944	1,094	-	-	-	(1,557)
Transbank S.A.	8.72	492,914	42,593	501,330	-	110,542	(102,277)	4,089
Nexus S.A.	12.90	10,005	4,433	6,185	-	39,903	(34,723)	1,508
AFT S.A.	20.00	65,473	4,814	58,804	337	3,055	-	1,408
Centro de Compensación Automatizado S.A.	33.33	981	2,751	1,117	-	4,744	(3,147)	661
Servipag Ltda.	50.00	53,078	16,227	59,501	2,522	37,096	(25,410)	101
Artikos Chile S.A.	50.00	1,288	689	486	-	2,660	(662)	306
Sociedad Interbancaria de Depósitos de Valores S.A.	7.03	122	2,136	120	-	4	(25)	514

NOTE 14 - INTANGIBLE ASSETS

a) The composition of this account as of December 31, 2015 and 2014 was the following:

Concept	Years of useful life	Average useful life remaining	As of December 31, 2015 Gross balance	Accumulated amortization & impairment	Net balance
			MCh$	MCh$	MCh$
Intangible assets acquired separately (a)	6	4	45,722	(28,034)	17,688
Intangible assets generated internally (b)	6	4	194,265	(97,229)	97,036
Intangible assets acquired in business combination (c)	10	-	101,061	(40,234)	60,827
Total			**341,048**	**(165,497)**	**175,551**

Concept	Years of useful life	Average useful life remaining	As of December 31, 2014 Gross balance	Accumulated amortization & impairment	Net balance
			MCh$	MCh$	MCh$
Intangible assets acquired separately (a)	6	4	32,517	(24,452)	8,065
Intangible assets generated internally (b)	6	4	163,905	(80,940)	82,965
Intangible assets acquired in business combination	-	-	39,051	(39,051)	-
Total			**235,473**	**(144,443)**	**91,030**

(a) Corresponds to software purchased from parties other than the Bank or its subsidiaries with the purpose to generate future benefits.
(b) An identifiable asset, non-monetary without physical substance, internally developed by the Bank or its subsidiaries to generate profits or savings to the Bank or its subsidiaries.
(c) Corresponds to gain on Banco Conosur acquisition and intangible assets generated in 2015 by the business combination of BCI Financial Group, Inc. and Subsidiaries reported in Note 4.

The intangible assets indicated above, are measured according to Note 1.q of the Consolidated Financial Statements.

NOTE 14 - INTANGIBLE ASSETS, continuation

b) The movement of the intangible assets account as of December 31, 2015 and 2014 is the following:

	Intangible assets acquired separately	Intangible assets acquired in business combination	Intangibles generated internally	Total
	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2015	**32,517**	**39,051**	**163,905**	**235,473**
Additions	9,172	-	37,536	**46,708**
Disposals / transfers	(12)	-	(3,860)	**(3,872)**
Acquisition of BCI Financial Group, Inc. and Subsidiaries	-	62,010	-	**62,010**
Others	4,045	-	1,684	**5,729**
Impairment	-	-	(5,000)	**(5,000)**
Gross balance as of December 31, 2015	**45,722**	**101,061**	**194,265**	**341,048**
Amortization for the year	(3,582)	(1,183)	(16,173)	(20,938)
Accumulated amortization	(24,452)	(39,051)	(80,940)	(144,443)
Others	-	-	(116)	(116)
Impairment	-	-	-	-
Total accumulated amortization and impairment	**(28,034)**	**(40,234)**	**(97,229)**	**(165,497)**
Balance as of December 31, 2015	**17,688**	**60,827**	**97,036**	**175,551**

	Intangible assets acquired separately	Intangible assets acquired in business combination	Intangible assets generated internally	Total
	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2014	**29,294**	**39,051**	**140,031**	**208,376**
Additions	124	-	28,187	**28,311**
Disposals / transfers	1,365	-	(3,000)	**(1,635)**
Reclassification	-	-	-	**-**
Others	1,734	-	(1,313)	**421**
Impairment	-	-	-	**-**
Gross balance as of December 31, 2014	**32,517**	**39,051**	**163,905**	**235,473**
Amortization for the year	(2,886)	-	(15,476)	**(18,362)**
Accumulated amortization	(20,515)	(39,051)	(65,464)	**(125,030)**
Others	(1,051)	-	-	**(1,051)**
Impairment	-	-	-	**-**
Total accumulated amortization and impairment	**(24,452)**	**(39,051)**	**(80,940)**	**(144,443)**
Balance as of December 31, 2014	**8,065**	**-**	**82,965**	**91,030**

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

a) The composition of property, plant and equipment as of December 31, 2015 and 2014 is the following:

	As of December 31, 2015				
	Years of useful life	**Average useful life remaining**	**Gross balance**	**Accumulated depreciation**	**Net balance**
Concept			**MCh$**	**MCh$**	**MCh$**
Land and buildings	27	23	288,330	(54,653)	**233,677**
Equipment	4	3	118,014	(92,102)	**25,912**
Others	8	6	50,633	(27,666)	**22,967**
Total			**456,977**	**(174,421)**	**282,556**

	As of December 31, 2014				
	Years of useful life	**Average useful life remaining**	**Gross balance**	**Accumulated depreciation**	**Net balance**
Concept			**MCh$**	**MCh$**	**MCh$**
Land and buildings	27	23	231,070	(46,820)	**184,250**
Equipment	4	3	109,017	(88,208)	**20,809**
Others	8	6	49,961	(24,235)	**25,726**
Total			**390,048**	**(159,263)**	**230,785**

b) The movement of property, plant and equipment as of December 31, 2015 and 2014 is the following:

	Land and buildings	**Equipment**	**Others**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**
Balance as of January 1, 2015	**231,070**	**109,017**	**49,961**	**390,048**
Additions	1,433	9,849	7,576	18,858
Disposals	(144)	(8,428)	(464)	(9,036)
Transfers	3,848	3,923	(5,043)	2,728
Adquisition of BCI Financial Group, Inc. and Subsidiaries	52,123	1,117	-	53,240
Others	-	2,536	499	3,035
Impairment	-	-	(1,896)	(1,896)
Gross Balance as of December 31, 2015	288,330	118,014	50,633	456,977
Depreciation for the period	(7,904)	(10,844)	(3,764)	(22,512)
Other Adjustments	71	6,950	333	7,354
Accumulated depreciation	(46,820)	(88,208)	(24,235)	(159,263)
Impairment	-	-	-	-
Total Accumulated Depreciation	**(54,653)**	**(92,102)**	**(27,666)**	**(174,421)**
Net Property, plant and equipment balance as of December 31, 2015	**233,677**	**25,912**	**22,967**	**282,556**

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT, continuation

	Land and buildings	Equipment	Others	Total
	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2014	**196,896**	**106,561**	**78,225**	**381,682**
Additions	14,035	3,693	9,370	**27,098**
Disposals	(2,073)	(3,030)	(4,863)	**(9,966)**
Transfers	21,868	3,126	(32,891)	**(7,897)**
Others	344	755	120	**1,219**
Impairment	-	(2,088)	-	**(2,088)**
Gross Balance as of December 31, 2014	**231,070**	**109,017**	**49,961**	**390,048**
Depreciation for the period	**(8,430)**	**(9,909)**	**(4,159)**	**(22,498)**
Other Adjustments	**(1,365)**	**(5,868)**	**(4,581)**	**(11,814)**
Accumulated depreciation	(37,025)	(74,435)	(15,495)	**(126,955)**
Impairment	-	2,004	-	**2,004**
Total Accumulated Depreciation	**(46,820)**	**(88,208)**	**(24,235)**	**(159,263)**
Net Property, plant and equipment balance as of December 31, 2014	**184,250**	**20,809**	**25,726**	**230,785**

c) As of December 31, 2015 and 2014, the net impairment of MCh$1,896 and MCh$84, respectively, corresponds to the gross balance of property, plant and equipment less accumulated depreciation.

d) As of December 31, 2015 and 2014, the Bank had no operating lease agreements.

e) As of December 31, 2015 and 2014, the Bank had finance lease agreements that cannot be terminated unilaterally. The information of future payments is detailed as follows:

	Future payments of finance lease agreements			
	Up to 1 year	1 to 5 years	Over 5 years	Total
	MCh$	MCh$	MCh$	MCh$
As of December 31, 2015	107	12	-	119
As of December 31, 2014	199	89	-	288

Furthermore, the balances of property, plant and equipment under finance leases as of December 31, 2015 amounted to MCh$1,606 (MCh$1,612 as of December 31, 2014) and are presented as part of “Other property, plant and equipment”.

NOTE 16 - CURRENT AND DEFERRED TAX

a) Current Tax

As of December 31, 2015 and 2014, the Bank implemented the provision of first-category income tax and the provision of Unique Tax of Article N°21 of the Income Law, which was determined based on the tributary legal dispositions in force and have reflected assets amounting to MCh$5,093 as of December 31, 2015 (and liabilities amounting MCh$23,832 as of December 31, 2014). This provision is presented net of collectible taxes and detailed as follows:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Income Tax (Tax rate of 22.5% for 2015 and 21% by 2014)	(83,128)	(86,344)
Excess provision previous year	(3,814)	(1,862)
35% Provision for Income Tax	(299)	(285)
Less:		
Monthly tax provisional payments	79,869	51,438
Credit for training expenses	1,694	1,477
Credit for acquisition of property, plant and equipment	12	4
Credit for donations	911	2,285
Collectible income tax	9,260	7,899
Other collectible taxes and withholdings	588	1,556
Total	**5,093**	**(23,832)**

b) Income Tax

The effect of income taxes during the periods between January 1 and December 31, 2015 and 2014, is the following:

	For the year ended December 31,	
	2015	**2014**
	MCh$	**MCh$**
Income tax charges:		
Current year tax	(83,128)	(86,344)
Surplus/ Deficit previous year provision	-	-
	(83,128)	(86,344)
Credit (charge) for deferred taxes:		
Origination and reversal of temporary differences	11,628	15,861
Initial effect of rate change	(292)	(292)
Subsequent effect of rate change	2,100	-
	13,436	15,569
Subtotal	(69,692)	(70,775)
Tax for rejected expenses Article N°21	(197)	(230)
Others	-	5
Charge to income statement	**(69,889)**	**(71,000)**

NOTE 16 - CURRENT AND DEFERRED TAX, continuation

c) Reconciliation of the effective tax rate

The following is the reconciliation of the income tax rate with the effective rate applied in determining the tax charge as of December 31, 2015 and 2014:

	As of December 31,			
	2015		2014	
	Tax rate	Amount	Tax rate	Amount
	%	MCh$	%	MCh$
Income before tax		400,712		413,972
Applicable tax rate	22.500		21.000	
Statutory income tax		90,160		86,934
Tax effect of non-deductible expenses in calculation of taxable income:				
Permanent differences	(4.657)	(18,660)	(3.864)	(15,996)
Unic tax (rejected expenses)	0.049	197	(0.056)	(230)
Initial effect of rate change	0.073	292	0.071	292
Subsequent effect of rate change	(0.524)	(2,100)	-	-
Effective rate and income tax charge	**17.441**	**69,889**	**17.151**	**71,000**

The effective income tax rate for year 2015 and 2014 was 17.441% and 17.151%, respectively.

According to Note 1 letter z) and considering that there is still no statement of the Extraordinary Shareholders' for the calculation of deferred tax as of December 31, 2015, the Semi-Integrated System (SIP) has been applied, determining an expense of MCh$1,808 on account of exchange rate adjustment for deferred tax.

d) Effect of deferred taxes on equity

The deferred tax recorded with charges to shareholders' equity as of December 31, 2015 and 2014 is composed of the following:

	Accumulated as of		Effect for the year	
	As of December 31,		For the year ended December 31,	
	2015	2014	2015	2014
	MCh$	MCh$	MCh$	MCh$
Financial investment available for sale	4,588	(3,398)	7,986	(2,914)
Cash flow hedges	4,004	2,463	1,541	(1,942)
Effect of deferred tax on shareholder's equity	**8,592**	**(935)**	**9,527**	**(4,856)**

NOTE 16 - CURRENT AND DEFERRED TAX, continuation

e) Effect of deferred taxes on the income statement

During December 31, 2015 and 2014, the Bank recognized in its Consolidated Financial Statements the effects of deferred taxes according to IAS 12.

The detail of deferred tax assets and liabilities and allocated results for temporary differences:

	As of December 31, 2015			As of December 31, 2014		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Concepts:						
Allowance for loan losses	62,757	-	62,757	45,893	-	45,893
Provision for staff vacation & bonuses	23,446	-	23,446	10,335	-	10,335
Derivative contracts operations	-	-	-	-	-	-
Leasing operations (net)	4,775	-	4,775	5,727	-	5,727
Others	886	(507)	379	11,132	-	11,132
Property, plant and equipment	-	(14,461)	(14,461)	-	(15,680)	(15,680)
Transitory assets	-	(32,232)	(32,232)	-	(25,734)	(25,734)
Securities trading	-	-	-	989	-	989
Derivative contract operations	-	(4,003)	(4,003)	-	(2,463)	(2,463)
Others	-	-	-	-	(497)	(497)
Temporary differences related to BCI Financial Group, Inc. and Subsidiaries (*)	111,822	-	111,822	-	-	-
Total assets (liabilities) net	**203,686**	**(51,203)**	**152,483**	**74,076**	**(44,374)**	**29,702**
Effect of deferred tax on equity	-	8,592	8,592	-	(935)	(935)
Net effect for deferred tax assets	**203,686**	**(42,611)**	**161,075**	**74,076**	**(45,309)**	**28,767**

(*) The deferred tax asset has been recognized by the subsidiary BCI Financial Group, Inc. and Subsidiaries as of December 31, 2015 and it mainly consists of a tax loss carry-forward and some differences on intangible assets.

NOTE 16 - CURRENT AND DEFERRED TAX, continuation

f) Current and Deferred tax complementary information

As of December 31, 2015 and 2014, the Bank has the following tax information related to provisions, penalties, lo
referrals. Such information includes the Bank's operations, subsidiaries have been excluded therefore.

a. Loans and receivables to customers

Loans and receivables to customers As of December 31, 2015	Financial Statements Value Assets	Tax value assets Total	 Secured past-due portfolio	 Un Pa pe
	MCh$	MCh$	MCh$	
Commercial Loans	8,895,022	8,898,245	143,112	
Consumer Loans	2,289,305	2,299,017	6,495	
Mortgage Loans	3,918,128	3,918,514	201,099	

Loans and receivables to customers As of December 31, 2014	Financial Statements Value Assets	Tax value assets Total	 Secured Past-due portfolio	 Un Pa pe
	MCh$	MCh$	MCh$	
Commercial Loans	8,662,146	8,666,298	148,365	
Consumer Loans	1,985,089	1,991,108	5,945	
Mortgage Loans	3,317,344	3,317,576	185,167	

NOTE 16 - CURRENT AND DEFERRED TAX, continuation

b. Allowances

Allowances for past due portfolio	**Balance as of 1.01.2015**	**Write-off against Allowance**	**Provisions**	**Revers Provis**
	MCh$	**MCh$**	**MCh$**	**MCl**
Commercial Loans	163,000	(96,179)	159,591	(
Consumer Loans	32,320	(101,807)	128,158	
Mortgage Loans	3,850	-	3,507	

Allowances for past due portfolio	**Balance as of 1.01.2014**	**Write-off against Allowance**	**Provisions**	**Rele Provi**
	MCh$	**MCh$**	**MCh$**	
Commercial Loans	139,925	(55,415)	145,003	
Consumer Loans	27,613	(101,032)	128,052	
Mortgage Loans	4,293	-	3,140	

c. Write-offs and recoveries

Write-offs and recoveries for the year ended December 31,2015	**MCh$**	Application of Art.31 No.4 First and th
Direct Write-offs Art.31 No.4 Second clause	20,890	Write-offs according to First Clause
Remissions that originated reversal of provisions	-	Recoveries according to Third Clause
Recoveries or renegotiations of Loans Write-off	54,603	

Write-offs and recoveries for the year ended December 31,2014	**MCh$**	Application of Art.31 No.4 First and th
Direct Write-offs Art.31 No.4 Second clause	15,019	Write-offs according to First Clause
Remissions that originated reversal of provisions	-	Recoveries according to Third Clause
Recoveries or renegotiations of Loans Write-off	41,890	

NOTE 17 - OTHER ASSETS

a) As of December 31, 2015 and 2014 the composition of the Other Assets account is the following:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Assets for leasing (a)	29,055	33,619
Assets received in lieu of payment or awarded:		
Assets received in lieu of payment	4,986	447
Assets awarded from judicial auctions	1,586	2,057
Provisions for asset received in lieu of payment or awarded (b)	(240)	(21)
Other assets:		
Guarantee deposits	145,001	74,629
Investment in gold	3,404	3,308
VAT fiscal credit	5,799	6,052
Expenses paid in advance	40,752	38,570
Assets from property, plant and equipment for sale	400	400
Assets recovered from lease agreements available for sale (c)	17,774	18,530
Accounts receivable	39,904	43,688
Assets to be recovered	36,676	10,618
Guarantees given for threshold effect	310,586	161,235
Prepayments of insurance rights on City National Bank (d)	70,949	-
Other assets	81,474	33,573
Total	**788,116**	**426,705**

(a) Related to available permanent assets to be delivered under finance leases.

(b) The provisions of assets received in lieu of payment or awarded are registered according to what has been stipulated in the Accounting Standards Compendium Chapter B-5 No. 3, which implies recognizing a provision for the difference between the carrying amount and the net realizable value, when the first is higher.

(c) Within the same line item, the recovered leasing assets available for sale are included, which correspond to real estate. These properties are assets available for sale, which is considered highly likely to occur. For most assets, it is expected to complete the sale within one year from the date on which the asset is classified as “Property, plant and equipment goods for sale and / or leasing assets recovered held for sale”.

(d) Prepayments recognized in the Consolidated Financial Statement of Position of BCI Financial Group, Inc. and Subsidiaries related to insurance taken out by City National Bank (CNB). CNB is a beneficiary of these contracts.

NOTE 17 - OTHER ASSETS, continuation

b) The changes in the impairment of assets received in lieu of payment or awarded, during the years 2015 and 2014, is the following:

	Impairment
	MCh$
Balance as of January 1, 2015	21
Impairment	240
Reversal of impairment	(21)
Balance as of December 31, 2015	**240**
Balance as of January 1, 2014	734
Impairment	621
Reversal of impairment	(1,334)
Balance as of December 31, 2014	**21**

NOTE 18 - DEPOSITS AND OTHER OBLIGATIONS PAYABLE ON DEMAND AND TIME DEPOSITS

As of December 31, 2015 and 2014, the composition of this account is the following:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Deposits and other obligations payable on demand		
Current accounts	7,196,875	3,850,449
Other deposits and accounts payable on demand	549,787	399,387
Other obligations payable on demand	300,626	342,604
Total	**8,047,288**	**4,592,440**
Savings accounts and time deposits		
Time deposits	9,250,938	8,177,472
Saving accounts	49,844	48,765
Guarantees	1,114	2,372
Total	**9,301,896**	**8,228,609**

NOTE 19 - INTERBANK BORROWINGS

As of December 31, 2015 and 2014 the composition of this account is the following:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Loans received from financial institutions and Central Bank of Chile:		
Central Bank of Chile:		
Other obligations with Central Bank of Chile	1,732	71
Subtotal	1,732	71
Loans received from domestic financial institutions:		
Interbank loans	395,951	327,976
Other obligations	183,788	90,353
Subtotal	579,739	418,329
Loans received from financial institutions abroad:		
Foreign trade financing	615,286	728,181
Loans and other obligations	593,333	526,984
Subtotal	1,208,619	1,255,165
Total	**1,790,090**	**1,673,565**

NOTE 20 - ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL OBLIGATIONS

a) As of December 31, 2015 and 2014, details are as follows:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Other debentures:		
Public bonds	40,178	41,492
Other local bonds	33,942	29,155
Foreign bonds	672,826	94
Total	**746,946**	**70,741**
Issued debt instruments:		
Letters of credit	33,552	44,049
Current bonds	2,903,143	2,481,030
Subordinated bonds	885,955	773,888
Total	**3,822,650**	**3,298,967**

NOTE 20 - ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL OBLIGATIONS, continuation

b) As of December 31, 2015 and 2014, the maturities of the current and subordinated bonds are as follows:

	As of December 31, 2015		
	Long term MCh$	Short term MCh$	Total MCh$
By long and short term maturities			
Ordinary bonds	2,759,907	143,236	2,903,143
Subordinated bonds	885,955	-	885,955
Total	**3,645,862**	**143,236**	**3,789,098**

	As of December 31, 2014		
	Long term MCh$	Short term MCh$	Total MCh$
By long and short term maturities			
Ordinary bonds	2,407,668	73,362	2,481,030
Subordinated bonds	773,888	-	773,888
Total	**3,181,556**	**73,362**	**3,254,918**

Details of placements of ordinary and subordinated bonds as of December 31, 2015 are as follows:

ORDINARY BONDS IN CHILEAN PESOS

Series	Amount issued Ch$	Amount placed Ch$	Date of issue	Maturity date	Average rate	Balance owed due Ch$	Balance MCh$
SERIE_AG	228,500,000,000	231,242,999,500	01/05/2013	01/05/2018	4.96%	156,490,116,960	156,490
SERIE_AK	500,000,000,000	51,636,058,698	01/11/2014	01/11/2019	5.31%	49,053,242,483	49,053
Fair Value Adjustment (Fair value hedge)							(1,141)
Subtotal	**728,500,000,000**	**282,879,058,198**				**205,543,359,443**	**204,402**

ORDINARY BONDS IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)

Series	Amount issued UF	Amount placed UF	Date of issue	Maturity date	Average rate	Balance owed due UF	Balance MCh$
SERIE_AB	10,000,000	10,000,000	01/07/2008	01/07/2018	3.67%	9,135,169	234,126
SERIE_AE2	10,000,000	10,000,000	01/08/2011	01/08/2021	3.73%	9,555,884	244,909
SERIE_AF1	10,000,000	5,740,000	01/08/2012	01/08/2017	3.51%	5,724,256	93,445
SERIE_AF2	10,000,000	10,000,000	01/08/2012	01/08/2022	3.43%	9,634,173	246,915
SERIE_AI1	15,000,000	-	01/03/2014	01/03/2019	1.50%	-	-
SERIE_AI2	5,000,000	-	01/03/2014	01/03/2024	1.50%	-	-
SERIE_AJ1	20,000,000	13,310,000	01/10/2014	01/10/2019	2.04%	13,357,562	342,342
SERIE_AJ2	20,000,000	7,890,000	01/10/2014	01/10/2024	2.89%	7,505,631	192,362
Fair Value Adjustment (fair value hedge)							2,247
Subtotal	**100,000,000**	**56,940,000**				**54,912,675**	**1,356,346**

ORDINARY BONDS IN FOREIGN CURRENCY – US DÓLAR

Series	Amount issued USD	Amount placed USD	Date of issue	Maturity date	Average rate	Balance owed due USD	Balance MCh$
USP32133CE16	600,000,000	600,000,000	13/09/2012	13/09/2017	3.54%	602,258,758	426,249
USP32133CG63	500,000,000	500,000,000	11/02/2013	11/02/2023	4.35%	502,574,249	355,697
Fair Value Adjustment (Fair value hedge)	-	-				11,336	8
Total	**1,100,000,000**	**1,100,000,000**				**1,104,844,343**	**781,954**

(*) These amounts are amortized in accordance with the effective interest method and therefore the initial costs of placing the bond have been discounted and are amortized over the length of the expected useful life of the financial instrument.

NOTE 20 - ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL OBLIGATIONS, continuation

ORDINARY BONDS IN FOREING CURRENCY – SWISS FRANCS

Series	Amount issued CHF	Amount placed CHF	Date of issue	Maturity date	Average rate	Balance owed due CHF	Balance MCh$
CH0222435429	200,000,000	200,000,000	26/09/2013	26/09/2016	1.250%	200,252,464	143,236
CH0246788183	150,000,000	150,000,000	26/06/2014	26/06/2019	1.125%	149,846,223	107,181
CH0260296618	150,000,000	150,000,000	25/11/2014	23/11/2018	0.875%	149,178,107	106,703
CH0278875965	150,000,000	150,000,000	17/06/2015	17/06/2020	0.250%	149,533,143	106,957
Fair Value Adjustment (Fair value hedge)						242,254	173
Subtotal	**650,000,000**	**650,000,000**				**649,052,191**	**464,250**

ORDINARY BONDS IN FOREING CURRENCY – YEN

Series	Amount issued YEN	Amount placed YEN	Date of issue	Maturity date	Average rate	Balance owed due YEN	Balance MCh$
XS1144348411	4,900,000,000	4,900,000,000	04/12/2014	04/12/2017	0.700%	4,872,282,597	28,600
XS1144348841	10,100,000,000	10,100,000,000	04/12/2014	04/12/2019	0.810%	10,023,267,129	58,836
XS1144350821	1,500,000,000	1,500,000,000	04/12/2014	04/12/2017	0.669%	1,491,497,065	8,755
Subtotal	**16,500,000,000**	**16,500,000,000**				**16,387,046,791**	**96,191**
Total Current Bonds							**2,903,143**

SUBORDINATED BONDS IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)

Series	Amount issued UF	Amount placed UF	Date of issue	Maturity date	Average rate	Balance owed due UF	Balance MCh$
SERIE_C and D	2,000,000	2,000,000	01/12/1995	01/12/2016	6.92%	189,461	4,856
SERIE_E	1,500,000	1,500,000	01/11/1997	01/11/2018	7.37%	405,821	10,401
SERIE_F	1,200,000	1,200,000	01/05/1999	01/05/2024	7.73%	655,159	16,791
SERIE_G	400,000	400,000	01/05/1999	01/05/2025	7.92%	234,237	6,003
SERIE_L	1,200,000	1,200,000	01/10/2001	01/10/2026	6.39%	801,552	20,543
SERIE_M	1,800,000	1,800,000	01/10/2001	01/10/2027	6.43%	1,244,335	31,891
SERIE_N	1,500,000	1,500,000	01/06/2004	01/06/2029	5.25%	1,110,225	28,454
SERIE_O	1,500,000	1,500,000	01/06/2004	01/06/2030	3.93%	1,096,047	28,091
SERIE_R	1,500,000	1,500,000	01/06/2005	01/06/2038	4.72%	661,043	16,942
SERIE_S	2,000,000	2,000,000	01/12/2005	01/12/2030	4.86%	1,488,777	38,156
SERIE_T	2,000,000	2,000,000	01/12/2005	01/12/2031	4.52%	1,553,105	39,805
SERIE_U	2,000,000	2,000,000	01/06/2007	01/06/2032	4.19%	1,878,415	48,142
SERIE_Y	4,000,000	4,000,000	01/12/2007	01/12/2030	4.25%	2,148,800	55,072
SERIE_W	4,000,000	4,000,000	01/06/2008	01/06/2036	4.05%	1,777,200	45,548
SERIE_AC	6,000,000	6,000,000	01/03/2010	01/03/2040	3.96%	5,523,177	141,554
SERIE_AD 1	4,000,000	4,000,000	01/06/2010	01/06/2040	4.17%	3,552,100	91,037
SERIE_AD 2	3,000,000	3,000,000	01/06/2010	01/06/2042	4.14%	2,652,172	67,973
SERIE_AH	15,000,000	9,000,000	01/09/2013	01/09/2043	3.63%	7,596,725	194,696
Subtotal	**54,600,000**	**48,600,000**				**34,568,351**	**885,955**

TOTAL BONDS	**3,789.098**

NOTE 20 - ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL OBLIGATIONS, continuation

Details of placements of ordinary and subordinated bonds as of December 31, 2014 are as follows:

ORDINARY BONDS IN CHILEAN PESOS

Series	Amount issued Ch$	Amount placed Ch$	Date of issue	Maturity date	Average rate	Balance owed due MCh$	Balance MCh$
SERIE_AG	228,500,000,000	202,953,700,000	01/05/2013	01/05/2018	4.94%	193,072,790,181	193,073
Fair Value Adjustment (Fair value hedge)							627
Subtotal	**228,500,000,000**	**202,953,700,000**				**193,072,790,181**	**193,700**

ORDINARY BONDS IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)

Series	Amount issued UF	Amount placed UF	Date of issue	Maturity date	Average rate	Balance owed due UF	Balance MCh$
SERIE_X	5,000,000	5,000,000	01/06/2007	01/06/2017	3.85%	4,916,780	121,086
SERIE_AB	10,000,000	10,000,000	01/07/2008	01/07/2018	3.67%	8,810,709	216,982
SERIE_AE1	10,000,000	10,000,000	01/08/2011	01/08/2016	3.59%	9,960,783	215,876
SERIE_AE2	10,000,000	10,000,000	01/08/2011	01/08/2021	3.73%	9,468,938	233,192
SERIE_AF1	10,000,000	5,740,000	01/08/2012	01/08/2017	3.51%	5,677,596	133,794
SERIE_AF2	10,000,000	10,000,000	01/08/2012	01/08/2022	3.43%	9,571,503	235,718
SERIE_AI1	15,000,000	-	01/03/2014	01/03/2019	1.50%	-	-
SERIE_AI2	5,000,000	-	01/03/2014	01/03/2024	1.50%	-	-
Fair Value Adjustment (Fair value hedge)	-	-				-	4,485
Subtotal	**75,000,000**	**50,740,000**				**48,406,309**	**1,161,133**

ORDINARY BONDS IN FOREIGN CURRENCY – US DÓLAR

Series	Amount issued USD	Amount placed USD	Date of issue	Maturity date	Average rate	Balance owed due USD	Balance MCh$
USP32133CE16	600,000,000	600,000,000	13/09/2012	13/09/2017	3.54%	600,247,304	364,200
USP32133CG63	500,000,000	500,000,000	11/02/2013	11/02/2023	4.35%	501,622,084	304,359
Fair Value Adjustment (Fair value hedge)	-	-				(8,012,357)	(4,861)
Total	**1,100,000,000**	**1,100,000,000**				**1,093,857,031**	**663,698**

(*) Balance due according to the effective interest method, i.e., all issuance-related costs are discounted and amortized over the expected life of the financial instrument.

ORDINARY BONDS IN FOREING CURRENCY – SWISS FRANCS

Series	Amount issued CHF	Amount placed CHF	Date of issue	Maturity date	Average rate	Balance owed due CHF	Balance MCh$
CH0222435429	200,000,000	200,000,000	26/09/2013	26/09/2016	1.250%	199,644,809	122,591
CH0230446665	120,000,000	120,000,000	23/12/2013	23/12/2015	0.750%	119,472,819	73,362
CH0246788183	150,000,000	150,000,000	26/06/2014	26/06/2019	1.125%	149,466,483	91,779
CH0260296618	150,000,000	150,000,000	25/11/2014	23/11/2018	0.875%	148,739,727	91,333
Fair Value Adjustment (Fair value hedge)						748,692	460
Subtotal	**620,000,000**	**620,000,000**				**618,072,530**	**379,525**

NOTE 20 - ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL OBLIGATIONS, continuation

ORDINARY BONDS IN FOREING CURRENCY – YEN

Series	Amount issued YEN	Amount placed YEN	Date of issue	Maturity date	Average rate	Balance owed due YEN	Balance MCh$
XS1144348411	4,900,000,000	4,900,000,000	04/12/2014	04/12/2017	0.700%	4,853,122,496	24,655
XS1144348841	10,100,000,000	10,100,000,000	04/12/2014	04/12/2019	0.810%	9,993,873,108	50,771
XS1144350821	1,500,000,000	1,500,000,000	04/12/2014	04/12/2017	0.685%	1,485,669,151	7,548
Subtotal	**16,500,000,000**	**16,500,000,000**				**16,332,664,755**	**82,974**
Total Current Bonds							**2,481,030**

SUBORDINATED BONDS IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)

Series	Amount issued UF	Amount placed UF	Date of issue	Maturity date	Average rate	Balance owed due UF	Balance MCh$
SERIE_C and D	2,000,000	2,000,000	01/12/1995	01/12/2016	6.92%	366,702	9,031
SERIE_E	1,500,000	1,500,000	01/11/1997	01/11/2018	7.37%	523,021	12,880
SERIE_F	1,200,000	1,200,000	01/05/1999	01/05/2024	7.73%	708,433	17,447
SERIE_G	400,000	400,000	01/05/1999	01/05/2025	7.92%	250,431	6,167
SERIE_L	1,200,000	1,200,000	01/10/2001	01/10/2026	6.39%	850,893	20,955
SERIE_M	1,800,000	1,800,000	01/10/2001	01/10/2027	6.43%	1,311,972	32,310
SERIE_N	1,500,000	1,500,000	01/06/2004	01/06/2029	5.25%	1,165,905	28,713
SERIE_O	1,500,000	1,500,000	01/06/2004	01/06/2030	3.93%	1,151,495	28,358
SERIE_R	1,500,000	1,500,000	01/06/2005	01/06/2038	4.72%	631,225	15,545
SERIE_S	2,000,000	2,000,000	01/12/2005	01/12/2030	4.86%	1,555,379	38,304
SERIE_T	2,000,000	2,000,000	01/12/2005	01/12/2031	4.52%	1,618,513	39,859
SERIE_U	2,000,000	2,000,000	01/06/2007	01/06/2032	4.19%	1,870,483	46,065
SERIE_Y	4,000,000	4,000,000	01/12/2007	01/12/2030	4.25%	2,061,200	50,761
SERIE_W	4,000,000	4,000,000	01/06/2008	01/06/2036	4.05%	1,708,000	42,063
SERIE_AC	6,000,000	6,000,000	01/03/2010	01/03/2040	3.96%	5,503,465	135,536
SERIE_AD 1	4,000,000	4,000,000	01/06/2010	01/06/2040	4.17%	3,535,753	87,075
SERIE_AD 2	3,000,000	3,000,000	01/06/2010	01/06/2042	4.14%	2,641,172	65,044
SERIE_AH	15,000,000	5,000,000	01/09/2013	01/09/2043	4.00%	3,970,218	97,775
Total subordinated bonds	**54,600,000**	**44,600,000**				**31,424,260**	**773,888**

TOTAL BONDS	**3,254,918**

NOTE 21 - PROVISIONS

The provisions established as of December 31, 2015 and 2014 are as follows:

	As of December 31, 2015 MCh$	As of December 31, 2014 MCh$
Provisions for staff benefits and remuneration	39,151	33,851
Provisions for minimum dividends	99,247	102,891
Provisions for contingent credit risk	18,525	17,017
Provisions for contingencies (*)	95,540	82,881
Provisions for country risk	2,669	2,555
Total	**255,132**	**239,195**

(*) Includes additional provisions for MCh$76,754 (MCh$57,754 in 2014) which were constituted according to what is instructed by the SBIF and approved by the Board of Directors of the Bank (see Note 1.x.i and Note 11).

NOTE 21 - PROVISIONS, continuation

Additionally it includes a provision to comply with the minimum of 0.50% required by the SBIF for the normal individual portfolio (see Note 1.x.ii and Note 11). On December 31, 2015, no provision has been established (MCh$1,193 on December 31, 2014).

a) Provisions for staff benefits and remunerations

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Provisions for staff benefits	29,045	25,077
Provisions for vacations	10,106	8,774
Total	**39,151**	**33,851**

The provision for other staff benefits includes bonuses related to the achievement of goals which will be paid in the following year.

b) Provisions for contingent loans

The provisions established for contingent loans as of December 31, 2015 and 2014 is as follows:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Provisions for contingent loans		
Guarantee and deposits	989	761
Confirmed foreign letters of credit	-	1
Documents issued letters of credit	191	136
Guarantees	6,223	5,896
Available credit lines	8,896	9,136
Other credit commitments	2,226	1,087
Total	**18,525**	**17,017**

NOTE 21 - PROVISIONS, continuation

c) Movements of provisions for the years 2015 and 2014 is as follows:

	PROVISIONS FOR					
	Staff benefits and remuneration	**Minimum dividends**	**Contingent credit risk**	**Contingencies**	**Country risk**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Balance as of January 1, 2015	**33,851**	**102,891**	**17,017**	**82,881**	**2,555**	**239,195**
Allocated provisions	22,754	99,247	3,852	22,618	-	148,471
Applied provisions	(17,454)	(102,891)	(2,344)	(9,959)	-	(132,648)
Reversal of provisions	-	-	-	-	114	114
Balance as of December 31, 2015	**39,151**	**99,247**	**18,525**	**95,540**	**2,669**	**255,132**
Balance as of January 1, 2014	**21,633**	**90,088**	**16,408**	**51,842**	**1,388**	**181,359**
Allocated provisions	22,974	102,891	4,274	31,202	1,167	162,508
Applied provisions	(10,756)	(90,088)	(3,665)	(163)	-	(104,672)
Reversal of provisions	-	-	-	-	-	-
Balance as of December 31, 2014	**33,851**	**102,891**	**17,017**	**82,881**	**2,555**	**239,195**

NOTE 22 - OTHER LIABILITIES

As of December 31, 2015 and 2014, the composition of this account is the following:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Accounts and notes payable	164,933	144,756
Unearned income	24,044	24,940
Sundry creditors	229,208	55,745
Other liabilities	18,959	22,867
Total	**437,144**	**248,308**

NOTE 23 - CONTINGENCIES AND COMMITMENTS

a) Commitments and liabilities recognized on off-balance sheet memorandum accounts

The Bank and its subsidiaries have recognized the following balances related to commitments and business liabilities on off-balance sheet memorandum accounts:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
CONTINGENT RECEIVABLES		
Collateral and guarantees:		
Collateral and guarantees in foreign currency	168,577	174,344
Confirmed foreign letters of credit	458	732
Document issued letters of credit	142,941	136,300
Performance bonds:		
Performance bonds in Chilean currency	779,549	652,126
Performance bonds in foreign currency	218,493	171,744
Immediately available Credit Lines	3,841,174	3,259,567
Other credit commitments:		
Higher education loans Law 20,027	47,398	71,345
Others	197,474	206,525
THIRD PARTY OPERATIONS		
Collections:		
Foreign collections	236,488	213,590
Domestic collections	157,304	143,133
CUSTODY OF SECURITIES		
Securities in custody with the bank	118,065	130,291
Total	**5,907,921**	**5,159,697**

b) Lawsuits and legal proceedings

BCI Bank

The Bank and its subsidiaries have various legal lawsuits pending related to their businesses and which, in the opinion of the Management and their internal legal advisers, will not result in additional liabilities to those previously recognized by the Bank and its subsidiaries. Hence, Management did not consider that allocation of additional provisions to those already made for these contingencies is necessary.

BCI Corredor de Bolsa S.A.

As of December 31, 2015 BCI Corredora de Bolsa S.A. direct subsidiary, has a bankruptcy revocation demand dated August 8, 2011 in summary proceedings before the Twenty-Third Civil Court of Santiago, N° of ROL-C 10251-2008 between Inversiones Acson Ltda., BCI Corredor de Bolsa S.A. and others. Action seeks to declare the unenforceability of certain operations liquidation performed by Alfa Corredores de Bolsa S.A. before being declared bankrupt for MCh$8,330. On May 26, 2015, the Twenty-Third Civil Court of Santiago delivered a judgment rejecting the action imposed by Acson Investments Limited. That ruling was appealed on June 9, 2015 by Acson Investments Limited, after a review of the case, was entirety rejected by the court on December 2, 2015, in respect for which Inversiones Acson Ltda. filed on December 18 of the same year, an appeal, which favorably passed the first instance procedure by the Court of Appeals of Santiago. There is a low probability of losing the trial. No provisions have been made.

NOTE 23 - CONTINGENCIES AND COMMITMENTS, continuation

c) Operating guarantees:

- Direct commitments

The Bank as of December 31, 2015 has no guarantees for this item.

- Operating guarantees

As of December 31, 2015, the subsidiary BCI Corredor de Bolsa S.A. has contracted guarantees of commitments for simultaneous operations on the Santiago Stock Exchange and Stock Exchange whose valuation amounted to MCh$120,252 (to December 31, 2014 MCh$98,795).

As of December 31, 2015, the subsidiary BCI Corredor de Bolsa S.A. maintains collateral provided for the proper performance of operations in the CCLV settlement system, the Santiago Stock Exchange, and Stock Exchange of MCh$3,594 (to December 31, 2014 MCh$2,497).

As of December 31, 2015, the subsidiary BCI Corredor de Bolsa S.A. maintains collateral provided for the proper performance of operations in the CCLV settlement system in financial derivatives, on the Santiago Stock Exchange of MCh$246.

As of December 31, 2015, the subsidiary BCI Corredor de Bolsa S.A. maintains collateral provided abroad to international market operations of MCh$71 (as of December 31, 2014 MCh$61).

As of December 31, 2015, the subsidiary BCI Corredor de Bolsa SA holds any collateral by lending commitments, short selling shares on the stock whose valuation Electronics Chile amounted to MCh$6,163 (to December 31, 2014 MCh$11,663).

As of December 31, 2015, the direct subsidiary BCI Corredor de Bolsa maintains a performance bond to ensure contract SOMA for MCh$266 (to December 31, 2014 MCh$259).

As of December 31, 2015 the subsidiary BCI Corredor de Bolsa SA maintains constituted an upward UF20,000 guarantee to comply with the provisions of Article No, 30 of Law 18,045, which is to ensure proper and full compliance with all its obligations as securities intermediary and its beneficiaries are creditors, present or future need or come to take account of their operations stockbroker. This warranty applies to a policy taken on August 19, 2015 Nº330-14-00004975 and which is valid until August 19, 2016 the Company Mapfre Insurance and Credit Guarantee, with Santiago Stock Exchange, Stock Exchange the representative of potential beneficiaries creditors.

- Officer fidelity or employee fidelity insurance

As of December 31, 2015, the subsidiary BCI Corredor de Bolsa SA contracted insurance taken with BCI Corredora de Seguros SA, which protects to the Banco de Credito e Inversiones and its subsidiaries under Policy Banking Integral Nº3106568-2 which is valid starting on November 30, 2015 until November 30, 2016, with a UF100,000 of coverage.

NOTE 23 - CONTINGENCIES AND COMMITMENTS, continuation

BCI Corredores de Seguros S.A.

As of December 31, 2015, the subsidiary BCI Corredora de Seguros SA has taken out the following insurance policies to comply with the provisions of paragraph d) of Article No. 58 of Decree-Law No. 251 of 1931, to answer for the correct and complete fulfillment of all obligations under its activity:

Guarantee Policy for Insurance Brokers No, 10027958 for an insured amount of UF500 contracted with Compañía de Seguros Generales Consorcio Nacional de Seguros S.A. which is valid from April 15, 2015 until April 14, 2016, establishing himself as right insurance company against repeating the brokerage itself, all sums paid first had to pay to third parties affected by poor trading brokerage.

- Professional Liability Policy for Insurance Brokers Nº10027960 by an insured amount of UF60,000 with Deductible UF500 contracted with Compañía de Seguros Generales Consorcio Nacional de Seguros S.A., which is valid from April 15, 2015 until April 14, 2016, to protect the broker against any claims by third parties having the right insurance company to request reimbursement of brokerage paid to the third party claimant.

BCI Factoring S.A.

As of December 31, 2015, the subsidiary BCI Factoring SA has approved lines of coverage for operators Factor Chain International for MCh$10,115 (MCh$1,743 in 2014), equivalent to US$14,300,000.00 (US$2,870,000.00 in December of 2014) of which MCh$2,545 (MCh$143 in December of 2014) has been used, equivalent to US$3,598,377.54 (US$235,405.01 in December of 2014).

d) Contingent loans and liabilities

In order to satisfy the needs of its customers, the Bank assumed several irrevocable commitments and contingent obligations. Although these obligations are not recognized in the Consolidate Financial Statements, they are subject to credit risks and, therefore, are part of the Bank’s overall risk.

The table below shows the contractual amounts of the transactions that require the Bank to grant loans and the amount of the provisions made for the risk of loan losses assumed:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Sureties and finances	168,577	174,344
Documentary letters of credit	142,941	136,300
Performance bonds	998,042	823,870
Amount available for credit cards users	3,841,174	3,259,567
Provisions	(18,525)	(17,017)
Total	**5,132,209**	**4,377,064**

NOTE 23 - CONTINGENCIES AND COMMITMENTS, continuation

e) Documents in custody and for collection on the part of the Bank

The Bank and its subsidiaries have the following operations derived in the normal course of business:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Documents in collection	393,792	356,723
Custody of assets	118,065	130,291
Total	**511,857**	**487,014**

f) Lawsuits and legal proceedings and guarantees of main support companies

The business support companies: Sociedad Interbancaria de Depósito de Valroes S.A., Centro de compensación automatizado S.A., Sociedad operadora de la Cámara de Compensación de Pagos de Alto Valor S.A., and Artikos Chile S.A., as of December 31, 2015 and 2014 do not have commitments or contingencies that commit existing assets.

TRANSBANK S.A.

a) Lawsuits

There is no current lawsuits that may significantly affect the financial statements of the Company.

b) Bank guarantees

(i) Bank guarantees provided

The Company has provided guarantees by the customers' requests in the business operation amounting to MCh$164 as of December 31, 2015 (MCh$161 in 2014).

(ii) Bank guarantees received

The Company has received guarantees, totaling MCh$46,542 as of December 31, 2015 (MCh$25,049 in 2014). These documents have been issued by issuers, commercial establishments and suppliers to bail contractual obligations.

c) Other commitments and contingencies

The Company has no other commitments or contingencies that may affect the financial statements.
Nexus S.A.

NOTE 23 - CONTINGENCIES AND COMMITMENTS, continuation

The Company as of December 31, 2015 has the following contingencies and restrictions:

(a) Lawsuits and legal proceedings

As of December 31, 2015, the Company did not register any labor lawsuits; there is one case related to civil matters that had no significant financial impact.

(b) Liability Insurance

As of December 31, 2015 the Company has current liability insurance for Directors and managers approved by the Superintendence of Securities and Insurance (SVS) under POL 1 01 021, covering US$10,000,000. In addition, Professional Liability insurance remains in force (official Fidelity) for Financial Institutions, covering US$10 million.

(c) Operational Assurance

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Bank guarantees received:		
Received in favor of Nexus	370	601
Bank guarantees delivered:		
Promissory note of Nexus taken to ensure contractual services	101	113

Servicios de Infraestructura de Mercado OTC S.A.

As part of the development of Comder project, dated October 13, 2014, the subsidiary signed a contract with Calypso Inc., for the development of new products that will be added to the basic software called Phase II. The total cost that comes from this contract is USD$816,853, including additional tax.

Of the total amount of the contract, there has been the following additional tax payments included:

December 2014	USD 163,371.00
May 2015	USD 163,371.00
November 2015	USD 122,527.94

The balance of this contract will be paid during 2016.

Servipag LTDA.

a) Bank guarantees

Bank guarantees provided

The Company provided guarantee for the lease of branches amounting to MCh$217 to December 31, 2015 (MCh$218 in 2014).

NOTE 23 - CONTINGENCIES AND COMMITMENTS, continuation

Bank guarantees received

The Company has not received guarantees for any concept.

b) Legal contingencies

According to what was defined by legal advisers of the Company, there are no materials legal contingencies to be disclosed in the financial statements at the date on which these were approved.

c) Other commitments and contingencies

There are no other commitments or contingencies that should be presented in the financial statements.

d) Due to Banks

The Company has commitments to its partner banks in custody managed securities and reset values.

NOTE 24 - EQUITY

a) Capital stock and preference shares

Movement of common shares during the years 2015 and 2014 is the following:

	As of December 31	
	2015	**2014**
	N°	**N°**
Issued as of January 1	108,701,164	107,174,450
Issued bonus shares	2,105,835	1,526,714
Total issued	**110,806,999**	**108,701,164**

The Ordinary Shareholders' Meeting as of March 24, 2015 approved distributing the 2014 net profits of MCh$342,972 as follows:

- Distribute a dividend of Ch$1,000 per share for 108,701,164 shares issued and registered in the Register of Shareholders, which amounts to MCh$108,702.

- Allocate the remaining balance of MCh$234,270 to the reserve fund for capitalization.

On March 24, 2015, the Extraordinary Shareholders' Meeting approved, among other things, increasing the capital stock by MCh$234,270 by capitalizing retained earnings.

- Capitalizing the amount of MCh$171,472, without issuing any shares and

- Capitalizing the amount of MCh$62,798 by issuing 2,105,835 paid-in shares.

NOTE 24 - EQUITY, continuation

In accordance with its by-laws, the Bank's capital stock was MCh$1,547,126 divided into 108,701,164 no-par-value shares of the same series. As a result of the capital increase, the capital stock of Banco de Crédito e Inversiones is MCh$1,781,396, and it was divided into 110,806,999 no-par-value shares of the same series.

The aforementioned capital increase was approved by the Superintendence of Banks and Financial Institutions by Resolution No. 297 on June 18, 2015, which was registered on page 45,208, number 26,603 of Trade Register of Real Estate of Santiago, and published in the Official Gazette dated June 30, 2015.

In Extraordinary Shareholders' Meeting held on October 27, 2015, it was approved to revoke the capital increase of MCh$198,876 which had been approved in the Shareholders Extraordinary Meeting on September 26, 2013, that has not been subscribed nor paid.

It was also agreed to increase the share capital by the amount of MCh$309,128 through the issuance of 10,737,300 paid-in shares; that increase shall be subscribed and paid within three years from the date of the aforesaid meeting.

On December 15, 2015, the Superintendence of Banks and Financial Institutions (SBIF), by No. 526 Resolution, approved the amendment introduced to the Banco de Credito e Inversiones by-laws agreed at the Extraordinary Shareholders' Meeting on October 27, 2015, in which the share capital increased to MCh$2,090,524 represented by 123,544,299 registered shares of a series, no par value, to be signed and pay as follows:

- MCh$1,781,396 is the authorized capital of the bank, divided into 110,806,999 registered shares of one series and with no par value, which are fully subscribed and paid, and

- MCh$309,128 with the issue of 10,737,300 cash shares to be subscribed and paid in accordance with what is stated in the transitional article of the statutes within a maximum period of three years from the aforesaid meeting.

NOTE 24 - EQUITY, continuation

b) As of December 31, 2015 and 2014, the shareholders distribution is the following:

As of December, 2015	**Shares**	
	Nº of Shares	**% of Participation**
Empresas Juan Yarur S.P.A.	61,030,794	55.08%
Jorge Yarur Bascuñán	4,682,760	4.23%
Credicorp LTD	4,497,906	4.06%
Sociedad Financiera del Rimac S.A.	3,849,983	3.47%
Banco de Chile por cuenta de terceros no residentes	3,473,278	3.13%
Banco Itaú por cuenta de Inversionistas	3,112,436	2.81%
Bci Corredor de Bolsa S.A. por cuenta de terceros	2,067,074	1.87%
AFP Habitat S.A.	1,977,723	1.78%
AFP Provida S.A.	1,738,324	1.57%
Banco Santander por cuenta de Inversionistas Extranjeros	1,669,093	1.51%
Inversiones Tarascona Corporation Agencia en Chile	1,632,543	1.47%
AFP Capital S.A.	1,474,579	1.33%
AFP Cuprum S.A.	1,410,741	1.27%
Imsa Financiera SPA	1,348,093	1.22%
Inmobiliaria e Inversiones Cerro Sombrero S.A.	1,215,770	1.10%
Yarur Rey Luis Enrique	1,082,348	0.98%
Banchile Corredores de Bolsa S.A.	970,601	0.88%
Larraín Vial S.A. Corredores de Bolsa	831,330	0.75%
Empresas JY S.A.	719,706	0.65%
Inversiones VYR Ltda.	589,702	0.53%
Inmobiliaria e Inversiones Chosica S.A.	483,987	0.44%
Penta Corredores de Bolsa S.A.	472,782	0.43%
Corpbanca Corredores de Bolsa S.A.	400,128	0.36%
Bolsa de Comercio de Santiago Bolsa de Valores	369,893	0.33%
Inversiones Lo Recabarren Ltda.	353,127	0.32%
Otros Accionistas	9,352,298	8.43%
Total subscribed and paid shares	**110.806.999**	**100.00%**

NOTE 24 - EQUITY, continuation

As of December, 2014	Shares	
	Nº of Shares	% of Participation
Empresas Juan Yarur S.A.C.	59,870,932	55.08
Jorge Yarur Bascuñan	4,593,766	4.23
Inversiones BCP S.A.	4,082,731	3.76
Banco de Chile por cuenta de terceros C.A.	3,964,090	3.65
Sociedad Financiera del Rimac S.A.	3,776,816	3.47
Banco Itau por cuenta de Inversionistas	3,395,662	3.12
AFP Habitat S.A.	2,143,026	1.97
Bci Corredor de Bolsa S.A. por cuenta de terceros	2,059,013	1.89
AFP Provida S.A.	1,920,669	1.77
Banco Santander por cuenta de Inversionistas Extranjeros	1,699,701	1.56
Inversiones Tarascona Corporation Agencia en Chile	1,601,517	1.47
AFP Capital S.A.	1,482,826	1.36
Inversiones Millaray S.A.	1,322,473	1.22
AFP Cuprum S.A.	1,217,065	1.12
Inmobiliaria e Inversiones Cerro Sombrero S.A.	1,192,665	1.10
Yarur Rey Luis Enrique	1,061,778	0.98
Banchile Corredores de Bolsa S.A.	794,900	0.73
Empresas JY S.A.	706,028	0.65
Inversiones VYR Ltda.	578,495	0.53
BainesOehlmann Nelly	503,965	0.46
Inmobiliaria e Inversiones Chosica S.A.	474,789	0.44
Corpbanca Corredores de Bolsa	406,677	0.37
Larrain Vial S.A. Corredores de Bolsa	398,909	0.37
Inversiones Lo Recabarren Limitada	346,416	0.32
BtgPactual Chile S.A. Corredores de Bolsa	336,213	0.31
Other Shareholders	8,770,042	8.07
Total subscribed and paid shares	**108,701,164**	**100.00**

c) Dividends

The following dividends were declared by the Bank during the year ended December 31, 2015 and 2014:

	For the year ended December 31,	
	2015	2014
	Ch$	Ch$
Ch$ per common share	1,000	1,260

The mandatory dividend provision as of December 31, 2015 was MCh$99.247 (MCh$102,891 in December 31, 2014).

NOTE 24 - EQUITY, continuation

d) For the year ended December 31, 2015 and 2014, the composition of diluted earnings and basic earnings is as follows:

	For the year ended December 31,	
	2015	2014
Earnings attributable to the equity holders of the Bank	330,819	342,972
Income available for Shareholders, MCh$	**330,819**	**342,972**
Weighted average number of shares	110,806,999	108,701,164
Basic and diluted earnings per share (Ch$/Share)(*)	**2,986**	**3,155**

(*) Basic and diluted earnings are calculated based on the income of the year in accordance with accounting rules and instructions issued by the Superintendence of Banks and Financial Institutions.

e) Cumulative translation adjustment

As of December 31, 2015 and 2014, the reconciliation of conversion net differences cumulative as a separate component of shareholders' equity is as follows:

	MCh$
Balance as of January 1, 2014	5,707
Charges of net Exchange differences	9,169
Balance as of December 31, 2014	**14,876**
Balance as of January 1, 2015	14,876
Charges of net Exchange differences	6,990
Balance as of December 31, 2015	**21,866**

Reconciliation of the available for sale portfolio and cash flow hedge is as follows:

	Available for share	Cash flow hedges
	MCh$	MCh$
Accumulated comprehensive income 2013	2,418	(22,024)
Movement transferred to P&L	1,921	126
Market to market of portfolio	4,936	12,438
Accumulated comprehensive income 2014	**9,275**	**(9,460)**
Movement transferred to P&L	2,733	(41)
Market to market of portfolio	(39,389)	(6,366)
Accumulated comprehensive income 2015	**(27,381)**	**(15,867)**

NOTE 24 - EQUITY, continuation

f) Nature and purpose of valuation accounts

- Conversion reserves:

Originated from exchange rate differences arising from the conversion of a net investment in a foreign entity with a different currency.

- Hedging reserves:

Originated from the valuation at fair value at the closure of each period of the current derivative contracts defined as cash flow hedges. Over the contractual time period of these cash flow hedges, these reserves must be adjusted based on the valuation at the closure of each period.

- Reserves for fair value:

Reserves for fair value include the accumulated net changes in the market value of available for sale investments. When the investment is sold or disposed of (as a whole or in part), these reserves are recorded in the Consolidated Statement of Income as part of the loss or gain related to investments.

g) Capital requirements

The basic capital as of December 31, 2015 is equivalent to the net amount that should be shown in the Consolidated Financial Statements as Shareholders' equity attributable to equity holders, as indicated in the Compendium of Accounting Regulations. According to General Banking Law, the Bank should maintain a minimum ratio of effective stockholders' equity to consolidated risk-weighted assets of 8%, net of required allowances, and a minimum ratio of net basic capital to consolidated total assets of 3%, net of required allowances. Effective stockholders' equity for these purposes is Capital and reserves or Net capital with the following adjustments: a) the addition of subordinated bonds up to 50% of Net capital base, b) additional provisions as added, c) all goodwill and paid premium are deducted, and d) assets that correspond to investments in non-consolidated subsidiaries.

The assets are weighted according to a risk category to which a risk percentage is assigned according to the amount of capital necessary to support each of these assets. Five risk categories are applied (0%, 10%, 20%, 60% and 100%). For example, cash, deposits with other banks, and financial instruments issued by the Central Bank of Chile have 0% risk, which means that according to the regulations in force, capital is not needed to endorse these assets. Property, plant and equipment have 100% risk, which means that a minimum capital, equivalent to 8% of these assets, should be held.

All OTC derivative securities are considered in the determination of risk assets with a conversion factor over the notional values, thus obtaining the amount of credit risk exposure (or "credit equivalent"), Off-balance contingent credits are also considered as a "credit equivalent".

NOTE 24 - EQUITY, continuation

The levels of basic capital and effective shareholders' equity at the closing of the year 2015 and 2014 are the following:

	Consolidated assets		Risk-weighted assets	
	As of December 31,			
	2015	2014	2015	2014
	MCh$	MCh$	MCh$	MCh$
Balance sheets assets (net of provisions)				
Cash and deposits in banks	1,272,552	1,547,758	-	-
Items in course of collection	434,550	940,888	64,343	192,371
Trading portfolio financial assets	1,298,131	1,227,807	164,032	217,554
Investment under agreements to resell	206,105	143,451	206,105	143,451
Derivative financial instruments	1,499,423	2,400,505	1,065,534	755,499
Loans and receivables to banks, net	169,416	328,960	154,412	322,610
Loans and receivables to customers, net	19,770,529	15,430,932	17,983,213	14,110,021
Financial investments available for sale	2,407,882	859,185	1,208,055	346,555
Financial investments held to maturity	708	-	708	-
Investments in other companies	170,103	101,086	170,103	101,086
Intangible assets	175,551	91,030	173,354	91,030
Property, plant and equipment, net	282,556	230,785	282,556	230,785
Current income tax	93,458	65,326	9,346	6,533
Deferred income tax	203,686	74,076	20,369	7,408
Other assets	788,116	426,705	460,849	251,925
Off-balance sheets assets				
Contingent loans	2,802,922	2,443,680	1,681,753	1,466,208
Additions and deductions	58,800	(1,268,328)	(1,516)	-
Total assets	**31,634,488**	**25,043,846**	**23,643,216**	**18,243,036**

	Amount	
	As of December 31,	
	2015	2014
	MCh$	MCh$
Basic capital	2,000,287	1,800,963
Effective shareholder's equity	2,832,980	2,513,953
Consolidated assets	31,634,488	25,043,846
Risk-weighted assets	23,643,216	18,243,036
	Ratio	
	As of December 31,	
Concepts:	**2015**	**2014**
	%	%
Basic capital /Consolidated assets	6.32	7.19
Basic capital / Risk-weighted assets	8.46	9.87
Effective shareholder's equity / Risk-weighted assets	11.98	13.78

NOTE 25 - INCOME AND EXPENSES FROM INTEREST AND INFLATION INDEXATION

a) For the years 2015 and 2014, the composition of income from interest and inflation indexation is the following:

	For the year ended December 31, 2015			For the year ended December 31, 2014		
Concept	**Interest**	**Inflation - Indexation**	**Total**	**Interest**	**Inflation - Indexation**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Repurchase agreements	1,279	2	1,281	1,925	42	1,967
Interbank loans	3,399	-	3,399	2,949	-	2,949
Commercial loans	566,712	137,819	704,531	548,297	177,350	725,647
Mortgage loans	149,371	144,033	293,404	134,494	162,712	297,206
Consumer loans	319,296	1,202	320,498	306,273	2,151	308,424
Investment instruments	43,685	6,623	50,308	33,655	11,836	45,491
Other income (*)	11,732	2,354	14,086	13,124	2,588	15,712
Hedge accounting gain/loss	(42,665)	-	(42,665)	(72,414)	-	(72,414)
Total income from interest and inflation-indexation	**1,052,809**	**292,033**	**1,344,842**	**968,303**	**356,679**	**1,324,982**

(*) Includes interest on overnight deposits, Central Bank current account of liquidity, and others.

For the years 2015 and 2014, the detail of the interest charges and adjustments is as follows:

	For the year ended December 31, 2015	2014
Concept	**MCh$**	**MCh$**
Demand deposits	(7,849)	(5,310)
Repurchase agreements	(12,878)	(15,338)
Time deposits and borrowings	(274,047)	(313,876)
Borrowings from financial institutions	(18,930)	(14,303)
Issued debt instrument	(221,070)	(229,223)
Other financial obligation	(2,196)	(2,162)
Gain /(loss) from accounting hedges	(3,110)	(917)
Other interest and inflation - indexation expenses	(4,256)	24,126
Total expenses from interest and inflation - indexation	**(544,336)**	**(557,003)**

b) For the years ended December 31, 2015 and 2014 the detail of income and expenses related to hedge accounting is as follows:

	For the year ended December 31, 2015			For the year ended December 31, 2014		
	Fee	**Inflation - Indexation**	**Total**	**Fee**	**Inflation - Indexation**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Hedge of Assets						
Fair Value Hedge	24,170	2,002	22,168	13,211	-	13,211
Cash Flow Hedge	125,491	190,324	(64,833)	170,775	256,400	(85,625)
Subtotal	**149,661**	**192,326**	**(42,665)**	**183,986**	**256,400**	**(72,414)**
Hedge of Liabilities						
Fair Value Hedge	39,520	43,776	(4,256)	103,248	79,122	24,126
Subtotal	**39,520**	**43,776**	**(4,256)**	**103,248**	**79,122**	**24,126**
Total	**189,181**	**236,102**	**(46,921)**	**287,234**	**335,522**	**(48,288)**

NOTE 26 - INCOME AND EXPENSES FROM FEES

For the years ended December 31, 2015 and 2014, the composition of income and expenses from fees is the following:

	For the year ended December 31,	
	2015	**2014**
	MCh$	**MCh$**
Fee and commission income:		
Commissions for Credit lines and overdrafts	4,107	19,464
Commissions for guarantees and letters of credit	20,311	19,371
Commissions for credit card services	68,210	49,723
Commissions for administration of accounts	36,236	33,714
Commissions for collection service	50,521	44,237
Commissions for securities brokerage	9,197	3,510
Commissions for management of mutual and investment funds	47,544	40,359
Commissions for insurance brokerage	35,504	32,212
Commissions for services provided	23,149	19,561
Other commissions	9,510	8,341
Total fee and commission income	**304,289**	**270,492**
Fee and commission expense:		
Commissions for operations with credit cards	(35,539)	(29,299)
Commissions on securities trading	(16,526)	(13,740)
Other commissions	(17,954)	(15,240)
Total fee and commission expense	**(70,019)**	**(58,279)**

NOTE 27 - TRADING AND INVESTMENT INCOME

For the years ended December 31, 2015 and 2014, the detail of trading and investment income is the following:

	For the year ended December 31,	
	2015	**2014**
	MCh$	**MCh$**
Trading instruments	83,154	107,793
Derivative financial agreements (Note 8)	27,867	16,533
Other instruments at fair value through profit or loss	66	3,527
Sale of investments available for sale (realized gain)	80	12,148
Others	111	(67)
Total	**111,278**	**139,934**

NOTE 28 - FOREIGN EXCHANGE GAINS (LOSSES)

For the years ended December 31, 2015 and 2014 the detail of the foreign exchange gains (losses) is the following:

	For the years ended December 31,	
	2015	**2014**
	MCh$	**MCh$**
Exchange difference		
Gains from Exchange differences	22,448,544	15,960,762
Losses from Exchange differences	(22,609,894)	(16,033,665)
Subtotal	**(161,350)**	**(72,903)**
Foreign currency fluctuation effect for assets and liabilities denominated in foreign currency		
Net results for assets and liabilities in foreign currency	30,874	13,696
Subtotal	**30,874**	**13,696**
Hedge Accounting Result		
Asset Hedge Result	73,522	10,554
Liabilities Hedge Result	37,576	9,927
Subtotal	**111,098**	**20,481**
Total	**(19,378)**	**(38,726)**

This item includes income accrued in the period due to holding of assets and liabilities in foreign currency or indexed to the exchange rate, the forex trading and results of derivatives used for hedging foreign currency.

NOTE 29 - PROVISIONS FOR CREDIT RISK AND IMPAIRMENT

The movement recorded for the years ended December 31, 2015 and 2014, for provisions and impairment is the follow

		Loans and receivables to customers					
Year ended December 31, 2015	**Interbank loans**	**Commercial loans**	**Mortgage loans**	**Consumer loans**	**Contingent loans**	**Additional provisions**	**M p adjus norn**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	
Provisions:							
Individual provisions	305	84,086	-	-	2,719	-	
Collective provisions	-	60,787	2,872	118,046	184	19,000	
Total provisions	**305**	**144,873**	**2,872**	**118,046**	**2,903**	**19,000**	
Charge of impairment							
Individual impairment	-	-	-	-	-	-	
Collective impairment	-	-	-	-	-	-	
Net Income for impairment	**-**	**-**	**-**	**-**	**-**	**-**	
Reversal of provisions:							
Individual provisions	(825)	(26,695)	-	-	(927)	-	
Collective provisions	-	(10,283)	-	(335)	(1,417)	-	
Total reversal of provisions	**(825)**	**(36,978)**	**-**	**(335)**	**(2,344)**	**-**	
Recovery of written-off assets	-	(24,076)	(2,475)	(24,072)	-	-	
Reversal for impairment	-	-	-	-	-	-	
Net provisions for credit risk	**(520)**	**83,819**	**397**	**93,639**	**559**	**19,000**	

NOTE 29 - PROVISIONS FOR CREDIT RISK AND IMPAIRMENT, continuation

		Loans and receivables to customers					
Year ended December 31, 2014	**Interbank loans**	**Commercial loans**	**Mortgage loans**	**Consumer loans**	**Contingent loans**	**Additional provisions**	**Mi pro adjustm norma**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**M**
Provisions:							
Individual provisions	723	59,071	-	-	2,087	-	
Collective provisions	-	51,503	2,465	124,744	2,187	22,500	
Total provisions	**723**	**110,574**	**2,465**	**124,744**	**4,274**	**22,500**	
Charge of impairment							
Individual impairment	-	-	-	-	-	-	
Collective impairment	-	-	-	-	-	-	
Net Income for impairment	**-**	**-**	**-**	**-**	**-**	**-**	
Reversal of provisions:							
Individual provisions	(197)	(16,818)	-	-	(816)	-	
Collective provisions	-	(1,472)	-	(15,269)	(2,877)	-	
Total reversal of provisions	**(197)**	**(18,290)**	**-**	**(15,269)**	**(3,693)**	**-**	
Recovery of written-off assets	-	(11,771)	(2,327)	(25,746)	-	-	
Reversal for impairment	-	-	-	-	-	-	
Net provisions for credit risk	**526**	**80,513**	**138**	**83,729**	**581**	**22,500**	

In Management's opinion, the provisions for credit risk and impairment cover all eventual losses that may occur as assets, according to the data examined by the Bank.

NOTE 30 - PERSONNEL SALARIES AND EXPENSES

The composition of personnel salaries and expenses for the years ended December 31, 2015 and 2014 is the following:

	For the year ended December 31,	
	2015	2014
	MCh$	MCh$
Staff remunerations	146,554	128,542
Bonuses or awards	127,022	119,388
Severance payments	8,172	9,857
Training expenses	3,708	3,244
Other staff expenses	19,155	15,615
Total	**304,611**	**276,646**

NOTE 31 - ADMINISTRATIVE EXPENSES

For the years ended December 31, 2015 and 2014, the composition of this account is the following:

	For the year ended December 31,	
	2015	2014
	MCh$	MCh$
General administrative expenses		
Maintenance and repairs of the bank's property, plant and equipment	9,339	8,514
Office rental	23,707	22,811
Equipment rental	386	523
Insurance premiums	5,032	3,928
Office materials	5,197	4,872
Computer and communications expenses	28,205	24,590
Lighting, heating and other services	6,231	5,655
Security and custody transportation services	11,641	10,480
Travel expenses	4,527	3,964
Judicial and notarial expenses	2,784	2,695
Fees for technical reports	4,591	3,701
Cleaning services	4,298	4,303
Consulting	17,699	9,173
Postal-related expenses	1,646	1,662
Other general administrative expenses	18,939	15,964
Sub-contracted services		
Data processing	5,481	5,090
Sale of products	-	1
Credit evaluation	10	-
Other	6,521	6,085
Board of Directors expenses		
Board of Directors remuneration	2,928	2,912
Other Board of Directors expenses	132	83
Publicity and advertising	20,500	18,378
Taxes, property taxes and contributions		
Real estate contributions	1,317	1,123
Licenses	1,491	1,379
Other taxes	804	379
Contribution to SBIF	6,036	5,483
Total	**189,442**	**163,748**

NOTE 32 - DEPRECIATION, AMORTIZATION AND IMPAIRMENT

a) For the years ended December 31, 2015 and 2014, the values corresponding to position in income for income depreciation and amortization at each year are detailed bellow:

	For the year ended December 31,	
	2015	2014
	MCh$	MCh$
Depreciation and amortization		
Depreciation of property, plant and equipment	(22,512)	(22,498)
Amortization of intangible assets	(20,938)	(18,362)
Total	**(43,450)**	**(40,860)**

b) For the years ended December 31, 2015 and 2014, the Bank recognized impairment as follows:

	For the year ended December 31,	
	2015	2014
	MCh$	MCh$
Impairment		
Property, plant and equipment (1)	(1,896)	(84)
Intangible asset	(5,000)	-
Total	**(6,896)**	**(84)**

(1) As of December 31, 2015 and 2014 the Property, plant and equipment impairment of MCh$1,896 and MCh$84, corresponds to the balance of gross property, plant and equipment less accumulated depreciation.

c) The reconciliation between the balances as of January 1, 2015 and 2014 and the balances as of December 31, 2015 and 2014 for accumulated depreciation, amortization and impairment are as follows:

	Depreciation, amortization and impairment					
	For the year ended December 31, 2015			For the year ended December 31, 2014		
	Property, plant and equipment	Intangible assets	Total	Property, plant and equipment	Intangible assets	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balance as of January 1	**159,263**	**144,443**	**303,706**	**126,955**	**125,030**	**251,985**
Charges for depreciation and amortization	22,512	20,938	43,450	22,498	18,362	40,860
Others	(7,354)	116	(7,238)	9,810	1,051	10,861
Balance as of December 31	**174,421**	**165,497**	**339,918**	**159,263**	**144,443**	**303,706**

NOTE 33 - OTHER OPERATING INCOME AND EXPENSES

a) Other operating income

For the years ended December 31, 2015 and 2014 the composition of operating income is the following:

	For the year ended December 31,	
	2015	2014
Concept	**MCh$**	**MCh$**
Income from assets received in lieu of payment		
Gain on sale of assets received in **lieu of** payment	4,224	5,354
Other income	479	-
Subtotal	4,703	5,354
Release of provisions for contingencies		
Provisions for country risk	274	-
Other provisions for contingencies	2,851	-
Subtotal	3,125	-
Other income		
Gains on sale of property, plant and equipment	600	241
Insurance claims	1,330	870
Leasing income	3,446	5,090
Other income	18,166	19,332
Subtotal	23,542	25,533
Total	**31,370**	**30,887**

b) Other operating expenses

During the years 2015 and 2014, the composition of operating expenses is the following:

	For the year ended December 31,	
	2015	2014
Concept	**MCh$**	**MCh$**
Provisions and expenses for assets received in lieu of payment		
Provisions for assets received in lieu of payment	219	-
Write-offs of assets received in lieu of payment	2,398	2,847
Maintenance expenses for assets received in lieu of payment	1,051	226
Subtotal	3,668	3,073
Establishment of provisions for contingencies		
Provisions for country risk	-	893
Other provisions for contingencies	11,257	5,207
Subtotal	11,257	6,100
Other expenses		
Loss on sale of property, plant and equipment	340	1,103
Contributions and donations	2,202	3,694
Write-offs of judicial and notary expenses	3,455	2,515
Leasing expenses	4,934	7,478
Non-operating write-offs	7,209	4,070
Agreement expenses	780	960
Other expenses	3,379	2,776
Subtotal	22,299	22,596
Total	**37,224**	**31,769**

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES

a) Loans granted to related parties

Loans granted to related parties are as follows:

	As of December 31, 2015			As of December 31,	
	Operating companies	Holding companies	Individuals	Operating companies	Holding companies
	MCh$	MCh$	MCh$	MCh$	MCh$
Loans and receivables to customers					
Commercial loans	110,050	43,093	10,951	151,745	70,185
Mortgage loans	-	-	26,937	-	-
Customer loans	-	-	4,198	-	-
Loans and receivables to customers-gross	**110,050**	**43,093**	**42,086**	**151,745**	**70,185**
Provisions for loan losses	(275)	(68)	(33)	(340)	(112)
Loans and receivables to customers, net	**109,775**	**43,025**	**42,053**	**151,405**	**70,073**
Contingent loans	131,244	16,994	10,650	66,307	14,507
Provisions for contingent loans	(147)	(55)	(5)	(86)	(15)
Contingent loans, net	**131,097**	**16,939**	**10,645**	**66,221**	**14,492**

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, continuation

b) Other transactions with related parties

During the years ended December 31, 2015 and 2014, the Bank has undertaken the following transactions with related p

Year ended December 31, 2015 Company	Relationship with the Group	Description	Balance ass
			MCh$
Archivos Credenciales e Impresos Archivert Ltda.	Other	Cards manufacturing	207
Artikos Chile S.A.	Joint Venture	Acquisitions services	837
Bolsa de Comercio de Santiago	Other	Rental terminals	162
BCI Seguros de Vida S.A.	Common Control	Service revenue and channel usage	5,370
		Marketing	1,194
		Premiums Payment	182
		Time Deposit Financial Instrument	6,874
		Brokerage Fees BCI CCSS(*)	16,392
		Brokerage Awards BCI CCSS(*)	-
BCI Seguros Generales S.A.	Common Control	Commission for collection and PAC	785
		Channel Usage	533
		Casualties	1,627
		Time Deposits Financial Instruments	153
		Brokerage Fees BCI CCSS(*)	15,984
		Brokerage Awards BCI CCSS(*)	2,172
Centro de Compensación Automatizado S.A.	Other	Electronic Banking Transactions	996
Combanc S.A.	Associate	Compensation and high value payment	362
Comder Contraparte Central S.A.	Associate	Clearing House of Derivatives	431
Conexxion Spa	Other	Service mail	402
Depósitos Central de Valores S.A.	Associate	Financial Instruments Custody	294
Diseño y Desarrollo Computacional Ltda.	Other	Development and maintenance applications (Notes)	689
GTD Teleductos S.A.	Other	Communications Service	468
Imagemaker IT S.A.	Other	Multipass Devices Purchase	572
Imagemaker S.A.	Other	Development and application solution	881
Jordan (Chile) S.A.	Common Control	Printing Forms	2,816
Operadoras de Tarjetas de Crédito Nexus S.A.	Associate	Card Processing	6,609
PB Soluciones Ltda.	Other	ATMs Installation and Cleaning Service	267
Redbanc S.A.	Associate	ATMs Operation	5,999
Salcobrand S.A.	Common Control	Rent of places for ATMs	313
Santo Producciones Ltda.	Other	Events Production	200
Servicios de Información avanzada S.A.	Other	Trade Information Service	831
Servipag Ltda.	Joint Venture	Collection and Payment Services	8,804
Sistema Nacional de Com. Financieras S.A. (Sinacofi)	Other	Financial Information Service	449
Transbank S.A.	Associate	Credit Card Management	41,568

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, continuation

Year ended December 31, 2015 Company	Relationship with the Group	Description	Balance ass
			MCh$
Archivos Credenciales e Impresos Archivert Ltda.	Other	Cards manufacturing	282
Artikos Chile S.A.	Joint Venture	Acquisitions services	691
Bolsa de Comercio de Santiago	Other	Rental terminals	144
BCI Seguros de Vida S.A.	Common Control	Service revenue and channel usage	5,464
		Time Deposits Financial Instruments	1,428
		Premiums Payment	229
		Brokerage Fees BCI CCSS(*)	17,754
		Brokerage Awards BCI CCSS(*)	2,803
BCI Seguros Generales S.A.	Common Control	Commission for collection and PAC	795
		Casualties	895
		Time Deposits Financial Instruments	1,725
		Brokerage Fees BCI CCSS(*)	13,574
		Brokerage Awards BCI CCSS(*)	1,368
Centro de Compensación Automatizado S.A.	Other	Electronic Banking Transactions	655
Combanc S.A.	Associate	Compensation and high value payment	315
Comder Contraparte Central S.A.	Associate	Clearing House of Derivatives	-
Conexxion Spa	Other	Service mail	343
Depósitos Central de Valores S.A.	Associate	Financial Instruments Custody	202
Diseño y Desarrollo Computacional Ltda.	Other	Development and maintenance applications (Notes)	838
GTD Teleductos S.A.	Other	Communications Service	469
Imagemaker IT S.A.	Other	Multipass Devices Purchase	1,144
Imagemaker S.A.	Other	Development and application solution	1,016
Jordan (Chile) S.A.	Common Control	Printing Forms	1,963
Operadoras de Tarjetas de Crédito Nexus S.A.	Associate	Card Processing	6,126
PB Soluciones Ltda.	Other	ATMs Installation and Cleaning Service	300
Redbanc S.A.	Associate	ATMs Operation	4,758
Salcobrand S.A.	Common Control	Rent of places for ATMs	224
Santo Producciones Ltda.	Other	Events Production	304
Servicios de Información avanzada S.A.	Other	Trade Information Service	952
Servipag Ltda.	Joint Venture	Collection and Payment Services	7,757
Sistema Nacional de Com. Financieras S.A. (Sinacofi)	Other	Financial Information Service	381
Transbank S.A.	Associate	Credit Card Management	36,320

All of these transactions were undertaken under market conditions in force on the date on which they were entered into

(*) Subsidiary of BCI Corredores de Seguros S.A.

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, continuation

c) Other assets and liabilities with related parties

	As of December 31,	
	2015	2014
	MCh$	MCh$
ASSETS		
Financial derivative agreements	-	-
Other assets	-	-
LIABILITIES		
Derivatives contract	-	-
Demand deposits	82,471	63,469
Time deposits and other saving accounts	95,397	107,513
Other liabilities	-	-

d) Related parties income/expense recognized:

		For the year ended December 31,			
		2015		2014	
Type of income or expense recognized	Entity	Income	Expense	Income	Expense
		MCh$	MCh$	MCh$	MCh$
Income and expenses (net)	Sundry	10,689	(1,094)	14,028	(1,955)
Operational support expenses	Companies supporting the line of business	75,907	(38,062)	70,555	(35,804)
Total		**86,596**	**(39,156)**	**84,583**	**(37,759)**

e) Remunerations to members of the Board of Directors and key management personnel.

Compensation earned by key personnel corresponds to the following categories:

	For the year ended December 31,	
	2015	2014
	MCh$	MCh$
Short-term remunerations for employees (*)	10,100	8,022
Severance indemnities for termination of contract	587	337
Total	**10,687**	**8,359**

(*) For the years ended December 31, 2015, total expenses corresponding to the Board of Directors and their counterparts at subsidiaries amounted to MCh$3,060 (MCh$2,995 for 2014).

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, continuation

f) Composition of key personnel

As of December 31, 2015 and 2014, the composition of the key personnel of the Bank and its subsidiaries is as follows:

Position	**N° of executives**
Director	13
General manager	14
Division and Area Manager	24
Total	**51**

g) Transactions with key management personnel

For the years ended December 31, 2015 and 2014, the Bank has undertaken the following transactions with key personnel, as specified in detail below:

	For the year ended December 31,					
	2015			**2014**		
	Balance owed	**Total remuneration**	**Income of key executives**	**Balance owed**	**Total remuneration**	**Income of key executives**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Credit Card and other services	1,572	1,051,438	13	1,352	1,027,776	18
Mortgage loans	1,650	293,404	86	912	297,206	88
Guarantees	1,982	-	-	924	-	-
Total	**5,204**	**1,344,842**	**99**	**3,188**	**1,324,982**	**106**

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, continuation

As of December 31, 2015, the Bank has the following contracts:

No.	Related company	The service involved	Concept	Description of the Contract
1	Bolsa de Comercio de Santiago	Processing the stock exchange management system, through which BCI Corredor de Bolsa S.A. operates	Lease of terminals.	Contract to use the stock exchange management software.
2	Centro de Automatizado S.A. (CCA)	Electronic transactions adjustment center	Center adjustment services.	Participant and incorporation into the electronic transfer center to expedite the completion of fund transfer operations, the Bank operates in the CET as an IFO (Originating Banking Institution) and as an IFR (Receiving Banking Institution).
3	Compañía de Formularios Continuos Jordan (Chile) S.A.	Printing and making checkbooks.	Printing of forms.	Printing services are contracted for basic lists, special forms, revenue stamped forms, such as checks and at sight promissory notes.
4	Operadoras de Tarjetas de Crédito Nexus S.A.	Processing credit card operations (issuer list)	Card processing.	Operations of Mastercard, Visa credit cards and debit card with regard to processing the issuer list.
5	Redbanc S.A.	Administration of the operations of ATM's, Redcompra and RBI.	Operation of ATMs.	In fulfilling its corporate purpose, the Company will offer the participant, for the use of its customers or users, the electronic data transfer service via automatic tellers or other actual or virtual electronic means.
6	Servipag Ltda.	Collection and payment of services, payment of checks and receipt of deposits and administration of our teller service.	Collection and payment of services.	The service is contracted for resolution of collection transactions captured by BCI tellers for processing and rendition to customers
7	Transbank S.A.	Processing credit card operations (user list)	Administration of credit cards.	Provision of Visa, Mastercard credit card services with regard to the user list.

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, continuation

No.	Related company	The service involved	Concept	Description of the Contract
8	Artikos Chile S.A.	Purchases and logistics services portal.	Purchase of supplies	Electronic purchase service for assets and/or logistics services.
9	BCI Seguros de Vida S.A.	Insurance	Insurance premiums	Individual life insurance policy for executives and guards.
10	BCI Seguros Generales S.A.	Insurance	Insurance premiums	Individual policies for the Bank's physical assets, leased assets and comprehensive banking policy.
11	Archivos Credenciales e Impresos Archivert Ltda.	Production of Credit and Debit Card Plastics	Credit and Debit Card Production.	Production of Credit and Debit Card Plastics
12	Combanc S.A.	Clearing and settlement of High Amounts payments. SWIFT Messaging (Order and / or receive balance information from Bank of Chile, for daily transfer client funds.	Settlement of High Amounts payments.	Clearing and settlement of High Amounts payments. SWIFT Messaging (Order and / or receive balance information from Bank of Chile, for daily transfer client funds.
13	Conexxion Spa	Postal mail service (normal and registered letter) Messaging (internal courier service and motorbikes)	Mail and Messaging.	Postal mail service (normal and registered letter) Messaging (internal courier service and motorbikes)
14	Depósitos Central de Valores S.A.	Service Deposit and Securities Custody.	Securities Custody	Service Deposit and Securities Custody.
15	Diseño y Desarrollo Computacional Ltda.	Software development and maintenance of Lotus Notes platform and Aprocred system (credit approval).	Technological Developments.	Software development and maintenance of Lotus Notes platform and Aprocred system (credit approval).
16	GTD Teleductos S.A.	Telephony Services & Data Communications, Rent of links, continuity links, Fixed and continuous Telephony, mainly in Metropolitana Region.	Telephony Service.	Telephony Services & Data Communications, Rent of links, continuity links, Fixed and continuous Telephony, mainly in Metropolitana Region.
17	Imagemaker IT S.A.	Sale of Computational Security Devices (Multipass)	Technological Developments.	Sale of Computational Security Devices (Multipass)

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, continuation

No.	Related company	The service involved	Concept	Description of the Contract
18	Imagemaker S.A.	Software Development, Maintenance and Support Internet and Mobile Applications.	Technological Developments.	Software Development, Maintenance and Su Internet and Mobile Applications.
19	PB Soluciones Ltda.	Cleaning and electrical maintenance of ATM enclosure in public places.	Cleaning and maintenance of ATM	Cleaning and electrical maintenance of ATM enclosure in public places.
20	Salcobrand S.A.	Lease of ATM's site (affordable).	Lease of ATM's site.	Lease of ATM's site (affordable).
21	Santo Producciones Ltda.	Events Production.	Events.	Events Production.
22	Servicios de Información avanzada S.A.	Bureau Service: financial and business people information.	Financial and business information.	Bureau Service: financial and business peop information.
23	Sistema Nacional de Compensación Financieras S.A. (Sinacofi)	Electronic Messaging Service: secure information exchange. Clearing Service: Corresponds to the electronic exchange.	Financial and business information.	Electronic Messaging Service: secure inform exchange. Clearing Service: Corresponds to the electro exchange.
24	ComDer Contraparte Central S.A.	Operating systems clearing and settlement of Financial Instruments.	Clearing house of Derivatives	Clearing and Settlement as Central counterp mode of Financial Instruments

NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE

a) Financial instruments not measured at fair value in the Consolidated Financial Statements

The following table summarizes the carrying amounts and fair values of the main financial assets and liabilities which are not measured at their fair value in the Bank's Consolidated Financial Statements.

	As of December 31, 2015		As of December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	MCh$	MCh$	MCh$	MCh$
Assets				
Cash and deposits in banks	1,272,552	1,272,552	1,547,758	1,547,758
Items in course of collection	434,550	434,550	940,888	940,888
Trading portfolio financial assets	1,298,131	1,298,131	1,227,807	1,227,807
Investments under agreements to resell	206,105	206,105	143,451	143,451
Derivative financial agreements	1,499,423	1,499,423	2,400,505	2,400,505
Loans and receivables to banks, net	169,416	169,416	328,960	328,960
Loans and receivables to customers, net	19,770,529	23,310,617	15,430,932	16,352,005
Commercial loans	12,994,394	14,325,693	10,232,258	10,232,258
Mortgage loans	4,462,499	5,779,691	3,302,280	3,908,314
Consumer loans	2,313,636	3,205,233	1,896,394	2,357,473
Financial investments available for sale	2,407,882	2,407,882	859,185	859,185
Financial investments held to maturity	708	708	-	-
TOTAL ASSETS	**27,059,296**	**30,599,384**	**22,879,486**	**23,946,599**
Liabilities				
Current accounts and demand deposits	8,047,288	8,096,390	4,592,440	4,566,539
Items in course of collection	255,800	255,800	725,573	725,573
Obligations under agreements to repurchase	449,128	449,128	407,531	407,531
Time deposits and savings accounts	9,301,896	9,479,252	8,228,609	8,412,438
Derivative financial agreements	1,535,191	1,535,191	2,448,134	2,448,134
Borrowings from financial institutions	1,790,090	1,790,179	1,673,565	1,673,565
Debt issued	3,822,650	4,343,151	3,298,967	3,786,752
Other financial obligations	746,946	746,946	70,741	70,741
TOTAL LIABILITIES	**25,948,989**	**26,696,037**	**21,445,560**	**22,091,273**

The fair value estimates presented above do not attempt to estimate the value of the bank's profits generated by their business or future activities and therefore do not represent the value of the Bank as a going concern.

Methods used to estimate financial instruments' fair value are detailed below:

Loans and receivables to customers

Loans and receivables to customers are shown net of their allowance for credit risk or impairment, the estimated fair value represents the discounted future cash flows expected to be received.

Cash flows are discounted at the base market interest rate, using an interbank rate that considers the relevant term and currency.

The approaches used for the incorporation of credit risk of the assets are:

1. Based on the models of estimation of expected loss, it is possible to infer the credit quality of the portfolio (at least in qualitative terms) specifically, for the remaining term of the operations comprising the asset accounts considered (commercial loans, mortgage loans and consumer loans).

NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE, continuation

2. In quantitative terms, the provision percentage assigned to an operation results in an estimate of the provision based on the credit profile of said operation.

3. The resulting amount when applying the 'provisions/total loans' estimate mentioned in 2) to the current principal and accrued interest outstanding of the respective loan is an approximation of the adjustment for credit risk (in other words, resulting in the allowance calculation).

Deposits and other borrowings

The estimated fair value of demand accounts and deposits without an established term, including non-interest bearing accounts, is the amount payable when the customer demands it. The redeemed cost of these deposits is a reasonable approximation of their fair value.

The fair value of time deposits has been estimated on the basis of discounted future cash flows based on interest-rate structures adjusted from transactions observed at the valuation date.

Interbank borrowings

The fair value of liabilities to financial institutions has been determined using discounted cash flow models, based on the relevant interest-rate curve for the remaining term of the instrument to its maturity.

Issued debt instruments

The aggregated fair value of the bonds has been calculated based on the effective market rates at the closing of each period.

Fixed Income Securities and Derivatives

The fair value of debt instruments classified in trading and available for sale, as well as derivative instruments, is estimated using valuation techniques detailed in the c) following point:

Other balance sheet accounts

For other balance sheet accounts the carrying amount was used, because they are items with very short-term flows and therefore their discounted value have no material differences with carrying amount.

b) Financial instruments measured at fair value

Please refer to Note 1 letter h) for further details on the criteria used to determine the fair value.

NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE, continuation

c) Hierarchy used for determining the fair value

The regulation distinguishes among different hierarchies of inputs used for the valuation techniques, discriminating between "observable" or "unobservable" inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the assumptions of the Bank and subsidiaries in relation to market behavior. The following hierarchy has been created based on these types of input:

Level 1 – Quoted values on active markets for assets and liabilities identical to those being valued. This level includes the debt instruments (whether fixed or variable income), equity instruments, and financial derivative instruments traded on domestic or international stock markets.

Level 2 – Other Inputs observable directly (like prices) or indirectly (price derivative) for assets and liabilities, which are not quoted values included in Level 1. Prices may require interpolation among a price structure (Ex. derivative instruments belong to this level). The same occurs with bonds assessed using a valuation technique like interpolation or matrix pricing, based on observable inputs.

Level 3 – Inputs that are not based on observable market data (unobservable input), this level includes equity and debt instruments that have significant unobservable inputs.

This hierarchy requires that when observable market data exists, it should be used. The Bank and its subsidiaries consider the relevant observable market data in their valuations whenever it is possible.

Financial assets and liabilities classified by valuation levels

The following chart shows the assets and liabilities that are presented at fair value in the Consolidated Financial Statements, classified in their respective levels of hierarchy previously described.

NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE, continuation

	Level 1		Level 2		Level 3		Total	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Financial Assets								
Trading investments								
Of the Government and Central Bank of Chile	903,976	790,025	-	-	-	-	903,976	790,025
Other National Institutions	352,971	375,414	-	-	-	-	352,971	375,414
Foreign Institutions	158	13	-	-	-	-	158	13
Investments in mutual funds	41,026	62,355	-	-	-	-	41,026	62,355
Subtotal	1,298,131	1,227,807	-	-	-	-	1,298,131	1,227,807
Trading derivative contracts								
Forwards	-	-	240,951	183,565	-	-	240,951	183,565
Swaps	-	-	1,002,210	802,994	31,043	31,925	1,033,253	834,919
Call options	-	-	4,889	5,757	-	-	4,889	5,757
Put options	-	-	2,519	1,945	-	-	2,519	1,945
Futures	-	-	50	50	-	-	50	50
Subtotal	-	-	1,250,619	994,311	31,043	31,925	1,281,662	1,026,236
Derivative Contracts Hedging								
Forwards	-	-	16,541	24,708	-	-	16,541	24,708
Fair value hedges (Swap)	-	-	87,160	31,607	-	-	87,160	31,607
Cash flow hedges (Swap)	-	-	125,002	1,328,696	-	-	125,002	1,328,696
Subtotal	-	-	228,703	1,385,011	-	-	228,703	1,385,011
Investment securities available for sale							-	-
Of the Government and Central Bank of Chile	627,419	385,522	-	-	-	-	627,419	385,522
Other National Institutions	148,568	211,728	-	-	-	-	148,568	211,728
Foreign Institutions	1,631,895	261,935	-	-	-	-	1,631,895	261,935
Subtotal	2,407,882	859,185	-	-	-	-	2,407,882	859,185
Total Financial Assets	**3,706,013**	**2,086,992**	**1,479,322**	**2,379,322**	**31,043**	**31,925**	**5,216,378**	**4,498,239**
Financial liabilities								
Trading derivative contracts								
Forwards	-	-	239,325	197,565	-	-	239,325	197,565
Swaps	-	-	1,057,366	780,652	-	-	1,057,366	780,652
Call options	-	-	6,089	1,419	-	-	6,089	1,419
Put options	-	-	2,341	1,287	-	-	2,341	1,287
Futures	-	-	-	99	-	-	-	99
Subtotal	-	-	1,305,121	981,022	-	-	1,305,121	981,022
Derivative Contracts Hedging								
Forwards	-	-	22,001	17,217	-	-	22,001	17,217
Fair value hedges (Swap)	-	-	76,167	79,763	-	-	76,167	79,763
Cash flow hedges (Swap)	-	-	131,902	1,370,132	-	-	131,902	1,370,132
Subtotal	-	-	230,070	1,467,112	-	-	230,070	1,467,112
Total Financial Liabilities	**-**	**-**	**1,535,191**	**2,448,134**	**-**	**-**	**1,535,191**	**2,448,134**

The above values do not include adjustments for CVA and Bid Offer, both entries at the end of December 31, 2015 amounted MCh$10,942 (MCh$10,742 for 2014).

Transfers between Levels 1 and 2

Bank and its subsidiaries have not made any transfers of financial assets or liabilities between levels 1 and 2 during the 2015 period.

Reconciliation of movements of valuation in level 3

As of December 31, 2015 the Consolidated Statement of Financial Position has assets valued as level 3 which relate to Swap TAB contracts for which there are no market observable inputs.

d) Valuation of La Polar Bonds

As of December 31, 2015, the Bank has applied valuation techniques to determine the fair value of the financial instruments "BLAPO-F" and "BLAPO-G," This enhancement builds on the IRR of the last transaction of the existing market between the closing date of the Consolidated Financial Statements and the date of redemption of the financial instrument.

NOTE 36 - RISK MANAGEMENT

1. Introduction

The Bank business activities involve identifying, evaluating, accepting and managing different kinds of risk or combinations of them. The main categories of risk to which the corporation is exposed are credit, liquidity, market, operations, legal and reputation risks.

The Bank policies are designed to identify and analyze these risks, to establish adequate limits and controls, and monitor the risks and compliance of these limits through the use of reliable and updated information systems. The Bank periodically examines its risk management policies and systems to reflect changes in the markets, regulations, products and new best practices.

In relation to financial risks, the organizational structure is designed to manage these risks efficiently, transparently and timely. It is formed by strategic units composed by the Board of Directors, the Executive Committee, the Finances and Risk Committee, and the Asset and Liabilities Committee ("ALCO"). These are divided into operative units such as the Corporate Risk Management, Trading and Institutional, and Distribution and Corporate areas, parts of the Investment and Finance Banking division. The flow of this information is processed and analyzed by various support units such as Accounting, Middle and Back Office, Management and Process Control and Computers and Systems.

The senior strategic unit is the Board of Director., Its main responsibilities regarding financial risk management are establishing adequate policies and levels of risk, establishing exposure limits, the monitoring of risks, and ensuring best practices through the permanent evaluation of the actions of the Finances and Investment Banking and the Corporate Risk Management areas. The Board of Directors delegates, to the Executive Committee and the Finances and Risk Committee, the supervision and support to carry out the Bank's strategic objectives in their interactions with corporate Management.

The Finances and Risk Committee also analyzes in detail the strategies and models associated with the treasury function, both in the trading portfolio and the Bank's books, and the performance and risks associated with such strategies.

ALCO - Assets & Liabilities Committee is the committee where the corporation's assets and liabilities policy is discussed and agreed for the approval of the Board of Directors or the Executive Committee. The general objectives of the ALCO Committee are to ensure the Bank's adequate liquidity, protect the capital, make decisions on the financing of loans, and maximize the financial margin subject to the risk restrictions imposed by the Board of Directors and the Finances and Risk Committee.

The Corporate Risk Management and its Operational Risk, Credit Risk, and Market Risk units are responsible for the integral management of the Bank's risk. While a few years ago it was common in the industry to have an independent, internal department manage these risks, the development of derivative markets and the acceptance of common methodologies, such as the concept of maximum loss, value at risk, etc., have made limits increasingly more subject to fluctuation. Therefore, this management area has a corporate reach, with a comprehensive vision of the risks involved.

NOTE 36 - RISK MANAGEMENT, continuation

Financial Risk Management has the role of evaluating and controlling the Bank's exposure to market risk, both on or off the Consolidated Statements of Financial Position, pricing risks associated with interest rates, exchange rates, volatility, maximum loss, etc., are measured and monitored. This is complemented by the analysis of scenarios and simulations to obtain a better measure of the risk. The Financial Risk Management is also responsible for defining the valuation methodologies for the financial assets and liabilities measured at fair value held by the corporation on or off the Consolidated Statements of Financial Position.

In accordance with best practices, the Bank defines the segregation of activities between areas that could present conflicts of interest in their objectives, such as:

i. Investment and Finance Banking division.
ii. Support areas, operative departments (Back Office, Middle Office).
iii. Financial Control and Planning (Accounting, Management Control).
iv. Financial Risk and Credit Risk, components of Corporate Risk Management.

The total segregation of duties implies a physical and organizational separation of the areas.

2. Liquidity and financing

When banks face confidence crises and bank runs, even if they are solvent they may find themselves in difficulties to comply with their short-term obligations and even face bankruptcy. These situations are uncommon but have large losses associated with them. For this reason, the Bank has improved the management of liquidity, defining adequate policies along with procedures and models that accordingly satisfy the regulations in force. The model has four core elements:

1. Presence of a minimum reserve of liquid assets to face stress situations.
2. Regulatory and internal liquidity indicators.
3. Accounting mismatches (relating to maturity).
4. Alert and contingency plans.

The corporation’s policy and liquidity management models seek to guarantee, even in the case of unexpected events, the Bank’s adequate capacity to meet its short-term obligations satisfactorily. Additionally, the Bank has continuously monitored the impact of recent events on the financial markets, introducing more conservative assumptions when they are justified.

The management of liquidity and funding is basically carried out by Treasury in accordance with practices and limits reviewed periodically by ALCO and authorized by the Board of Directors.

These limits may vary according to the depth and liquidity shown by the markets in order to anticipate unlikely capital expenditures while providing funding at a competitive cost.

NOTE 36 - RISK MANAGEMENT, continuation

The Corporation has internally set explicit minimum limits for the liquidity level, parallel to the limits of Technical Reserve, which are periodically subject to simulations of stress financing for balances of current accounts and deposits, which are the Bank’s main sources of liquidity. This is performed using a periodic evaluation framework of the additional needs of financing due to events of tight liquidity, together with the monitoring of the market. In this way, the periodic generation, projection, evaluation, and analysis of liquidity stress scenarios facilitate the anticipation of future difficulties and the agile and reliable execution of preventive actions before unfavorable scenarios.

At the regulatory level, liquidity is measured and reported to the SBIF through the standardized liquidity position report. According to bank regulations, the Bank has been authorized to use an adjusted liquidity model, generating procedures and models that allow an evaluation of future income and liabilities that affect the Bank's liquidity position, keeping in control the internal and external limits that the regulatory purposes, especially for mismatches between assets and liabilities at 30 and 90 days.

The Bank has set strict limits, forcing itself to maintain a large amount of liquid assets on its Consolidated Statements of Financial Position which, in the event of any unexpected requirement, can maintain liquidity through repurchase agreements with the Central Bank of Chile. The counter-cyclical nature of this liquidity reserve is adjusted to the spirit of the latest recommendations proposed by Basel.

In the measurement of liquidity, both internal and regulatory, a reasonable level of liquidity was observed in line with the Bank’s policies. Even in the moments of highest uncertainty due to the global financial crisis, there were no events indicative of a loss of confidence of the people, nor mass removal of accounts or deposits by customers, confirming the confidence of the people towards the Chilean banking system in general.

NOTE 36 - RISK MANAGEMENT, continuation

Fig. 1. Evolution of Main Funding sources, Year 2015
(base of 100)

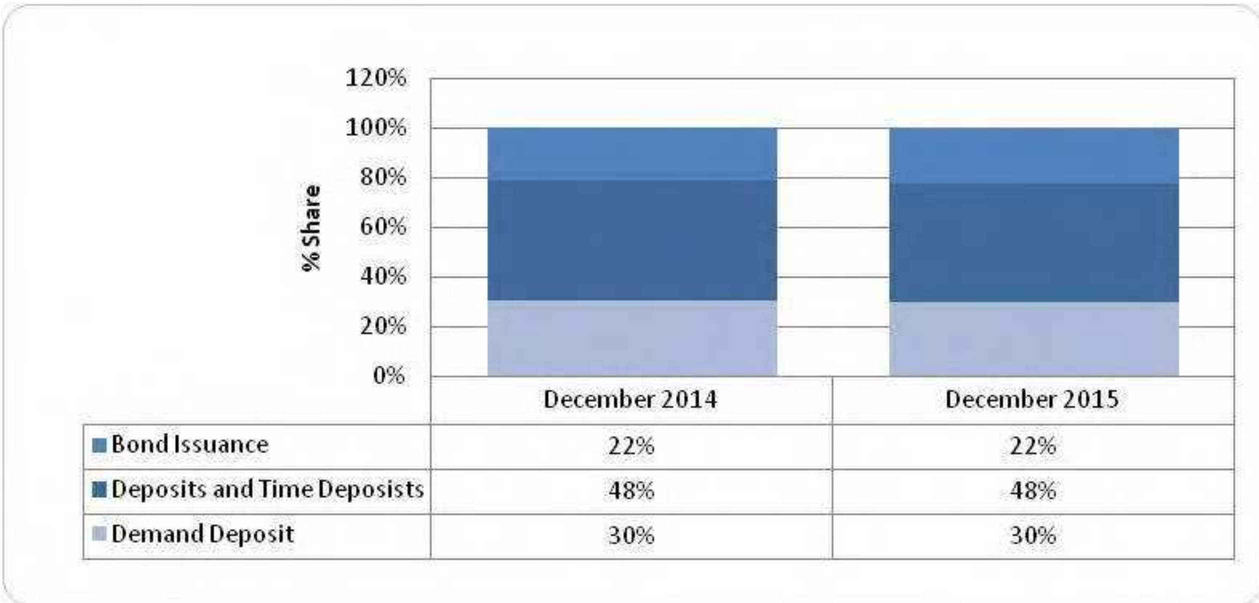
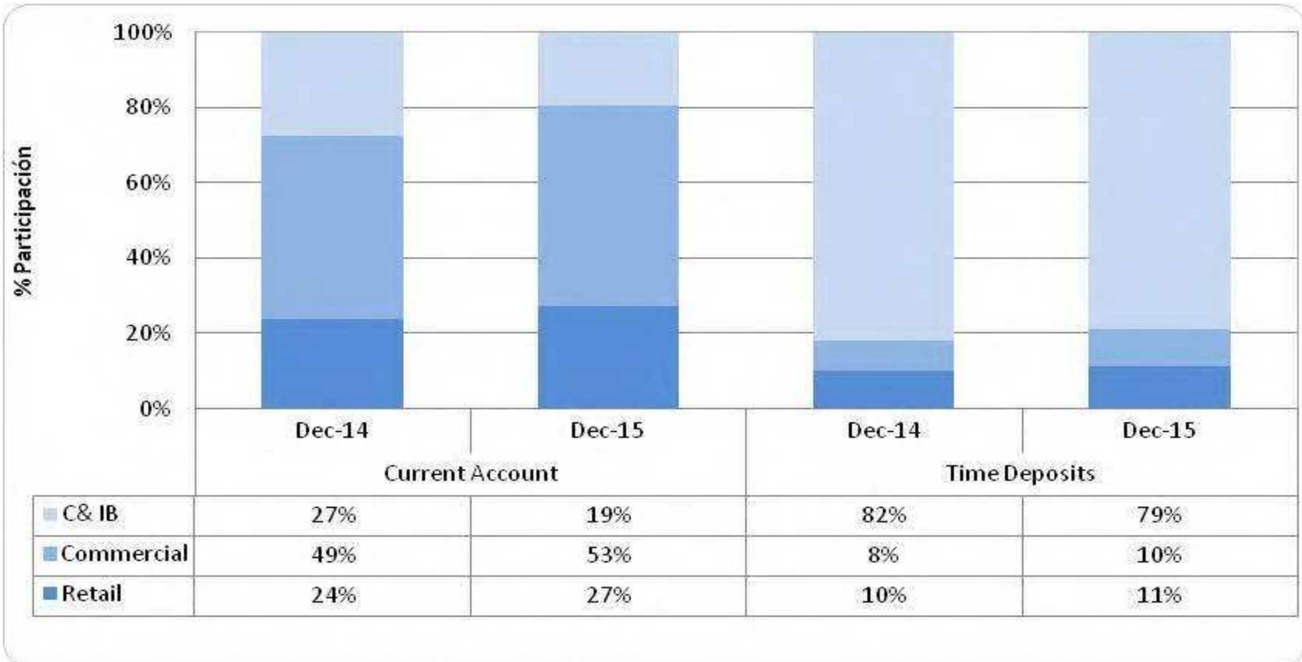


Fig. 2. Diversification; liquidity sources by segment,
2014 and 2015 year end (%)



NOTE 36 - RISK MANAGEMENT, continuation

a. Year 2015 Variations

The rates of short-term mismatch remained bounded, keeping a certain amount of slack with respect to regulatory limits given the capital base measured at 30 days and two times capital (for measurement at 90 days).

Fig. 3. Liquidity Ratios
Years 2015 and 2014 (maximum = 1)

(a) Short-term mismatch (% on basic capital)

	Year 2015				Year 2014			
	Average	Maximum	Minimum	Closure	Average	Maximum	Minimum	Closure
Mismatch 30 days	18.6%	85.9%	(24.5%)	85.9%	20.6%	52.5%	(34.7%)	26.7%
Mismatch 90 days (*)	44.6%	68.6%	28.3%	68.6%	47.7%	64.8%	29.9%	44.2%

(*) measurement in relation to 2 times basic capita

(b) Short-term mismatch Ch$-UF (% on Basic Capital),

	Year 2015				Year 2014			
	Average	Maximum	Minimum	Closure	Average	Maximum	Minimum	Closure
Mismatch 30 days	15.3%	66.2%	(23.6%)	66.2%	19.6%	64.5%	(19.4%)	23.2%

(c) Short-term mismatch FX (% on Basic Capital),

	Year 2015				Year 2014			
	Average	Maximum	Minimum	Closure	Average	Maximum	Minimum	Closure
Mismatch 30 days	3.3%	27.9%	(35.5%)	19.8%	1.0%	29.5%	(27.4%)	3.5%

NOTE 36 - RISK MANAGEMENT, continuation

Fig. 4. Liquidity Evolution during 2015 (maximum = 1)
Liquidity 30 days = Mismatch/Basic Capital
Liquidity 90 days = Mismatch /2 Basic Capital*

3. Market risk

Market risk is the risk inherent in the price variations of financial assets.

Variations in interest rates, the exchange rate, commodities and shares prices, credit spreads, volatility, etc., constitute a risk known as market risk. This is expressed in the possibility of incurring losses that will be translated to the statements of income or the balance sheet depending on the type of financial instrument and its respective accounting treatment.

BCI manages its exposure to market risk between trading portfolios and portfolios available for sale or held-to-maturity. Trading portfolios include positions coming from sales to corporate and institutional clients, positions coming from market making business, and hedge or trading positions. The available for sale and held to maturity portfolios hold positions mainly related to interest rate management associated with personal and commercial banking loans, in addition to a portfolio of financial investments. These portfolios have less rotation and their change in fair value does not affect the Consolidated Income Statement of the year until maturity. At present, the Bank has no instruments classified as held-to-maturity.

A series of tools are used to monitor the market risk of positions in each category, these include value-at-risk (VaR), CVaR, simulation, and stress analysis. The corporation uses the Algorithmic platform to support the measurement and management of the market risk and counterpart.

NOTE 36 - RISK MANAGEMENT, continuation

a) Top holdings

The main Consolidation Statements of Financial Position as of December 31, 2015 are listed by time maturity band or repricing and their comparison to the year 2014.

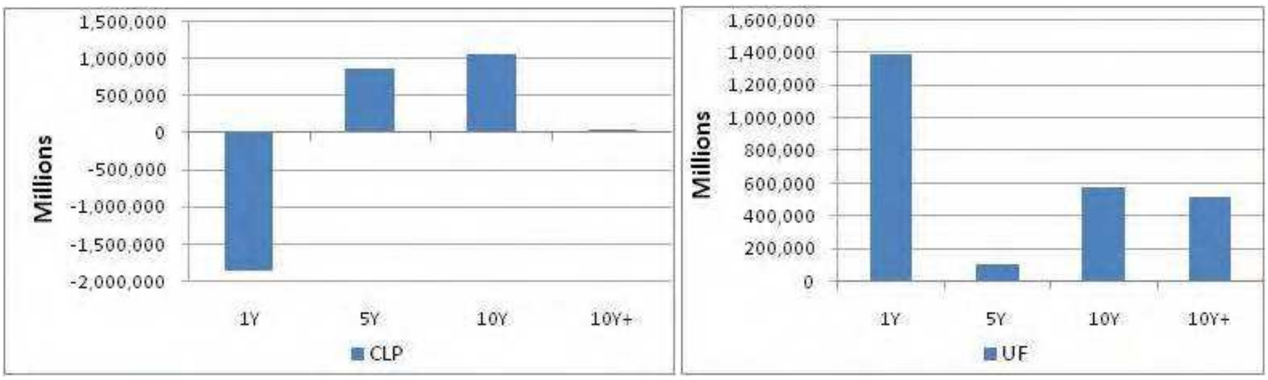
Fig. 5. Carrying amount to maturity range or re-pricing by currency
Positions 31/12/15(MCh$)

ASSETS	**1Y**	**5Y**	**10Y**	**10Y+**	**Total**
Ch$	8,,480,,217	4,499,710	1,048,340	33,036	**14,061,303**
UF	3,,633,,918	3,412,111	2,391,880	1,706,710	**11,144,619**
MX	3,,829,,709	546,613	319,736	2,179	**4,698,237**
TOTAL	**15,,943,,844**	**8,458,434**	**3,759,956**	**1,741,925**	**29,904,159**

LIABILITIES	1Y	5Y	10Y	10Y+	**Total**
Ch$	10,,331,,245	3,640,984	5	-	**13,972,234**
UF	2,,245,,063	3,301,122	1,813,274	1,189,107	**8,548,566**
MX	3,,202,,233	1,462,633	392,899	-	**5,057,765**
TOTAL	**15,,778,,541**	**8,404,739**	**2,206,178**	**1,189,107**	**27,578,565**

MISMATCH	1Y	5Y	10Y	10Y+	**Total**
Ch$	(1,,851,028)	858,726	1,048,335	33,036	**89,069**
UF	1,388,855	110,989	578,606	517,603	**2,596,053**
MX	627,476	(916,020)	(73,163)	2,179	**(359,528)**
TOTAL	**165,303**	**53,695**	**1,553,778**	**552,818**	**2,325,594**

Fig. 6. Carrying amount to maturity range or re-pricing by currency
Positions 31/12/15 (MCh$)



NOTE 36 – RISK MANAGEMENT, continuation

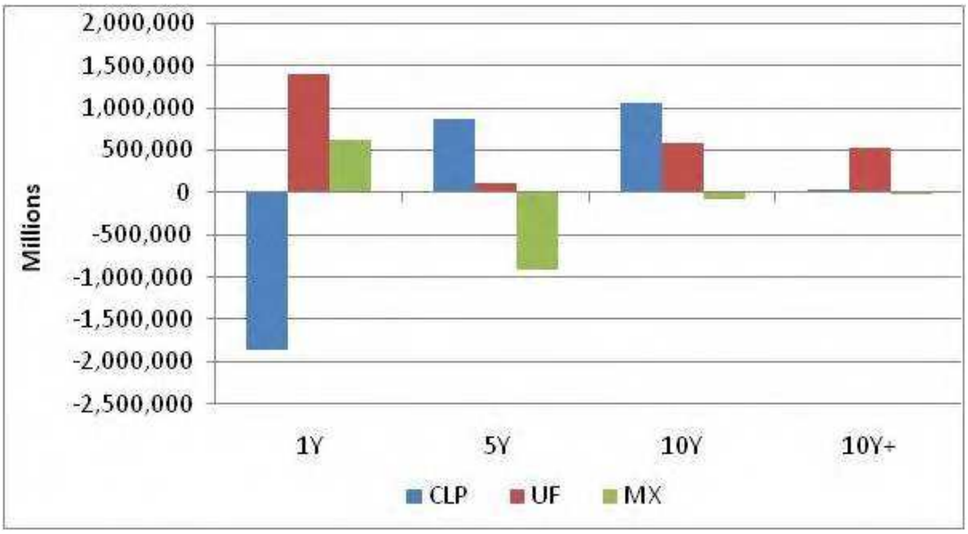


Fig. 7. Carrying amount to maturity range or re-pricing by currency
Positions 31/12/14 (MCh$)

ASSETS	1Y	5Y	10Y	10Y+	Total
Ch$	8,665,606	2,786,359	1,028,257	96,117	12,576,339
UF	3,405,894	2,997,362	2,114,153	1,444,240	9,961,649
MX	4,439,460	836,389	359,815	2,717	5,638,381
TOTAL	**16,510,960**	**6,620,110**	**3,502,225**	**1,543,074**	**28,176,369**

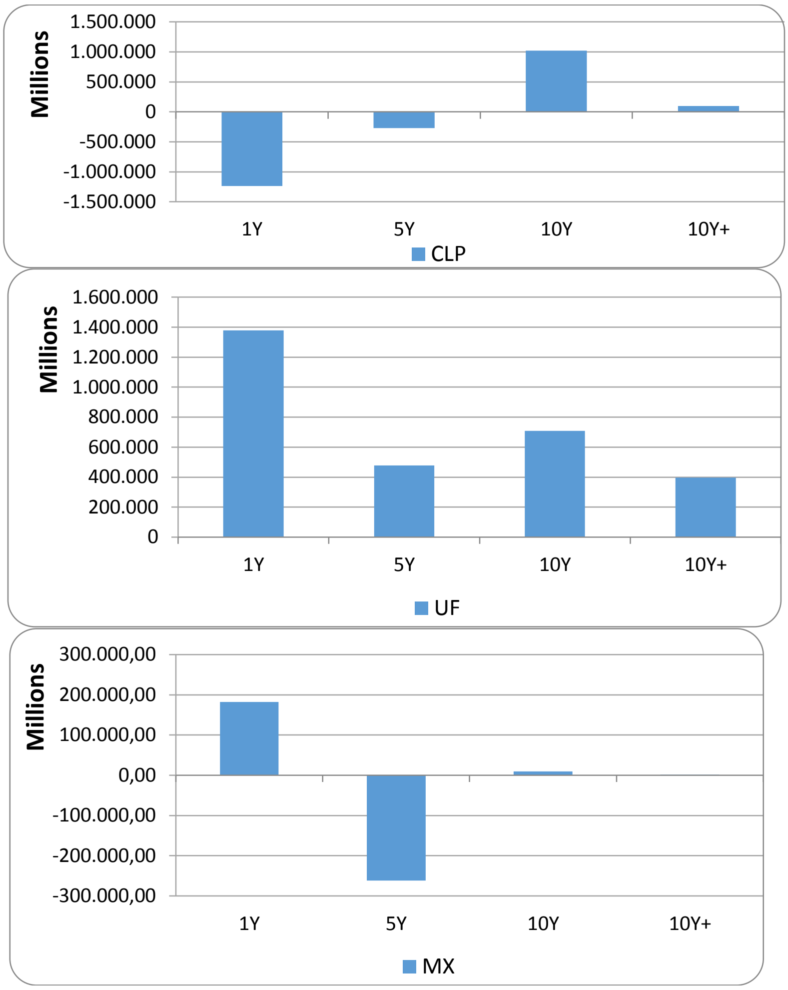
LIABILITIES	1Y	5Y	10Y	10Y+	Total
Ch$	9,904,314	3,057,713	9,206	-	12,971,233
UF	2,028,058	2,519,637	1,404,483	1,048,154	7,000,332
MX	4,257,552	1,098,475	350,487	1,233	5,707,747
TOTAL	**16,189,924**	**6,675,825**	**1,764,176**	**1,049,387**	**25,679,312**

MISMATCH	1Y	5Y	10Y	10Y+	Total
Ch$	(1,238,708)	(271,354)	1,019,051	96,117	(394,894)
UF	1,377,836	477,725	709,670	396,086	2,961,317
MX	181,908	(262,086)	9,328	1,484	(69,366)
TOTAL	**321,036**	**(55,715)**	**1,738,049**	**493,687**	**2,497,057**

NOTE 36 - RISK MANAGEMENT, continuation

Fig. 8. Carrying amount to maturity range or re-pricing by currency

Positions 31/12/14 (MCh$)



NOTE 36 - RISK MANAGEMENT, continuation

Fig. 9. Carrying amount to maturity range or re-pricing by Account Positions 31/12/15(MCh$)

ASSETS	1Y	5Y	10Y	10Y+	TOTAL
Central Bank of Chile	14,711	262,837	64,293	-	**341,841**
Banks and financial institutions of the country	48,151	85,832	31,881	14,131	**179,995**
Purchases under resale agreements	49,794	-	-	-	**49,794**
Commercial loans	6,081,785	1,862,658	874,051	498,059	**9,316,553**
Consumer loans	928,025	1,391,844	65,331	57,876	**2,443,076**
Endorsable housing mortgage loans	723,234	1,807,380	1,237,144	1,124,079	**4,891,837**
Housing mortgage loans with funding notes	39,974	24,595	6,564	41	**71,174**
Cash	1,249,958	-	-	-	**1,249,958**
Forwards	571,631	557,591	-	-	**1,129,222**
Chilean Government	10,545	275,561	2,862	1,675	**290,643**
Consumer Leasing	1,272	2,050	46	14	**3,382**
Commercial leasing operation	399,570	516,911	173,216	40,745	**1,130,442**
Other entities of the country	-	-	-	-	**-**
Other foreign entities	11,104	60,456	198,681	2,179	**272,420**
Other assets	2,378,946	2,926	37,322	38	**2,419,232**
Other housing mortgage loans	5,130	-	-	-	**5,130**
Others	-	-	-	-	**-**
Swaps	3,430,015	1,607,792	1,068,565	3,089	**6,109,461**
Total Assets	**15,943,845**	**8,458,433**	**3,759,956**	**1,741,926**	**29,904,160**

LIABILITIES	1Y	5Y	10Y	10Y+	TOTAL
Straight bonds	213,056	1,977,121	1,140,226	-	**3,330,403**
Subordinated bonds	49,890	172,690	205,144	1,137,278	**1,565,002**
Deferred-drawing savings accounts	41,735	-	-	-	**41,735**
Unconditional-drawing savings accounts	8,109	-	-	-	**8,109**
Sight deposits	1,985,355	3,086,220	-	-	**5,071,575**
Time deposits	8,142,615	351,378	5	1	**8,493,999**
Forwards	571,944	533,085	-	-	**1,105,029**
Letters of credit	8,900	21,033	8,459	91	**38,483**
Other liabilities	809,859	-	-	-	**809,859**
Others, Except options	-	-	-	-	**-**
Loans and other obligations contracted abroad	660,998	534,594	-	-	**1,195,592**
Loans and other obligations contracted in Chile	71,025	37,012	3,637	-	**111,674**
Swaps	3,215,055	1,691,606	848,707	51,738	**5,807,106**
Sales under repurchase agreements	-	-	-	-	**-**
Total Liabilities	**15,778,541**	**8,404,739**	**2,206,178**	**1,189,108**	**27,578,566**

NOTE 36 - RISK MANAGEMENT, continuation

Fig. 10. Carrying amount to maturity or re-pricing by account
Positions 31/12/14 (MCh$)

ASSETS	1Y	5Y	10Y	10Y+	TOTAL
Central Bank of Chile	13,044	228,034	21,364	-	**262,442**
Banks and financial institutions of the country	72,767	109,656	39,002	18,565	**239,990**
Purchases under resale agreements	44,455	-	-	-	**44,455**
Commercial loans	5,948,027	1,876,642	838,964	444,407	**9,108,040**
Consumer loans	817,710	1,191,830	44,964	45,245	**2,099,749**
Endorsable housing mortgage loans	664,633	1,510,444	1,017,632	926,277	**4,118,986**
Housing mortgage loans with funding notes	59,268	32,357	9,515	290	**101,430**
Cash	1,172,167	-	-	-	**1,172,167**
Forwards	756,085	30,174	-	-	**786,259**
Chilean Government	7,280	86,228	72,354	2,138	**168,000**
Consumer Leasing	389	480	-	-	**869**
Commercial leasing operation	335,320	493,422	169,736	47,532	**1,046,010**
Other entities of the country	-	-	-	-	**-**
Other foreign entities	5,321	26,337	22,072	1,232	**54,962**
Other assets	2,887,637	15,305	37,310	1	**2,940,253**
Other housing mortgage loans	5,849	-	-	-	**5,849**
Others	-	-	-	-	**-**
Swaps	3,721,007	1,019,203	1,229,312	57,386	**6,026,908**
Total Assets	**16,510,959**	**6,620,112**	**3,502,225**	**1,543,073**	**28,176,369**

LIABILITIES	1Y	5Y	10Y	10Y+	TOTAL
Straight bonds	138,018	1,892,670	870,405	-	**2,901,093**
Subordinated bonds	45,378	163,724	183,474	997,380	**1,389,956**
Deferred-drawing savings accounts	41,975	-	-	-	**41,975**
Unconditional-drawing savings accounts	6,790	-	-	-	**6,790**
Sight deposits	1,788,638	2,784,243	-	-	**4,572,881**
Time deposits	7,624,460	26,426	8	-	**7,650,894**
Forwards	751,764	29,553	-	-	**781,317**
Letters of credit	11,113	27,223	12,277	404	**51,017**
Other liabilities	1,212,446	9,346	-	-	**1,221,792**
Others, Except options	-	-	-	-	**-**
Loans and other obligations contracted abroad	979,017	218,432	-	-	**1,197,449**
Loans and other obligations contracted in Chile	33,023	27,683	13,647	-	**74,353**
Swaps	3,557,301	1,496,524	684,366	51,604	**5,789,795**
Sales under repurchase agreements	-	-	-	-	**-**
Total Liabilities	**16,189,923**	**6,675,824**	**1,764,177**	**1,049,388**	**25,679,312**

NOTE 36 - RISK MANAGEMENT, continuation

The main positions are listed on investments available for sale by type of issuer and currency, Risk classification of these positions at the end of last year and in September 2014 is also reported,

Fig. 11.a Available for sale Investments
Fair value 31/12/15 (MCh$)

	Ch$	UF	USD	EUR	OTHERS
Sovereign bonds	514,492	93,800	70,017	35,655	-
Corporate bonds	15,826	10,815	792,887	-	-
Financial institutions bonds	31,005	8,319	614,280	-	-
Mortgage-funding notes	-	77,172	-	-	-
Time deposits	1,697	14,219	-	-	-
Total	**563,020**	**204,325**	**1,477,184**	**35,655**	**-**

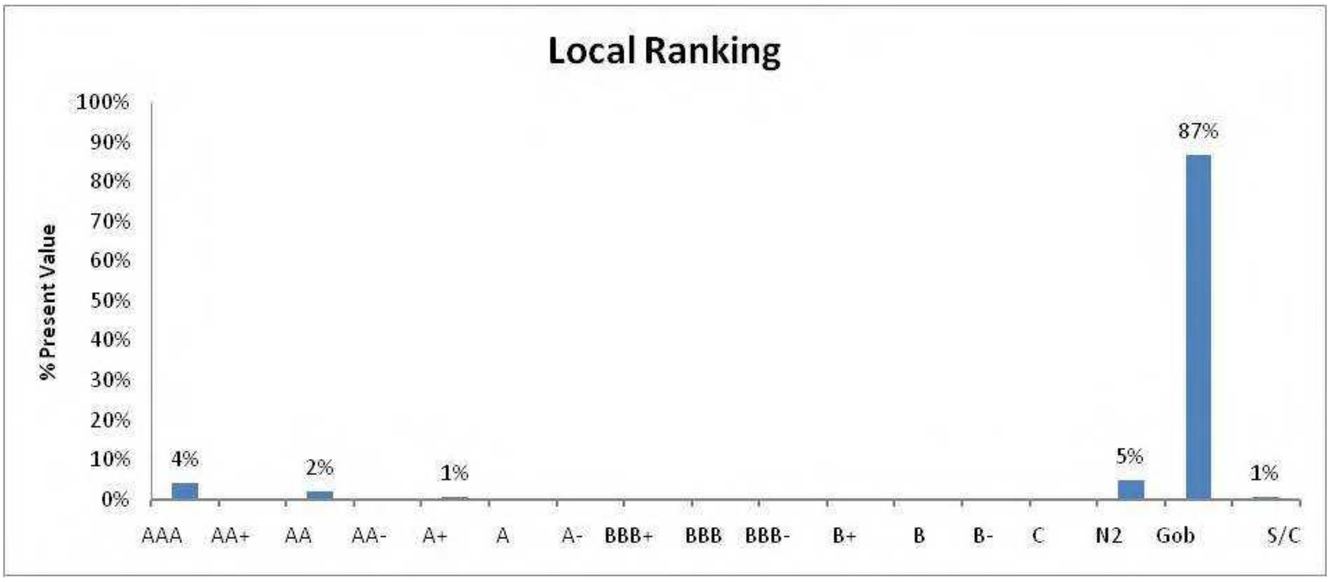
Fig. 11.b Available for sale Investments
Fair value 31/12/14 (MCh$)

	Ch$	UF	USD	EUR	OTHERS
Sovereign bonds	147,081	7,304	-	-	-
Corporate bonds	17,600	15,382	189,377	-	-
Financial institutions bonds	554	40,664	-	-	-
Mortgage-funding notes	-	76,048	-	-	-
Time deposits	272,138	6,432	-	-	-
Total	**437,373**	**145,830**	**189,377**	**-**	**-**

NOTE 36 - RISK MANAGEMENT, continuation

Fig. 12. Available for sale Investments International-Issued
Bond Portfolio Credit Rating 31/12/15 (%)

Fig. 13. Available for sale Investments
Portfolio Risk Classification Bonds and LCH National Emission 31/12/15 (%)



NOTE 36 - RISK MANAGEMENT, continuation

b) Sensitivity analysis

Sensitivity measurements are used to monitor the market risk of positions by sensitivity to each of the risk factors. For example, a change in the present value of 100 basis points in the interest rate is a type of risk factor. This type of model is especially useful for measuring the risk of a mismatch between assets and liabilities, i.e.., essentially the banking book.

The regulatory sensitivity measurements perform these analyses by applying interest rates, exchange rates, inflation, commodities positions, shares positions, and exposure to derivative instruments, according to predetermined sensitivities.

The Corporation also performs measurements for sub-portfolios and different risk factors.

Among the models used is Market Value Sensitivity or MVS, which measures the change in economic value of equity in the event of a parallel movement of 100 basis points in interest rates.

For a short-term horizon, the Spreads at Risk or SAR model is used, which measures the impact on results in 12 months' time of a parallel movement in rates. For both models, there are explicit internal limits measured as a ratio of capital (for MVS) and of financial margin (for SAR).

The Bank structurally generates risk rate exposure, which is mainly explained by maintaining long-term fixed rate assets and obtaining short-term financing, such as deposits. In this regard, the Bank is an active market participant in managing their interest rate risk strategy using hedge accounting.

Some of the hedging strategies are: a) transforming short-term risk to long-term (taking liabilities from short to long term through interest rate swaps) and b) floating long-term placements using interest rate swap.

In the scenario of 100 basis points increase, holding constant other variables, the effects compared at the end of 2015 and 2014 are the following:

In the short-term, exposure to interest rates as of December 31, 2015 and 2014, amounted to MCh$31,567 and MCh$7,666 respectively, equivalent to expect an adverse effect on the financial margin over a 12 months horizon, he significant increase corresponds to a methodological change in the measurement of short-term risk, which took place on June 1, 2015.

The sensitivity rate risk applied to all items in the banking book and all deadlines, measured by MVS, as of December 31, 2015 and 2014, are MCh$139,289 and MCh$102,596 respectively. This maintained its upward trend as in previous periods.

c) Value at Risk

Value-at-Risk (VaR) is a methodology that estimates potential losses that might affect a portfolio as a result of adverse interest-rate movements and/or market-price changes over a period of time and for a certain level of confidence.

NOTE 36 – RISK MANAGEMENT, continuation

The VaR methodology used is a historic simulation that records the *fat-tails* property of the financial income. It uses a window of 4 years of daily data. It is measured at the first percentile of the P&L distribution or VaR at 99% of confidence, which is the same. The *volatility up dating* technique is used, which records the existence of volatility *clusters*.

The *forecast* horizon is of 1 day. The square root rule is used to escalate this value to the regulatory horizon of 10 days.

The value-at-risk model is validated by *back-testing* the daily results, both observed and theoretical, statistically, excess losses of VaR are expected to be observed on average 1% daily. As of December 31, 2015, *back-test* places the model in the green area of Basel with four fails during 2015.

Objectives and limitations of the VaR methodology

The objective of the VaR is to measure the risk of a portfolio of assets by determining how much you can lose of the portfolio over a period of time and with a given confidence level under normal market conditions.

This method is very easy to apply in portfolios that include information on relevant market variables, Furthermore, calculation does not depend on correlations and volatilities, as these are implicitly calculated using historical information. However, this means obtaining the history of associated variables for performing this calculation, which implies an effort to have such data. In addition, to have a certain degree of confidence in the measurement, in this case with VaR at 99%, this leads to the loss of 1 in every 100 days, which will be the least as predicted by the VaR, without a possible limit for this value.

Stress Testing VaR

There are limitations of the VaR models, particularly in the presence of extreme events that have not been observed in recent historic information or for not capturing the intra-day movements of the portfolio, therefore, stress situations are modeled to evaluate potential impacts on the value of portfolios in the most extreme, although possible, events. The scenarios used are the following:

I. Historic simulation scenarios that incorporate fluctuations observed during historic extreme events.
II. Monte-Carlo simulation scenarios, which generate multiplicity of possible scenarios from the historic data.
III. Scenarios of sensitivity that consider movements in risk factors that are not captured by the recent history.

VaR limits

The Corporation has set specific limits to the corporate VaR, as well as sub-limits to the trading, balance and available for sale investments portfolios.

d) Position Limits

In addition to the limits of risk models predictive character as VaR and sensitivity analysis, there are accounting limits by maximum positions and stop loss per book (trading, balance).

NOTE 36 – RISK MANAGEMENT, continuation

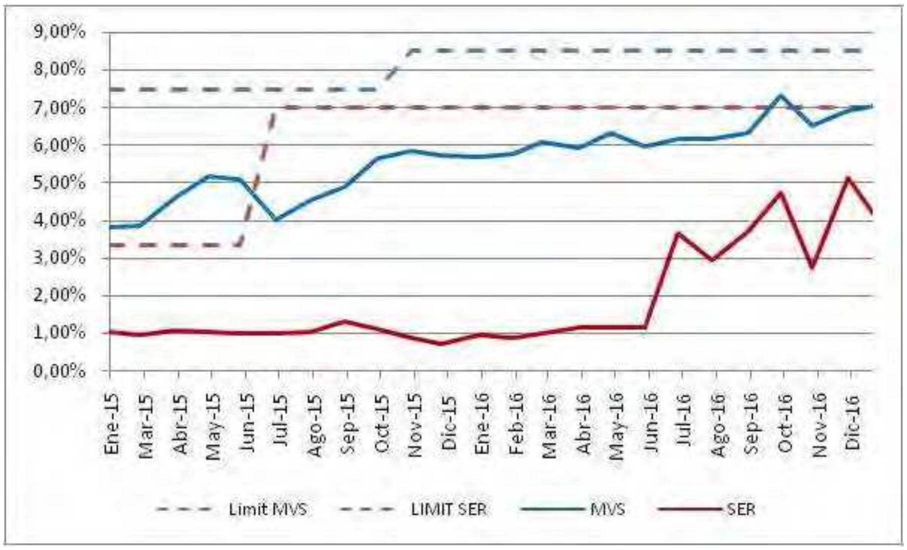
e) Variations

- Sensitivity analysis of the banking book.

The use of hedge accounting and bond, help keep the risk of interest rate bounded in the banking book.

Measuring long-term MVS averaged over 2015 reached as of December 6.4% (4.95% in 2014) of capital over a limit of 7.5% over 2014 and 8.5% in the last quarter of 2015. However, the SeR was half up to May 2015 of 1.21% (1.00% in 2014) and 3.76% in the third quarter of 2015, this jump in the month of June is due to change in methodology. From the 1[ST] of June the SeR limit, which step of 3.35% to 6.50%, was also amended. Finally, the average for the year 2015 was 2.71%. Both indexes increased rate risk of banking book which are well below the limits.

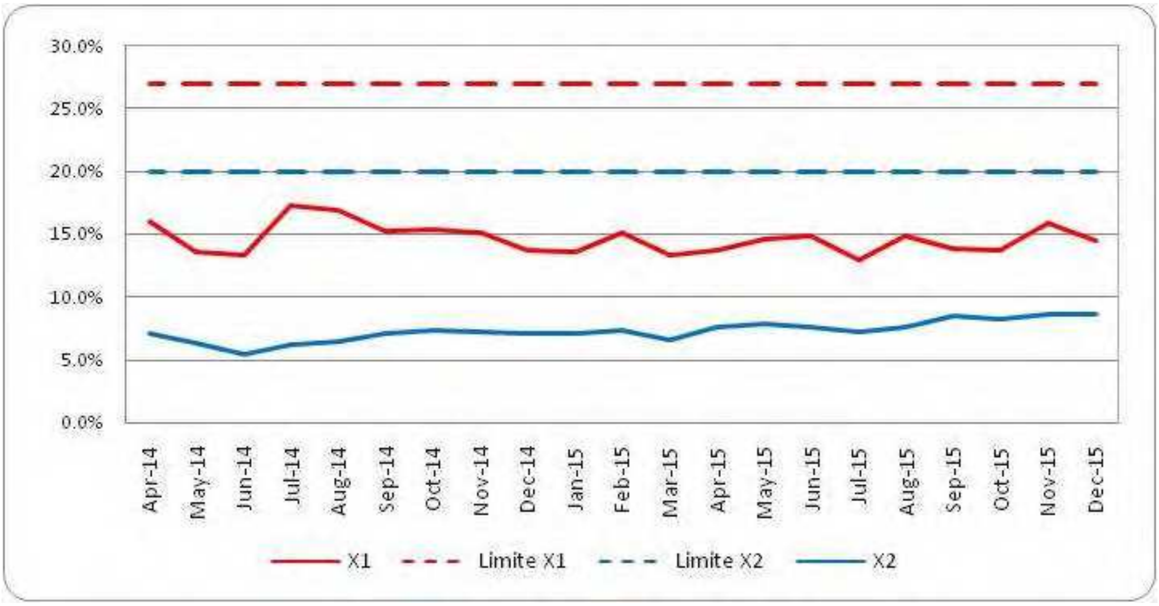
Fig. 14. MVS - SeR
Year 2015



The evolution of regulatory ratios X1 (exposure to market risk in the short term) and X2 (exposure to market risk in the long term) recorded clearance with the limits so far 2015, mainly due to the management of the balance sheet hedge accounting.

NOTE 36 - RISK MANAGEMENT, continuation

Fig. 15. Regulatory Market Risk X1 – X2
Year 2015



X1: Limit on Financial Margin
X2: Limit on Effective Shareholders Equity

- Value at risk

The evolution of the 10-day VaR for the rolling year shown; data at the end of December 31, 2015.

Fig. 16. Consolidated Value at Risk
Year 2015 (MCh$)

NOTE 36 - RISK MANAGEMENT, continuation

So far in 2015, the average consolidated total risk MCh$8,467 measured over the regulatory horizon of 10 days experienced an increase of 47% over the 2014 average.

On a consolidated basis, the risk of interest rate averages MCh$7,057 while MCh$4,214 FX risk. In trading the aggregate average was MCh$5,465, MCh$4,911 for interest rate and MCh$2,037 for foreign currency. Finally, for non-trading portfolios (investments available for sale) the total VaR averaged MCh$2,776, MCh$2,076 for rate risk and MCh$1,645 for currency risk.

Fig. 17. Value at risk by portfolio and type of risk
Year 2015 (MCh$)

(a) Consolidated VaR by type of risk (MCh$)

	12 Months ended December 31, 2015			
	Average	Maximum	Minimum	Final
FX Risk	4,214	16,491	(1,339)	4,707
Interest rate risk	7,057	10,241	(388)	8,264
Diversification (*)	(2,804)	(13,580)	6,484	(3,558)
VaR Total	**8,467**	**13,152**	**4,757**	**9,413**

(b) VaR trading portfolio by type of risk (MCh$)

	12 Months ended December 31, 2015			
	Average	Maximum	Minimum	Final
FX Risk	2,037	8,210	(1,435)	1,278
Interest rate risk	4,911	6,820	973	5,004
Diversification (*)	(1,482)	(6,658)	3,612	(1,581)
VaR Total	**5,466**	**8,372**	**3,150**	**4,701**

(c) VaR non-trading portfolio by type of risk (MCh$)

	12 Months ended December 31, 2015			
	Average	Maximum	Minimum	Final
FX Risk	1,645	7,527	(134)	1,242
Interest rate risk	2,076	3,279	79	2,040
Diversification (*)	(945)	(4,553)	698	(985)
VaR Total	**2,776**	**6,253**	**643**	**2,297**

(*) Diversification is defined as the effect of correlation of total VaR.

NOTE 36 - RISK MANAGEMENT, continuation

Fig. 18. Value at Risk by portfolio and type of risk
Year 2014 (MCh$)

(a) Consolidated VaR by type of risk (MCh$)

	12 Months ended December 31, 2014			
	Average	Maximum	Minimum	Final
FX Risk	2,737	6,918	11	2,875
Interest rate risk	2,953	8,567	73	2,024
Diversification (*)	70	(4,113)	3,372	(9)
VaR Total	5,760	11,372	3,456	4,890

(b) VaR trading portfolio by type of risk (MCh$)

	12 Months ended December 31, 2014			
	Average	Maximum	Minimum	Final
FX Risk	2,347	5,676	-	4,069
Interest rate risk	2,814	6,563	31	1,573
Diversification (*)	(161)	(4,277)	3,036	12
VaR Total	5,000	7,962	3,067	5,654

(c) VaR non-trading portfolio by type of risk (MCh$)

	12 Months ended December 31, 2014			
	Average	Maximum	Minimum	Final
FX Risk	1,091	8,569	1	1,792
Interest rate risk	812	5,012	9	9
Diversification (*)	(477)	(5,022)	278	(19)
VaR Total	1,426	8,559	288	1,782

(*) Diversification is defined as the effect of correlation of total VaR.

While VaR captures the Bank's daily exposure to the risks of currency and interest rate sensitivity analysis, it also evaluates the impact of a reasonably possible change in interest rates and exchange rates over one year. The longer time frame of sensitivity analysis complements VaR and helps the Bank to assess their exposure to market risk. The details of the sensitivity analysis for the risk of exchange rate and interest rate risk are set out below.

NOTE 36 - RISK MANAGEMENT, continuation

Sensitivity of interest rate

The following table shows the sensitivity of the fair values to reasonably possible alternative assumptions:

	Recognition in statement of income		Recognition in statement of other comprehensive income	
	Favorable change	Non favorable change	Favorable change	Non favorable change
	MCh$	MCh$	MCh$	MCh$
December 31, 2015				
Securities backed by assets held for trading	(107)	107	-	-
Other non-derivative assets held for trading	6	(6)	-	-
Securities backed by available for sales assets	-	-	(156)	156
December 31, 2014				
Securities backed by assets held for trading	(74)	74	-	-
Other non-derivative assets held for trading	(33)	33	-	-
Securities backed by available for sales assets	-	-	(222)	222

Currency Risk

The currency risk is defined as the risk that the value of a financial instrument will fluctuate true to changes in exchange rates. The Bank is exposed to the effects of fluctuations in prevailing exchange rates regarding its financial position and cash flows.

NOTE 36 - RISK MANAGEMENT, continuation

The Bank's exposure to the risk of Exchange rates of foreign currencies is presented in the table below:

Date:	31-12-2015
Exchange rate Ch$/USD:	710.16 Ch$
Exchange rate Ch$/EUR:	774.61 Ch$

MCh$

Assets	**USD**	**EUR**	**Others**
Cash	450,794	43,713	3,792
Commercial loans	4,161,843	20,952	302
Investments under agreement to resell	35,388	-	-
Commercial leasing operations	58,774	-	-
Mortgage loans LC	-	-	-
Mortgage loans MHE	567,356	-	-
Other mortgage loans	-	-	-
Housing leasing	-	-	-
Consumer loans	135,711	-	-
Consumer leasing	-	-	-
Commercial loans LCS	-	-	-
Consumer loans LCS	-	-	-
Central Bank of Chile	-	-	-
Government of Chile	-	-	-
Banks and financial institutions of the country	-	-	-
Other entities of the country	1,716	-	-
Governments and governments bodies MX	-	-	-
Foreign banks	-	-	-
Other foreign entities	1,299	35,240	-
Forward	7,373,465	307,706	144,981
Futures	3,051	-	-
Swaps	9,763,773	20,530	101,263
Other, excluding options	-	-	-
Other assets	81,711	5,795	68
Delta options	133,525	5,592	48,557
Total Assets	**22,768,406**	**439,528**	**298,963**
Liabilities	**USD**	**EUR**	**Others**
Demand deposits	3,548,266	45,594	139
Time deposits	1,237,524	11,365	-
Saving accounts with deferred withdrawal	-	-	-
Savings accounts with unconditional withdrawal	-	-	-
Obligations under agreements to repurchase	62,239	-	-
Loans and other obligations contracted MN	46,854	-	-
Loans and other obligations contracted MX	1,844,440	1,475	524
Letters of credit	-	-	-
Current bonds	778,525	-	100,305
Subordinated bonds	-	-	-
Forward	6,813,681	297,358	150,696
Futures	3,024	-	-
Swaps	10,221,787	58,321	-
Other, excluding options	-	-	-
Other liabilities	534,596	18,869	5,634
Delta Options	98,791	16,580	42,063
Total Liabilities	**25,189,727**	**449,562**	**299,361**
Net	**(2,421,321)**	**(10,034)**	**(398)**

NOTE 36 - RISK MANAGEMENT, continuation

Date:	31-12-2014		
Exchange rate Ch$/USD:	606.75	Ch$	
Exchange rate Ch$/EUR:	738.54	Ch$	

MCh$

Assets	USD	EUR	Others
Cash	123,885	10,929	2,462
Commercial loans	2,084,550	24,827	369
Investments under agreement to resell	-	-	-
Commercial leasing operations	52,872	-	-
Mortgage loans LC	-	-	-
Mortgage loans MHE	-	-	-
Other mortgage loans	-	-	-
Housing leasing	-	-	-
Consumer loans	11,465	-	-
Consumer leasing	-	-	-
Commercial loans LCS	-	-	-
Consumer loans LCS	-	-	-
Central Bank of Chile	-	-	-
Gobierno de Chile	-	-	-
Banks and financial institutions of the country	-	-	-
Other entities of the country	1,471	-	-
Governments and governments bodies MX	-	-	-
Foreign banks	-	-	-
Other foreign entities	40,054	-	-
Forward	5,705,840	100,376	72,379
Futures	18,409	-	-
Swaps	7,864,956	13,976	-
Other, excluding options	-	-	-
Other assets	1,090,580	463,238	6,405
Delta options	142,350	-	6,645
Total Assets	**17,136,432**	**613,346**	**88,260**
Liabilities	**USD**	**EUR**	**Others**
Demand deposits	549,452	28,370	83
Time deposits	1,031,977	16,749	-
Saving accounts with deferred withdrawal	-	-	-
Savings accounts with unconditional withdrawal	-	-	-
Obligations under agreements to repurchase	1,392	-	-
Loans and other obligations contracted MN	11,695	-	-
Loans and other obligations contracted MX	1,164,563	18,941	101
Letters of credit	-	-	-
Current bonds	667,425	-	-
Subordinated bonds	-	-	-
Forward	5,324,951	62,080	76,568
Futures	18,195	-	-
Swaps	8,220,290	2,873	-
Other, excluding options	-	-	-
Other liabilities	538,385	450,682	7,547
Delta Options	37,298	31,345	7,796
Total Liabilities	**17,565,623**	**611,040**	**92,095**
Net	**(429,191)**	**2,306**	**(3,835)**

NOTE 36 - RISK MANAGEMENT, continuation

Sensitivity of currency risk

The following tables detail the Bank's sensitivity against an increase and decrease of 10% in the Chilean peso against the relevant foreign currencies, 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of reasonable possible changes in exchange rates.

The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and it adjusts its conversion at the end of the period, of which it reports a 10% change in the exchange rates. The sensitivity analysis includes external loans as well as loans to foreign operations with the Bank where the loan is denominated in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in earnings and other net equity when the Chilean peso goes up by 10%, compared to the corresponding currency.

In the case of a low of 10% of the Chilean peso against the relevant currency, a comparable impact on the earnings and other equity would be produced, and the balances would be negative, as shown below.

	As of December 31, 2015			
MCh$	**Decrease 10%**		**Increase 10%**	
Assets	**USD**	**EUR**	**USD**	**EUR**
Cash	324,512	39,342	396,626	48,084
Commercial loans	1,765,611	18,857	2,157,968	23,047
Investments under agreement to resell	-	-	-	-
Commercial leasing operations	52,896	-	64,651	-
Mortgage loans LC	-	-	-	-
Mortgage loans MHE	-	-	-	-
Other mortgage loans	-	-	-	-
Housing leasing	-	-	-	-
Consumer loans	13,307	-	16,264	-
Consumer leasing	-	-	-	-
Commercial loans LCS	-	-	-	-
Consumer loans LCS	-	-	-	-
Central Bank of Chile	-	-	-	-
Government of Chile	-	-	-	-
Banks and financial institutions of the country	-	-	-	-
Other entities of the country	1,544	-	1,887	-
Governments and governments bodies MX	-	-	-	-
Foreign banks	-	-	-	-
Other foreign entities	1,169	31,716	1,429	38,764
Forward	6,636,118	276,935	8,110,811	338,476
Futures	2,746	-	3,356	-
Swaps	8,785,836	18,477	10,738,244	22,583
Other, excluding options	-	-	-	-
Other assets	1,127,575	5,215	1,378,147	6,374
Delta options	120,173	5,033	146,878	6,151
Total Assets	**18,831,487**	**395,575**	**23,016,261**	**483,479**

NOTE 36 - RISK MANAGEMENT, continuation

Liabilities	**USD**	**EUR**	**USD**	**EUR**
Demand deposits	602,032	41,034	735,816	50,153
Time deposits	850,349	10,228	1,039,315	12,501
Saving accounts with deferred withdrawal	-	-	-	-
Savings accounts with unconditional withdrawal	-	-	-	-
Obligations under agreements to repurchase	64	-	78	-
Loans and other obligations contracted MN	42,169	-	51,539	-
Loans and other obligations contracted MX	1,054,497	1,327	1,288,829	1,622
Letters of credit	-	-	-	-
Current bonds	700,673	-	856,378	-
Subordinated bonds	-	-	-	-
Forward	6,132,313	267,622	7,495,049	327,094
Futures	2,721	-	3,326	-
Swaps	9,198,003	52,489	11,242,004	64,153
Other, excluding options	-	-	-	-
Other liabilities	474,577	16,982	580,039	20,756
Delta Options	88,912	14,922	108,670	18,238
Total Liabilities	**19,146,310**	**404,604**	**23,401,043**	**494,517**
Net	**(314,823)**	**(9,029)**	**(384,782)**	**(11,038)**

	As of December 31, 2014			
MCh$	**Decrease 10%**		**Increase 100% 10%**	
Assets	**USD**	**EUR**	**USD**	**EUR**
Cash	111,497	9,836	136,274	12,022
Commercial loans	1,876,095	22,344	2,293,005	27,310
Investments under agreement to resell	-	-	-	-
Commercial leasing operations	47,585	-	58,160	-
Mortgage loans LC	-	-	-	-
Mortgage loans MHE	-	-	-	-
Other mortgage loans	-	-	-	-
Housing leasing	-	-	-	-
Consumer loans	10,318	-	12,611	-
Consumer leasing	-	-	-	-
Commercial loans LCS	-	-	-	-
Consumer loans LCS	-	-	-	-
Central Bank of Chile	-	-	-	-
Government of Chile	-	-	-	-
Banks and financial institutions of the country	-	-	-	-
Other entities of the country	1,324	-	1,618	-
Governments and governments bodies MX	-	-	-	-
Foreign banks	-	-	-	-
Other foreign entities	36,048	-	44,059	-
Forward	5,135,256	90,339	6,276,424	110,414
Futures	16,568	-	20,250	-
Swaps	7,078,460	12,579	8,651,452	15,374
Other, excluding options	-	-	-	-
Other assets	981,522	416,914	1,199,638	509,562
Delta options	128,115	-	156,585	-
Total Assets	**15,422,788**	**552,012**	**18,850,076**	**674,682**

NOTE 36 - RISK MANAGEMENT, continuation

Liabilities	**USD**	**EUR**	**USD**	**EUR**
Demand deposits	494,506	25,533	604,397	31,207
Time deposits	928,779	15,074	1,135,174	18,424
Saving accounts with deferred withdrawal	-	-	-	-
Savings accounts with unconditional withdrawal	-	-	-	-
Obligations under agreements to repurchase	1,253	-	1,532	-
Loans and other obligations contracted MN	10,526	-	12,865	-
Loans and other obligations contracted MX	1,048,107	17,047	1,281,020	20,835
Letters of credit	-	-	-	-
Current bonds	600,683	-	734,168	-
Subordinated bonds	-	-	-	-
Forward	4,792,456	55,872	5,857,446	68,288
Futures	16,376	-	20,015	-
Swaps	7,398,261	2,586	9,042,319	3,161
Other, excluding options	-	-	-	-
Other liabilities	484,546	405,614	592,223	495,751
Delta Options	33,568	28,210	41,028	34,479
Total Liabilities	**15,809,061**	**549,936**	**19,322,187**	**672,145**
Net	**(386,273)**	**2,076**	**(472,111)**	**2,537**

Because the Bank has no net investment hedge accounting, there is no impact on equity due to a 10% change in the Chilean peso against all types of changes.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain the same. In fact, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger and smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into account that the Bank's assets and liabilities are actively managed, moreover, the financial position of the Bank may vary at the time that an actual market movement occurs. For example, the strategy of financial risk management of the Bank seeks to manage the exposure to market fluctuations. As investment markets go through different trigger levels, management actions could include selling investments, changing the allocation of the investment portfolio and taking other protective measures.

Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases of assets and liabilities could result in volatility of equity.

Price risk - own products

The Bank is exposed to price risks of its products that are subject to general and specific fluctuations in the market.

The Bank manages price risk through the estimation of periodic stress tests, which establish various scenarios of adverse market conditions; on the other hand it has contingency plans that address transverse actions in the corporation in order to face scenarios that expose the corporation to significant loss.

NOTE 36 - RISK MANAGEMENT, continuation

Other Price Risks

The price risk of equity is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to individual value and its issuer or factors affecting all actual market values.

The sensitivity analyzes below have been determined based on the exposure to equity price at period over which it is reported.

If equity prices had been 1% higher / lower:

Net income for the year 2015 would not have been affected as the equity investments are classified as available for sale and no investment was expropriated or damaged; notwithstanding, the negative effect on equity would have been MCh$24,103, less than the effect December 31, 2014 which amounted MCh$21,612.

f) Fair Value

The area of Market Risk is responsible for defining the methodologies of valuation of assets and liabilities measured at fair value, while operations are responsible for the implementation thereof. The fundamental principle of the task of fair value measurement is to determine the starting price of an asset or liability in an ordinary transaction in a representative market. But not only the accounting information depends on this assessment; risk indicators such as value-at-risk are also based on these prices, so that the implied volatility on any valuation model is also very relevant.

Following international accounting rules, are used - provided they are available - quotations or observable prices of identical assets or liabilities that are measured. These are known as Level 1 Inputs Absent identical assets or liabilities measurement is made based on observable prices, Interpolations typically classified in this group for the case of derivatives and other instruments or matrix pricing models for fixed income instruments, this class is known as Level 2 inputs.

Finally, when it is not possible to rely on the above inputs, the measurement is performed based on inputs that are not directly observable on the market. These are the Level 3 Inputs Note 35 present the classification of financial instruments according to their valuation. Below is a brief explanation of that system.

Positions in foreign currency bonds Central Bank and futures contracts and other instruments traded on exchanges have very liquid markets where prices or prices for identical instruments are usually observable. These instruments are included in Level 1.

Even for liquid instruments, some markets require the existence of brokers to raise supply with demand and allow transactions to be carried out under those circumstances. Normally deposits and derivatives traded over-the-counter are in this segment. These have quotes from different brokers, which guarantees the existence of market prices or inputs needed for valuation. Among derivatives instruments are currency forwards and interest rate forwards, interest rate swaps, cross-currency swaps and foreign currency options. As usual for those instruments other than those listed, valuation techniques and interpolation curves that are standard in the market are used. Debt instruments are less liquid as some sovereign bonds, corporate bonds and mortgage securities of domestic issue, and are valued - unless there is available pricing - based on fair value models based on directly observable prices or market factors. All these instruments are classified in Level 2 valuation.

NOTE 36 - RISK MANAGEMENT, continuation

The base model for the valuation of fixed income securities without much liquidity in the local market is a dynamic model of interest rates using panel's incomplete data and incorporates all the recent price history of the papers in question and instruments with similar characteristics as to issuer risk rating, duration, etc. The fair value models used both internal and external are tested periodically and back testing audited by independent parties.

Finally, all instruments whose prices or market factors are not directly observable are classified in Level 3.

g) Derivative instruments

As of December 31, 2015 the Bank had MCh$(24,814) related to fair value of derivative instruments. Derivatives are classified into two groups according to their accounting treatment: (1) instruments for trading and (2) instruments with special hedge accounting treatment. The trading instruments come from activities of Sales& Trading (S & T), whether from sales to third parties or hedging the risks involved in such sales. The areas responsible for Asset & Liability Management (ALM) also use derivatives to hedge their risks. They can follow the standard treatment for negotiation (trading) or have special hedge accounting treatment. The toppings look according to current accounting standards reduce fluctuations in the value of assets and liabilities or cash flows.

The market risk associated with derivative instruments is measured by VaR and stress tests.

h) Counterparty risk

The Bank manages its counterparty risk by two actions, consumer line in derivatives and Credit Value Adjustment (CVA).

Use of line

Consumption credit line derived over-the-counter (OTC) must match the credit exposure generated by the Bank. The credit risks on these contracts exist when the recovery or mark-to-market (MTM) is positive in favor of the Bank. As these contracts are valued daily, in this there is uncertainty regarding the potential value that can reach the MTM over the life of the operation.

Monte Carlo simulation techniques are used to estimate future peak exposures by counterparty. Specific counterparty limits ensure that the accepted risk levels are not exceeded and proper diversification is achieved. The table below details the use of line segment at the end of December 2015.

NOTE 36 - RISK MANAGEMENT, continuation

Segment	Consumer line MCh$
Commercial Banking	158,184
Entrepreneurs and Enterprising Entities	4,803
Retail Banking	-
Finance Division C&IB	711,283
Commercial Division C&IB	703,133
Total	**1,577,403**

Adjustment for credit risk in derivatives (CVA)

The objective is to determine the expected loss for counterparty risk in OTC derivative contracts. The CVA of a derivative is defined as the difference between the value of open derivative counterparty risk (equivalent to the original derivative without risk of default of either party) and the value of a derivative (which corresponds to the original derivative, which has an inherent risk) considering the possibility of counterparty default. Thus the CVA of a client can be obtained from the expected exposure (EE) for counterparty risk (how much is expected to lose) and the rate of expected loss (EL) associated with the default of the counterparty. The table below details the provision of CVA segment at the end of December 2015.

Credit Value Adjustment			
Segment MCh$	**Dec-31. 2015**	**Dec-31. 2014**	**Variation**
Commercial Banking	5,107	5,788	(681)
Entrepreneurs and Enterprising Entities	443	224	219
Retail Banking	-	-	-
Finance Division C&IB	636	441	195
Commercial Division C&IB	3,072	3,016	56
Total	**9,258**	**9,469**	**(211)**

During the last quarter of 2015, the Bank begins to recognize the amount of general guarantees in the contracts associated with credit transactions (related derivatives) for the estimation of Credit Value Adjustment. This meant as of December 31, 2015 a reversal MCh$2,617.

i) Hedge accounting

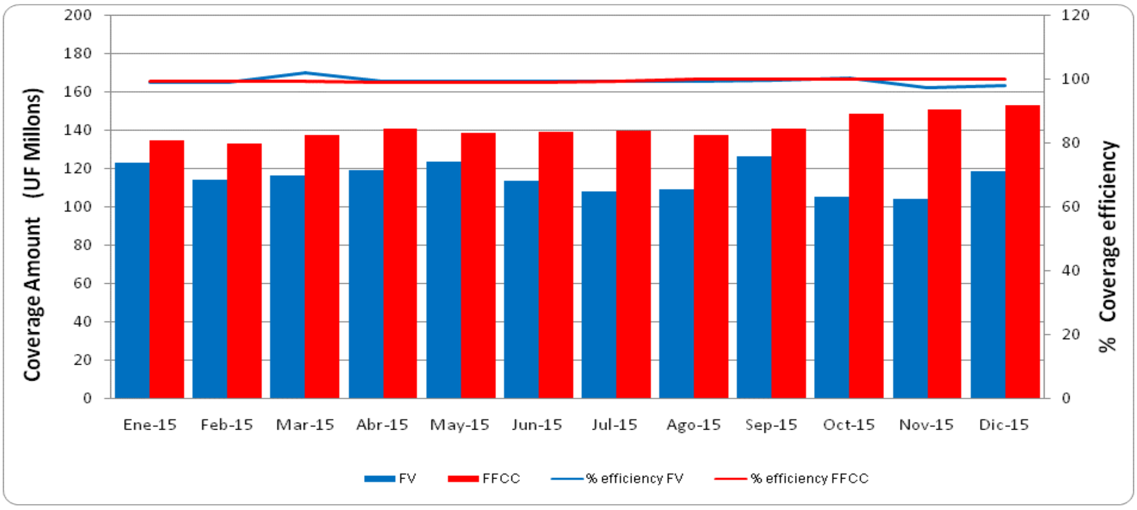
The Bank uses hedge accounting to manage the risk of fair value and cash flow to which it is exposed. The fair value hedges using derivative instruments to hedge the change in fair value of an asset or liability in the Consolidate Financial Statements.

The cash flow hedges meanwhile, recorded in equity changes in fair value of derivatives that are part of the coverage. Treatment of this type of instrument strictly follows international accounting standards IAS 39. Financial Risk Management is responsible for designing and validating the effectiveness of the hedges, generating effectiveness indicators that are monitored and reported to ALCO.

NOTE 36 - RISK MANAGEMENT, continuation

As of December 31, 2015 the total notional amount of cash flow hedges amounted to UF153,248,617 whereas fair value hedges reach UF114,738,326.

Fig. 19. Amount, Type and effectiveness of Hedge Accounting
Year 2015 (UF Millions)



CREDIT RISK

Risk Management structure

The Bank has structured its credit approval process on the basis of personal and non-delegable discretionary limits authorized by the Board of Directors.

Based on these credit faculties, the operations are approved at the different levels of Management, always requiring the concurrence of two executives with discretionary limits.

As the amount of the operation increases, pairs of senior executives both from the commercial and risk areas and from the senior management committees must approve the operation, until reaching the highest level represented by approval from the Board of Director's Executive Committee.

Provisions for credit risk

According to the Superintendence of Banks and Financial Institutions (SBIF), the Banks should permanently maintain evaluations of their loans and contingent credit portfolios, in order to establish provisions opportunely and sufficiently, so as to cover possible losses, in accordance with the regulation of said Superintendence, contained on Compendium of Accounting Standards, chapter B1 referring to provisions for credit risk.

NOTE 36 - RISK MANAGEMENT, continuation

The Bank has a series of models both for the individual and the group portfolios, which are applied depending on the type of portfolio and operations. These models are approved by the Board of Directors, which is informed annually about the adequacy of the provisions.

Models based on the individual analysis of debtors

These models are applied when the companies involved, given their size, complexity or level of exposure with the entity, are required to be identified and analyzed in detail, one by one.

These models consider the analysis of issues such as the financial situation of the debtor, payment behavior, knowledge and experience of the partners and managers in the business, the degree of commitment of the same with the company and the industry in which it operates the company and the relative position of the company on this.

Quality of the loans by type of financial asset

Regarding the quality of the loans, these are described in accordance with the Compendium of Accounting Standards issued by the Superintendence of Banks and Financial Institutions (SBIF):

	As of December 31, 2015					
	BALANCE			ALLOWANCE		
Debt	Loans and receivables to banks	Loans and receivables to customers	Total	Loans and receivables to banks	Loans and receivables to customers	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
A1	2,765	163,394	166,159	1	58	59
A2	48,239	921,016	969,255	40	598	638
A3	79,298	2,109,779	2,189,077	173	2,498	2,671
A4	140	1,596,690	1,596,830	2	9,068	9,070
A5	46	1,417,247	1,417,293	2	9,232	9,234
A6	-	537,496	537,496	-	12,172	12,172
B1	-	284,310	284,310	-	8,092	8,092
B2	-	153,634	153,634	-	21,315	21,315
B3	-	17,072	17,072	-	646	646
B4	-	23,288	23,288	-	6,538	6,538
C1	-	35,987	35,987	-	720	720
C2	-	22,723	22,723	-	2,272	2,272
C3	-	10,856	10,856	-	2,714	2,714
C4	-	11,499	11,499	-	4,600	4,600
C5	-	48,509	48,509	-	31,531	31,531
C6	-	32,099	32,099	-	28,889	28,889
GR	-	8,460,360	8,460,360	-	180,182	180,182
Subsidiaries	39,223	4,289,022	4,328,245	77	43,327	43,404
Total	**169,711**	**20,134,981**	**20,304,692**	**295**	**364,452**	**364,747**

NOTE 36 - RISK MANAGEMENT, continuation

	As of December 31, 2014					
	BALANCE			ALLOWANCE		
Debt	Loans and receivables to banks	Loans and receivables to customers	Total	Loans and receivables to banks	Loans and receivables to customers	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
A1	7,353	150,009	157,362	3	53	56
A2	130,436	1,014,206	1,144,642	107	714	821
A3	141,503	2,225,484	2,366,987	309	2,699	3,008
A4	13,021	1,659,706	1,672,727	228	8,806	9,034
A5	1,796	1,211,322	1,213,118	77	9,889	9,966
A6	-	313,071	313,071	-	4,090	4,090
B1	-	173,606	173,606	-	7,660	7,660
B2	-	130,837	130,837	-	22,111	22,111
B3	-	2,551	2,551	-	114	114
B4	-	18,991	18,991	-	4,809	4,809
C1	-	30,177	30,177	-	604	604
C2	-	16,108	16,108	-	1,611	1,611
C3	-	13,726	13,726	-	3,432	3,432
C4	-	10,086	10,086	-	4,034	4,034
C5	-	69,139	69,139	-	44,940	44,940
C6	-	39,160	39,160	-	35,244	35,244
GR	-	7,391,210	7,391,210	-	180,700	180,700
Subsidiaries	35,646	1,304,139	1,339,785	71	11,086	11,157
Total	**329,755**	**15,773,528**	**16,103,283**	**795**	**342,596**	**343,391**

The analysis of the age of delinquent loans by type of financial assets is the following,

	Less than 30 days		Between 31 and 89 days		90 days or more		Total	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Loans and receivables form banks	-	-	-	-	-	-	-	-
Loans and receivables to customers	19,765	23,309	16,248	17,895	189,468	278,212	225,481	319,416
Total	**19,765**	**23,309**	**16,248**	**17,895**	**189,468**	**278,212**	**225,481**	**319,416**

NOTE 36 - RISK MANAGEMENT, continuation

Maximum exposure to credit risk

The maximum exposure to credit risk varies significantly and depends on both individual risks and general market economy risks.

As of December 31, 2015

MCh$	Maximum exposure	Provision	Net exposure after provision	Associated guarantees	Net exposure
	MCh$	MCh$	MCh$	MCh$	MCh$
Trading instruments	1,298,131	-	**1,298,131**	-	**1,298,131**
Loans and receivables to banks	169,711	(295)	**169,416**	-	**169,416**
Loans and receivables to customers, and Contingents loans (1)	25,531,045	(382,977)	**25,148,068**	(7,709,572)	**17,438,496**
Financial investments available for sale	2,407,882	-	**2,407,882**	-	**2,407,882**
Financial investments held to maturity	708	-	**708**	-	**708**
Derivative financial agreements (2)	1,510,376	(9,259)	**1,501,117**	-	**1,501,117**

(1) In this line included loans and receivables of MCh$20,134,981 (see Note 11) and contingent receivables of MCh$5,396,064 (see Note 23). Reported warranties are legally pledged to the Bank and there is uncertainty about their eventual execution or settlement.

(2) For the year 2015 no guarantees were established in favor of the Bank.

As of December 31, 2014

MCh$	Maximum exposure	Provision	Net exposure after provision	Associated guarantees	Net exposure
	MCh$	MCh$	MCh$	MCh$	MCh$
Trading instruments	1,227,807	-	**1,227,807**	-	**1,227,807**
Loans and receivables to banks	329,755	(795)	**328,960**	-	**328,960**
Loans and receivables to customers, and Contingents loans (3)	20,446.211	(359,613)	**20,086,598**	(6,646,526)	13**,440,072**
Financial investments available for sale	859,185	-	**859,185**	-	**859,185**
Financial investments held to maturity	-	-	**-**	-	**-**
Derivative financial agreements (4)	2,411,245	(9,469)	**2,401,776**	-	**2,401,776**

(3) In this line are included loans and receivables of MCh$15,773,528 (see Note 11) and contingent receivables of MCh$4,672,683 (see Note 23), Reported warranties are legally pledged to the bank and there is uncertainty about their eventual execution or settlement.

(4) For the year 2014 no guarantees were established in favor of the Bank.

NOTE 36 – RISK MANAGEMENT, continuation

Operational Risk

Due to the importance of a proper administration and control of operational risks, the Bank introduced a specialized management whose organization is aligned with the principles defined in Basel Committee.

The Bank has operational risk specialists in process areas, information security, continuity of business, and regulatory compliance, with the objective of avoiding errors in the processes, unexpected losses, and optimizing the use of required capital.

Over the last several years, the Bank has grown in terms of identification, quantification, mitigation and report of its operational risks, which allows the Bank to manage and monetarily quantify its risks.

Operational risk management

The Bank manages its operational risks with the active participation of those responsible for the areas and processes (Owners of Processes) through four management committees on different areas: a) committee for operational risks b) security of information, c) continuity of business and d) externalized services. These committees meet periodically and their objective is reviewing losses that have occurred, carrying out plans for correcting their causes, and managing the mitigation plans for operational risks identified in the process revisions.

Capital calculation according to Basel

The Bank has participated in the capital calculation exercises according to the standards of Basel II (QIS), a calculation integrating the operating risk with credit and market risks, as a global indicator of risk exposure, however, the bank during the exercise 2015 and 2014 made the calculating Operational Risk Capital under the Advanced Model.

Security of information

The Bank has a security strategy based on the best practices of the industry which is sustained in the regulatory frame and whose main component is the General Policy for Information Security, approved by the Board of Directors Committee, an organization consisting of specialized areas and focused on the administration and operation of security and the management of security risks, and a Security Committee consisting of representatives of several areas of the Bank that monitor compliance with the annual plan of security and the approval of specific policies for security.

This strategy is implemented by a technological infrastructure and specific procedures of operation and monitoring of activity, oriented towards preventing potential attacks on the information security of the clients and the Bank.

NOTE 36-– RISK MANAGEMENT, continuation

Continuity of business

The continuity strategies developed during the last several years have been consolidated, adding new risk scenarios and increasing the coverage plan to the different units that need to continue operating in situations of contingency.

Bci Corporation is constantly working on strengthening of its business continuity plan. Plan coverage has increase as Bank requirement, including the processes by criticality requires.

During 2015 the Bank has carried out activities for maintaining and improving business continuity including updating, testing and training of employees. The tests were carried out during working hours, with customer service in order to validate the effectiveness of the procedures and continuity strategies that were established, giving a constant and satisfactory customer service. Tests carried out involve the implementation of operational procedures, technological tests and drills.

NOTE 37 - MATURITIES OF ASSETS AND LIABILITIES

As of December 31, 2015 and 2014, the breakdown of maturities of assets and liabilities is as follows:

December 31, 2015	NIB	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Subtotal up to 1 year	Between 1 and 5 years
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Assets						
Cash and deposits in banks	1,272,552	-	-	-	1,272,552	-
Incomes in course of collection	434,550	-	-	-	434,550	-
Trading portfolio financial assets	-	1,142,227	15,006	83,417	1,240,650	36,191
Investment under agreement to resell	-	177,279	6,454	22,372	206,105	-
Securities purchased under resale agreements	-	147,043	89,694	227,810	464,547	534,812
Loans and receivables to banks (*)	-	17,204	30,483	97,960	145,647	24,064
Loans and receivables to customers (**)	-	1,886,691	1,485,141	3,349,680	6,721,512	7,049,347
Financial instruments available for sale	-	109,482	461,554	225,937	796,973	424,951
Investment instrument held to maturity	-	-	-	-	-	-
Total assets	**1,707,102**	**3,479,926**	**2,088,332**	**4,007,176**	**11,282,536**	**8,069,365**
Liabilities						
Current accounts and demand deposits	8,047,288	-	-	-	8,047,288	-
Incomes in course of collection	255,800	-	-	-	255,800	-
Obligations under agreements to repurchase	-	441,835	7,252	41	449,128	-
Time deposits and saving accounts (***)	-	3,795,015	2,142,822	2,851,079	8,788,916	509,633
Derivative financial instruments	-	184,340	129,880	240,426	554,646	582,445
Borrowing from financial institutions	-	638,116	214,388	410,312	1,262,816	527,274
Debt issued	-	3,705	434	173,975	178,114	1,796,690
Other financial obligations	-	705,129	553	1,925	707,607	36,243
Total liabilities	**8,303,088**	**5,768,140**	**2,495,329**	**3,677,758**	**20,244,315**	**3,452,285**

(*) Gross values.
(**) Excludes allowances and amounts whose maturity date has already passed.
(***) Excludes fixed term savings accounts.

NOTE 37 - MATURITIES OF ASSETS AND LIABILITIES, continuation

December 31, 2014	NIB	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Subtotal up to 1 year	Between 1 and 5 years
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Assets						
Cash and deposits in banks	1,547,758	-	-	-	1,547,758	-
Incomes in course of collection	940,888	-	-	-	940,888	-
Trading portfolio financial assets	-	937,561	23,593	109,799	1,070,953	156,801
Investment under agreement to resell	-	120,920	10,127	12,404	143,451	-
Securities purchased under resale agreements	-	147,649	153,112	294,565	595,326	765,366
Loans and receivables to banks (*)	-	6,357	43,063	262,739	312,159	17,596
Loans and receivables to customers (**)	-	1,912,547	1,438,000	2,719,234	6,069,781	4,961,113
Financial instruments available for sale	-	753,754	17,528	7,758	779,040	43,876
Investment instrument held to maturity	-	-	-	-	-	-
Total assets	**2,488,646**	**3,878,788**	**1,685,423**	**3,406,499**	**11,459,356**	**5,944,752**
Liabilities						
Current accounts and demand deposits	4,592,440	-	-	-	4,592,440	-
Incomes in course of collection	725,573	-	-	-	725,573	-
Obligations under agreements to repurchase	-	406,249	1,045	237	407,531	-
Time deposits and saving accounts (***)	-	3,417,174	2,186,133	2,546,306	8,149,613	78,988
Derivative financial instruments	-	147,003	155,760	329,612	632,375	852,566
Borrowing from financial institutions	-	592,098	232,123	621,789	1,446,010	227,555
Debt issued	-	2,509	10,235	94,645	107,389	1,713,433
Other financial obligations	-	33,805	530	1,761	36,096	21,705
Total liabilities	**5,318,013**	**4,598,838**	**2,585,826**	**3,594,350**	**16,097,027**	**2,894,247**

(*) Gross values.
(**) Excludes the provision and amounts whose maturity date has already passed.
(***) Excludes fixed term savings accounts.

NOTE 38 - FOREIGN CURRENCY

The Consolidated Statements of Financial Position as of December 31, 2015 and 2014 include assets and liabilities in foreign currencies or that are adjusted by the variation in the exchange rate as follows:

	In foreign currency		In Chilean Pesos		Total	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
ASSETS	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Cash and deposits in banks	607,777	740,263	664,775	807,495	1,272,552	1,547,758
Items in course of collection	129,558	625,031	304,992	315,857	434,550	940,888
Trading portfolio financial assets	9,946	6,090	1,288,185	1,221,717	1,298,131	1,227,807
Investment under agreement to resell	35,388	-	170,717	143,451	206,105	143,451
Derivative financial agreements	6,920	3,512	1,492,503	2,396,993	1,499,423	2,400,505
Loans and receivables to banks	168,385	327,724	1,031	1,236	169,416	328,960
Loans and receivables to customers	5,604,206	2,640,622	14,166,323	12,790,310	19,770,529	15,430,932
Financial investments available for sale	1,631,895	261,938	775,987	597,247	2,407,882	859,185
Financial investments held to the maturity	708	-	-	-	708	-
Investments in other companies	53,102	-	117,001	101,086	170,103	101,086
Intangible assets	2,740	35	172,811	90,995	175,551	91,030
Property, plant and equipment	55,911	1,288	226,645	229,497	282,556	230,785
Current income tax	298	-	4,795	-	5,093	-
Deferred income taxes	111,822	-	91,864	74,076	203,686	74,076
Other assets	511,196	231,117	276,920	195,588	788,116	426,705
TOTAL ASSETS	**8,929,852**	**4,837,620**	**19,754,549**	**18,965,548**	**28,684,401**	**23,803,168**
LIABILITIES						
Current accounts and demand deposits	3,740,597	647,070	4,306,691	3,945,370	8,047,288	4,592,440
Items in course of collection	175,503	615,268	80,297	110,305	255,800	725,573
Obligation under agreements to repurchase	73,969	15,816	375,159	391,715	449,128	407,531
Time deposits and saving accounts	2,011,828	1,820,930	7,290,068	6,407,679	9,301,896	8,228,609
Derivative financial agreements	2,687	6,457	1,532,504	2,441,677	1,535,191	2,448,134
Borrowing from financial institutions	1,604,598	1,583,190	185,492	90,375	1,790,090	1,673,565
Debt issued	1,342,395	1,126,196	2,480,255	2,172,771	3,822,650	3,298,967
Other financial obligations	685,502	12,842	61,444	57,899	746,946	70,741
Current income tax	-	-	-	23,832	-	23,832
Deferred income taxes	-	-	42,611	45,309	42,611	45,309
Provisions	12,006	2,608	243,126	236,587	255,132	239,195
Other liabilities	63,227	29,170	373,917	219,138	437,144	248,308
TOTAL LIABILITIES	**9,712,312**	**5,859,547**	**16,971,564**	**16,142,657**	**26,683,876**	**22,002,204**

NOTE 39 - SUBSEQUENT EVENTS

a) On January 28, 2016 the certificate from the Superintendence of Banks and Financial Institutions (SBIF) was received, which confirms registration in the public record No. 1/2016 of the capital increase approved at the Extraordinary Shareholders' Meeting held on October 27, 2015, limited public deed on October 29, 2015 in the Mr. Patricio Zaldívar Mackenna Notary of Santiago.

   The emission corresponds to 10,737,300 paid-in shares of a single series and with no par value. These shares must be issued, subscribed and paid within a maximum period of three years from the aforementioned Extraordinary Shareholders' Meeting.

b) In the Official Gazette dated February 8, 2016 Law No. 20,899 was published, that simplifies and clarifies the tax reform of 2014 (Law No.20,780), focusing on four specific objectives: to simplify and clarify the tax reform; to ensure the tax collection; to maintain the progressivity of the system; and to create tools allowing eliminate tax evasion and avoidance.

   Among the most important points this Law includes changes regarding the adoption of incorporated tax systems by Law No. 20,780 (attributed system and semi-integrated system), since the latter standard allowed us to choose any of them, while Law No. 20,899 forced us to adopt the semi-integrated system.

   It should be mentioned that the main impact of selection of the system is its effect on the deferred taxes calculation, which are calculated based on the tax rate that, according to the tax regulations in force, must be applied in the year in which the deferred tax asset or liability is reversed. Considering that deferred taxes of BCI and its subsidiaries have been determined based on the tax rates stipulated by the semi-integrated system, this legal change does not impact the presentation of these financial statements.

Between January 1, 2016 and the date of issuance of these Consolidated Financial Statements (February 25, 2016), there have been no subsequent events other than those mentioned above which may have impact on the presentation of these Consolidated Financial Statements.

Fernando Vallejos Vásquez	Eugenio Von Chrismar Carvajal
Corporate Accounting Manager	Chief Executive Officer

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