Integrated
Annual Report 2017

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Hello

Bci

# Welcome to our 2017 Integrated Annual Report

# Letter from the Chairman

**Dear Shareholders:**

I am pleased to present our Integrated Annual Report, which describes the economic, social, and environmental performance of Bci in 2017—undoubtedly a very important year for our company. As we celebrate our 80th year in business, we are proud of our history and look forward to the challenge of becoming the most well-liked and preferred bank by 2020.

The Bank recorded an excellent financial performance in 2017, received several awards, and saw significant growth of our business lines, consolidating our position as one of the leading banks in Chile and one of the largest banks in the state of Florida in the United States, through City National Bank of Florida (CNB).

The value of Bci shares on the stock market reflected the Bank's ongoing commitment to progress and investors' confidence in our outlook. The share price closed 2017 at a new peak, which translated into an annual yield, including dividends, of 31.18%.

The market responded enthusiastically to our two most important announcements in the year: the agreement on the acquisition of TotalBank, in the United States, through our affiliate City National Bank of Florida; and the announced acquisition of the local financial business of Walmart Chile, together with a strategic alliance with this world leader in the retail industry.

As we face the digital transformation that is occurring at both the local and global levels, in every area of our business, we need to adjust to the new demands of our customers, who increasingly require a more immediate, efficient, safe, and personalized service that is accessible from a range of platforms. To meet these needs, Bci initiated a major transformation three years ago, to provide our customers with a distinctive experience, while also strengthening our data management capacity. This will allow us to tailor our services to each client's individual needs.

This Annual Report presents the main developments in this direction in 2017, in conjunction with an analysis of our financial and nonfinancial performance in the period.

The Chilean economy remained weak in 2017, although it began to recover late in the year, finishing with a growth rate of around 1.6%. Investment contracted for the fourth year in a row, while consumption was somewhat more dynamic. The external scenario was especially favorable, fostering an improvement in the terms of trade and a recovery in the mining sector. The exchange rate followed a downward trend, which sharpened toward the end of the year, as the copper price rose and the growth outlook for the next two years improved.

Nevertheless, 2017 was a good year for Bci. The Bank had net earnings of Ch$371.425 billion in the period, equivalent to annual growth of 9.2%.

Bci's return on equity (ROE) was 13.61% in 2017, 11 basis points (bp) higher than in 2016 and above the average of the rest of the banking system (11.75%). We increased our market share of national loans to 13.62%. If we include City National Bank of Florida, which accounts for 18.3% of our total loans, the share is 15.68%.

The ratio of regulatory capital to risk-weighted assets was 13.19%, while Tier 1 capital to total assets was 7.51%, in line with a year ago. Both ratios are above the minimum level established internally and also above the regulatory limit set by the Superintendence of Banks and Financial Institutions (8% and 3%, respectively). The Tier 1 ratio (capital over risk-weighted assets) was 10.21% in December 2017, an increase of 15 bp relative to December 2016, thus meeting our internal target.

Fitch Rating raised Bci's solvency rating from "A–" a "A" in the international market and from "AA+" to "AAA" in the local market. This revision reflects improvements in the Bank's financial profile, especially in terms of profitability, asset quality, and capital adequacy.

As in past years, these results derive from a solid performance and changes introduced in our four main divisions: Retail Banking, Wholesale Banking, Finance Division, and International Divisions.

In 2017, the Retail Banking Division made important advances in the provision of omnichannel yet personalized service, thanks to the successful implementation of the new Customer Relationship Management (CRM) platform. This area launched a transformation plan focused on profitable growth, innovation, and the development of the payment ecosystem. As part of the plan, a series of initiatives were implemented, such as improving the value proposal of the Bci Nova and SME segments. In the business segment, the use of the Bci / AAdvantage credit card, which allows companies to earn more miles in the marketplace, contributed to a 14% increase in the number of business credit cards issued, relative to the previous year. This has supported the consolidation of our co-branding with American Airlines, which already has over 30,000 card holders.

The agreement to purchase the local financial business of Walmart Chile—subject to authorization by the regulator—will allow us to increase our share of the credit card market in Chile, which is a very important area for business development. The agreement contemplates the acquisition of 100% of the entities that make up the Walmart Chile Financial Services group.

In Wholesale Banking, highlights include initiatives in sales effectiveness, client intelligence, and the development of more and better campaigns, combining the power of data analysis with a closer client relationship, going beyond expectations and anticipating their needs.

In 2017, the Wholesale Banking Division participated in 15 seminars in different regions, to generate opportunities to connect with businesses, corporations, and communities in different parts of the country. The division also held its VIII Annual Conference, which was attended by over 500 people. Speakers included Luis Felipe Céspedes, the former Minster of the Economy, and Kjell A. Nordström, business professor and Ph.D. in economics, who discussed the digital transformation and its impact on the ability of countries, firms, and society as a whole to achieve sustainable long-term growth.

The international business unit negotiated an exclusive agreement between Bci and the fintech firm Opportunity Network, creator of a digital business community that connects national and international companies so that they can generate business with community members who are clients of other banks or financial entities associated with the network.

The Finance Division had an excellent performance, which allowed the Bank to mitigate the lower income associated with significantly lower-then-expected inflation. One of the division's most important accomplishments in this regard was a US$500 million international bond issue, which received orders from over 140 investors and achieved historical spreads.

We also continued to more forward on our internationalization strategy in 2017. In November, we signed an agreement to acquire 100% of TotalBank, through City National Bank of Florida, for US$528 million. TotalBank has over 40 years of history in South Florida. The acquisition is a logical next phase in our development, given the similarities with CNB in terms of business segments, the geographical area in which the Bank operates, its diversification, and its solid portfolio. The merger—which is subject to approval by the regulatory authorities in Chile and the United States—will allow us to off our customers exceptional service, with significant economies of scale.

At the same time, three years after the acquisition of City National Bank of Florida, we are pleased to report that this subsidiary had an excellent performance. At year-end 2017, total loans were US$7.1 billion, equivalent to 33% annual growth, while total assets exceeded US$10.000 billion, an increase of 23% over 2016. As of the close of the year, Bci's investment in CNB represents 18.2% of the Bank's consolidated assets, while total international operations, including CNB, Bci Miami, and Bci Securities, account for 22% of the Bank's consolidated assets.

The performance of our businesses outside of Chile was affected by the tax reform approved in the United States in December 2017, which was immediately reflected in the financial statements. Due to the change, City National Bank of Florida and our branch in Miami had lower earnings by US$48 million. However, this is a one-time occurrence that we expect to be mitigated over the next three years.

With regard to our employees, an integrated change management plan was launched in 2017, in order to generate commitment to new ways of interacting and organizing work, to speed up the development process, and to create a widely shared conviction.

Over 8,000 employees of Bci and its subsidiaries, from Arica to Punta Arenas, as well as in Miami, celebrated the Bank's 80th anniversary with a range of activities, in a healthy atmosphere of festivities, respect, and camaraderie. We also launched an interactive commemorative book entitled "80 Years: A History of the Future," which incorporates music, videos, and photographs.

We have also taken an innovative approach in our community relations program, in an effort to expand opportunities to support the country's progress. One example is the opening of a branch in the community of Pedro Aguirre Cerda in 2017. For this project, we worked with members of the community and local authorities, listening to their concerns and suggestions, in order to develop a branch that not only serves their immediate banking needs, but also provides support in the areas of management, the generation of business networks, and financial learning.

In 2017, we joined Start-Up Chile, the largest business accelerator in Latin America, to offer access to banking services to more than 250 startups that receive support from this organization. Another initiative was the development of Social Store, a digital window for 350 entrepreneurs supported by our program Bci Nace. Through our alliance with the Catholic University of Chile's program for small and medium-sized businesses (SME-UC), in operation for 10 years, we promoted the application of a business self-assessment program in conjunction with training through the university's mentor network.

To finance our support initiatives for micro-enterprises and entrepreneurs, we issued a US$50 million social impact bond on the international market, which was well-received by investors.

As a result of these business management practices, we received a number of awards and accolades in the year. We were ranked number one for Corporate Reputation by Merco, which also awarded us the Most Responsible Company and Best Corporate Governance in Chile. We were also recognized as the Most Transparent Company in Chile and for promoting a culture of integrity within the organization. Bci took fourth place in the Great Place to Work ranking, and we were recognized as one of the most attractive places to work in our country and one of the best companies for young professionals in America. Thanks to our work in digital banking, Global Finance awarded us the Best Digital Retail Bank in Chile.

This integrated business perspective and our social and environmental impact management were recognized by the Dow Jones Sustainability Index, when Bci was chosen to be included in the new regional index, the DJSI MILA Pacific Alliance Index. In addition, the Ministry of Energy and the Chilean Association of Energy Efficiency awarded the Bank the 2017 Energy Efficiency Gold Certificate and included Bci on the list of the 22 leading companies in the development of energy efficiency initiatives at the national level.

We greatly appreciate all of the awards and recognition we have received, as they reflect our commitment to a job well done, to putting people first, and to supporting the development of society as a whole, which is the ultimate purpose of our actions.

I am certain that in the coming years, we will continue to work hard to be the best, to continue to grow, and to increase our presence both nationally and internationally. And I especially hope that we retain the central pillars of our culture and values, which have distinguished us throughout these 80 years. Because that is what allows us to say, with conviction and pride, that We Are Different.

Luis Enrique Yarur Rey
**Chairman of the Board**

# 1.2 Financial Summary

| CONSOLIDATED BALANCE SHEET | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Year-end balance, in millions of Chilean pesos | | | | |
| Commercial and interbank loans | 6,544,486 | 7,880,994 | 9,048,347 | 9,946,350 |
| Mortgage loans | 1,913,547 | 2,168,712 | 2,466,999 | 2,818,822 |
| Consumer loans | 1,174,581 | 1,400,739 | 1,620,457 | 1,764,297 |
| **Total loans** | **9,632,614** | **11,450,445** | **13,135,803** | **14,529,469** |
| Loan loss provisions | (249,328) | (277,297) | (299,373) | (334,247) |
| **Net total loans** | **9,383,286** | **11,173,148** | **12,836,430** | **14,195,222** |
| Financial investments | 1,346,687 | 2,072,068 | 1,994,900 | 1,976,887 |
| Other assets | 2,465,311 | 2,864,445 | 3,095,248 | 4,074,560 |
| **Total assets** | **13,195,284** | **16,109,661** | **17,926,578** | **20,246,669** |
| Non-interest-bearing demand deposits | 2,844,029 | 3,172,480 | 3,618,365 | 3,920,617 |
| Time deposits | 5,467,545 | 6,749,054 | 7,222,588 | 7,707,698 |
| Other liabilities | 3,844,544 | 4,966,078 | 5,665,668 | 7,036,254 |
| Capital and reserves | 883,708 | 1,039,157 | 1,230,077 | 1,371,893 |
| Minimum dividend provision | (66,623) | (78,380) | (81,377) | (90,088) |
| Earnings | 222,075 | 261,268 | 271,256 | 300,294 |
| Minority interest | 6 | 4 | 1 | 1 |
| **Total liabilities and shareholders' equity** | **13,195,284** | **16,109,661** | **17,926,578** | **20,246,669** |
| **FINANCIAL INDICATORS** | | | | |
| **Bci shares** | | | | |
| Price (in pesos, last business day of year) | 33,058 | 28,789 | 32,946 | 29,162 |
| Earnings per share | 2,154 | 2,504 | 2,563 | 2,802 |
| Stock price / Book value (times) | 3,86 | 2,57 | 2,42 | 1,98 |
| Stock price / Earnings per share (times) | 15,35 | 12,95 | 12,67 | 10,41 |
| Market capitalization (in billions of pesos) | 3,408 | 3,004 | 3,437 | 3,125 |
| **Profitability and efficiency** | | | | |
| Return on equity | 21.37% | 21.38% | 19.10% | 18.98% |
| Capitalized earnings from previous year | 68.47% | 67.50% | 67.06% | 66.24% |
| Return on assets | 1.68% | 1.61% | 1.51% | 1.48% |
| Efficiency (Overhead expenses / Operating income) | 45.42% | 44.13% | 45.97% | 44.52% |
| Assets per employee (millions of pesos) | 1,420 | 1,576 | 1,692 | 1,925 |
| **Market share** | | | | |
| Loans[1] | 12.72% | 12.94% | 12.95% | 13.23% |
| **Risk** | | | | |
| Risk rate[1] (Provision expense[2] / Total loans[3]) | 1.53% | 1.26% | 1.30% | 1.50% |
| Risk ratio (Provisions / Total loans)[4] | 2.50% | 2.42% | 2.28% | 2.30% |
| **ACTIVITY INDICATORS (Number)** | | | | |
| Employees (Bci Corporation) | 9,346 | 10,220 | 10,595 | 10,518 |
| Branches [5] | 365 | 378 | 388 | 384 |
| Checking accounts | 425,233 | 449,700 | 489,816 | 514,803 |
| Electronic checkbooks | 1,115,633 | 1,215,527 | 1,208,989 | 1,222,033 |
| Automatic teller machines | 1,111 | 1,333 | 1,294 | 1,080 |
| ATM transactions[6] (December of each year)ccc | 5,455,584 | 5,672,989 | 4,572,650 | 4,173,362 |
| Internet transactions[7] (December of each year) | 12,925,182 | 14,434,020 | 15,369,000 | 16,083,389 |
| Customers with Internet-based access | 404,956 | 408,987 | 428,310 | 429,913 |

| | 2014 | 2015 | 2016 | 2017 | Change 2017/2016 |
|---|---|---|---|---|---|
| | | | | | |
| | 10,799,382 | 13,406,099 | 14,902,850 | 15,962,764 | 7,1 % |
| | 3,317,344 | 4,485,485 | 4,999,917 | 5,855,391 | 17,1 % |
| | 1,985,762 | 2,412,813 | 2,644,473 | 2,892,370 | 9,4 % |
| | **16,102,488** | **20,304,397** | **22,547,240** | **24,710,525** | **9,6 %** |
| | (342,596) | (364,452) | (369,666) | (401,041) | 8,5 % |
| | **15,759,892** | **19,939,650** | **22,177,574** | **24,309,484** | **9,6 %** |
| | 2,086,992 | 3,706,013 | 3,792,479 | 4,730,198 | 24,7 % |
| | 5,956,285 | 5,038,738 | 4,828,165 | 4,843,714 | 0,3 % |
| | **23,803,169** | **28,684,401** | **30,798,218** | **33,883,396** | **10,0 %** |
| | 4,592,440 | 8,047,288 | 8,194,263 | 9,534,124 | 16,4 % |
| | 8,228,609 | 9,301,896 | 9,957,688 | 10,692,346 | 7,4 % |
| | 9,181,156 | 9,334,801 | 10,127,546 | 10,928,640 | 7,9 % |
| | 1,560,882 | 1,768,715 | 2,280,185 | 2,467,862 | 8,2 % |
| | (102,891) | (99,247) | (102,049) | (111,421) | 9,2 % |
| | 342,972 | 330,819 | 340,165 | 371,403 | 9,2 % |
| | 1 | 238 | 420 | 442 | 5,2 % |
| | **23,803,169** | **28,684,401** | **30,798,218** | **33,883,396** | **10,0%** |
| | | | | | |
| | 29,944 | 26,730 | 33,894 | 42,780 | 26,2% |
| | 3,155 | 2,986 | 2,753 | 2,972 | 8,0% |
| | 1,81 | 1,48 | 1,70 | 2,10 | 0,40 |
| | 9,49 | 8,96 | 12,31 | 13,30 | 0,99 |
| | 3,255 | 2,962 | 4,188 | 5,345 | 27,6% |
| | | | | | |
| | 19.04% | 16.54% | 13.51% | 13.61% | 10 pb |
| | 55.03% | 68.31% | 66.51% | 63.68% | -283 pb |
| | 1.44% | 1.15% | 1.10% | 1.10% | 0 pb |
| | 42.96% | 46.16% | 50.72% | 50.67% | -5 pb |
| | 2,265 | 2,716 | 2,941 | 3,413 | 472 |
| | | | | | |
| | 13.08% | 12.88% | 13.28% | 13.62% | 34 pb |
| | | | | | |
| | 1.35% | 1.10% | 1.10% | 1.06% | -4 pb |
| | 2.13% | 1.80% | 1.64% | 1.62% | -2 pb |
| | | | | | |
| | 10,511 | 10,560 | 10,473 | 9,929 | -544 |
| | 361 | 361 | 365 | 356 | -9 |
| | 528,598 | 557,236 | 584,622 | 616,464 | 31,842 |
| | 939,381 | 1,036,395 | 1,103,556 | 1,174,301 | 70,745 |
| | 1,037 | 1,057 | 1,062 | 1,255 | 193 |
| | 4,675,418 | 4,338,540 | 4,403,674 | 5,943,945 | 1,540,271 |
| | 15,814,481 | 16,019,215 | 16,540,828 | 19,240,835 | 2,700,007 |
| | 464,048 | 469,014 | 469,969 | 530,397 | 60,428 |

1 Excluding loans from City National Bank of Florida (CNB) and ItauCorp in Colombia.
2 Loan loss provisions include provisioning for loans, contingent loans, and the minimum provisions adjustment for a normal portfolio.
3 Total loans to customers.
4 Total loans to customers plus interbank loans.
5 Includes contact points.
6 ATM withdrawals.
7 Only transactions requiring a password.

* Bb: basis points

# 1.3 Financial performance

The main performance indicators of Bci and its subsidiaries.
**Cifras expresadas en pesos nominales.**

## Performance

In 2017, performance was affected by the adverse scenario, in which the Chilean economy recorded the lowest growth rate since 2009 and both investment and inflation were lower than expected. As a result, total loans in the local financial system grew just 4.7% in nominal terms (the lowest rate of the last decade).

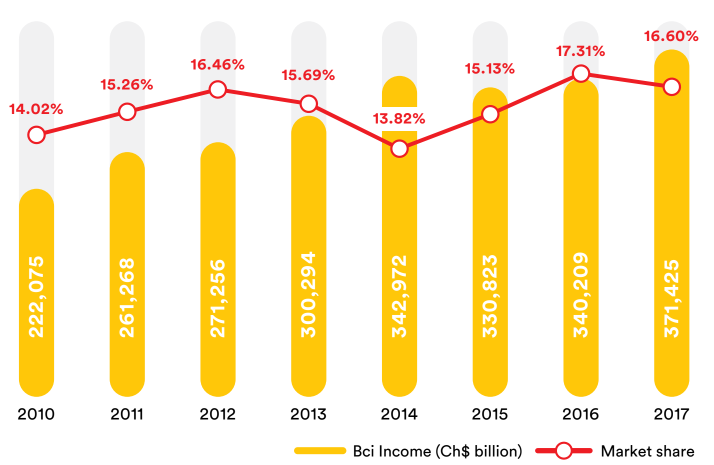
Despite this context, Bci recorded consolidated income of Ch$371.425 billion, a 9.2% increase over 2016. This represents the third highest income among banks in the banking system, reflecting the strong performance of Bci and its subsidiaries and a higher return on investment in related companies. The latter is mainly explained by extraordinary income in March, of Ch$54.781 billion after taxes, due to a change in the accounting criteria for the valuation of Credicorp in Peru.

Final revenue was also affected in December by the negative one-time adjustment of the deferred tax asset following the approval of the U.S. tax reform, which reduced the federal corporate tax rate from 35% to 21%. This reduced the income of City National Bank of Florida (CNB) and the Miami Branch by Ch$30.665 billion.

The net interest margin (the ratio of net income from interest and inflation adjustments to average loans) was 4.04%. This is 28 basis points (bp) lower than in 2016, mainly due to the change in Bci's loan composition deriving from the significant growth of mortgage loans.

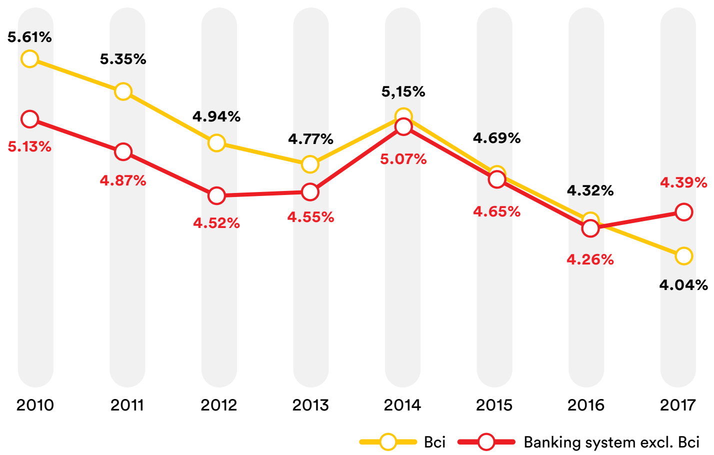
The operating efficiency ratio is measured as non-interest operating expense over gross operating income (excluding voluntary provisions). In 2017 Bci's efficiency improved by 5 bp due to higher operating income. Non-interest expense increased 8.1% in the year, of which 20%

**Consolidated Income and Bci's Share in the Banking System[1]**




[1] Banking system includes CNB and investment in ItauCorp in Colombia.

**Net Interest Margin: Bci and the Banking System[1]**




[1] Banking system excludes Bci (and CNB) and includes investment in ItauCorp in Colombia.

corresponded to CNB. When CNB is excluded, the increase in administrative and personnel costs at Bci is largely associated with the investment push being made in digital transformation.

In 2017, Bci had a return on equity (ROE) of 13.61%, 11 bp higher than the previous year. This exceeds the 11.75% of the rest of the banking system and is mainly due to higher income in 2017.

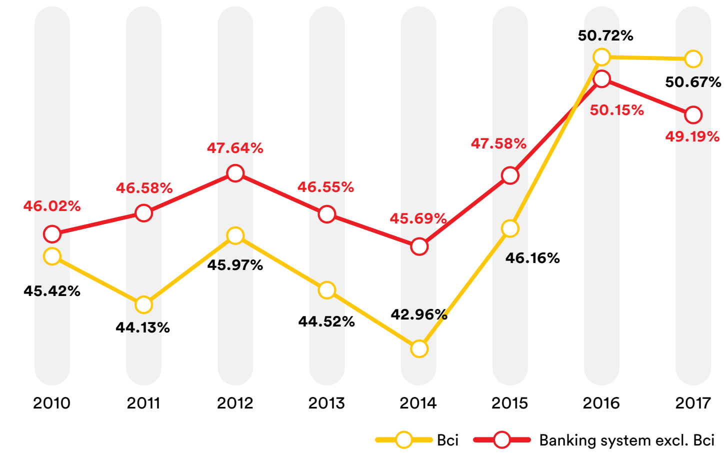
## Market Share

Total loans of Bci (net of interbank loans) reached Ch$24.53 trillion in December 2017. This is 9.89% higher than in 2016.

This increase is largely explained by CNB, where total accumulated loans rose to Ch$4.43 trillion, representing 22.8% growth over the previous year.

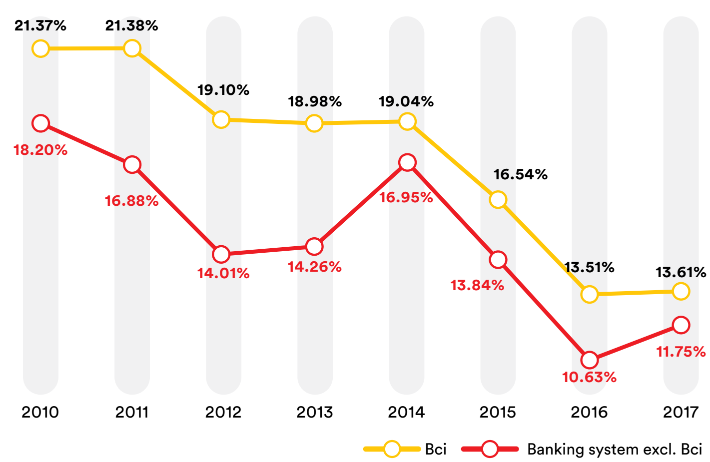
The market share of Bci in Chile, excluding CNB, increased from 13.28% to 13.62%. When CNB is included, market share grew from 14.93% to 15.68%.

**Efficiency Index[1]:**
**Bci and the Banking System[2]**



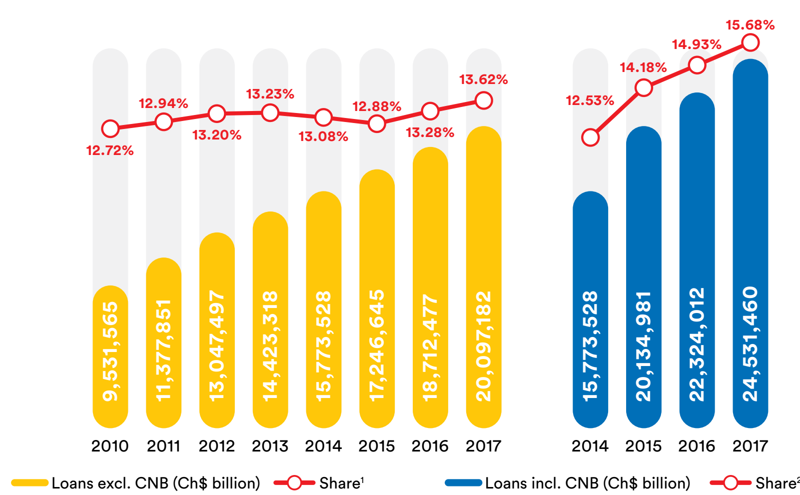

[1] A decrease in the index indicates an improvement in efficiency.
[2] Banking system excludes Bci (and CNB) and includes investment in ItauCorp in Colombia.

**Return on Equity:**
**Bci and the Banking System[1]**




[1] Banking system excludes Bci (and CNB) and includes investment in ItauCorp in Colombia.

**Bci:**
**Total Loans and Market Share**




[1] Excluding CNB and investment in ItauCorp in Colombia.
[2] Including CNB and investment in ItauCorp in Colombia.

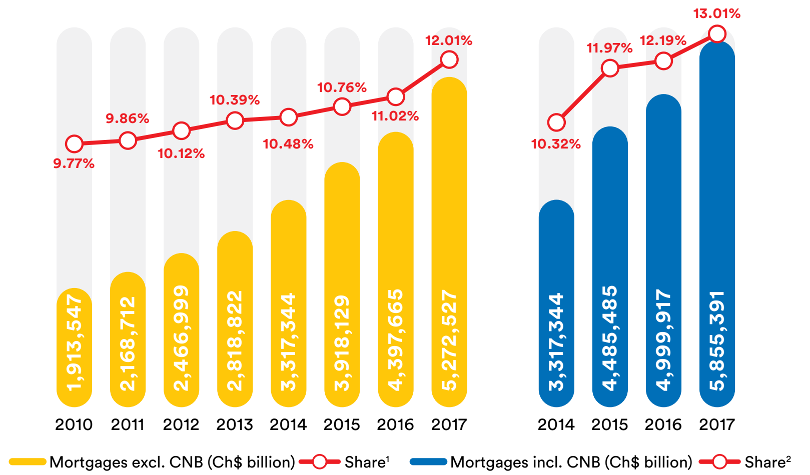
Total loans (net of interbank loans) are made up of commercial, consumer, and mortgage loans. All three segments have increased steadily in recent years. In 2017, mortgage loans grew 17.1%; commercial, 7.5%; and consumer, 9.4%.

The strong growth of mortgage loans contributed to an increase in market share in this segment, from 11.02% to 12.01% (including CNB: 12.19% to 13.01%,).

As of December 2017, Bci had a 14.48% share of the commercial loan market at the local level (including CNB: 17.54%). This is in line with a growth strategy based on solid risk management.

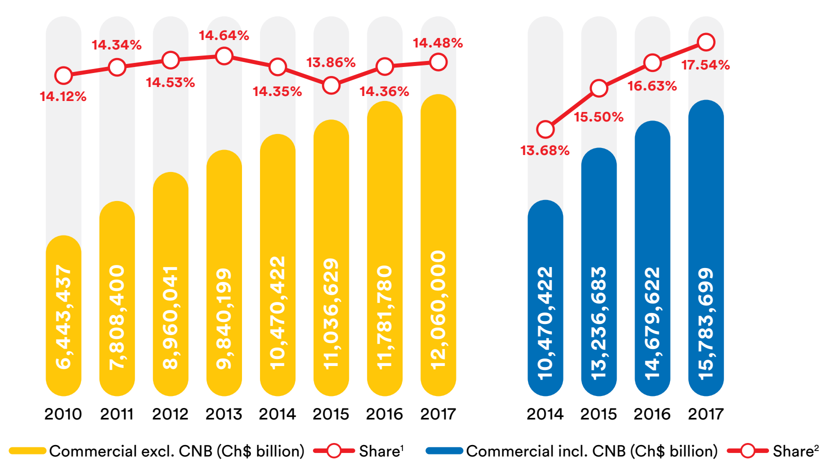
In consumer loans, Bci's local market share was 13.58% as of December 2017 (including CNB: 13.48%). The market share is lower when overseas investments are included because CNB does not focus on consumer loans.

**Bci:**
**Mortgage Loans and Market Share**



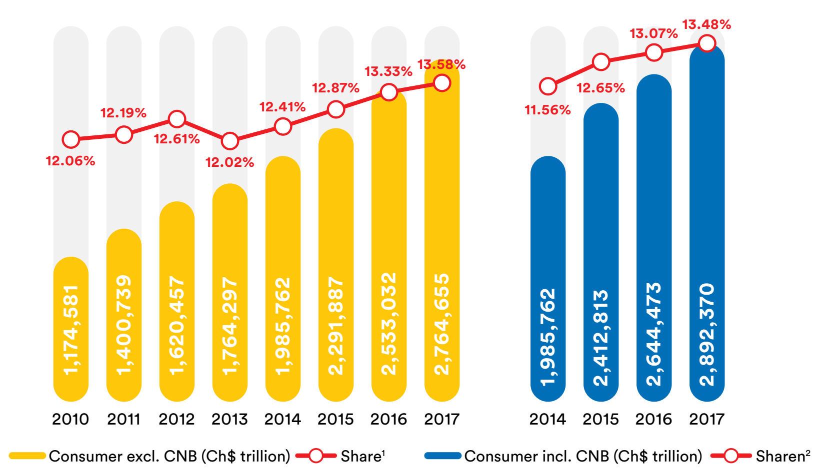

¹ Excluding CNB and investment in ItauCorp in Colombia.
² Including CNB and investment in ItauCorp in Colombia.

**Colocaciones Comerciales**
**y participación de mercado: Bci**




¹ Excluye CNB e inversión de ItauCorp en Colombia.
² Incluye CNB e inversión de ItauCorp en Colombia.

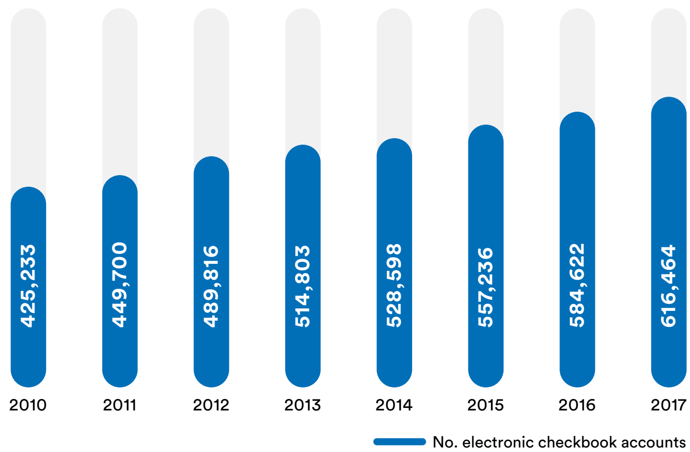
**Colocaciones Consumo**
**y participación de mercado: Bci**




¹ Excluye CNB e inversión de ItauCorp en Colombia.
² Incluye CNB e inversión de ItauCorp en Colombia.

In 2017, the number of traditional checking accounts continued to follow the growth trend of recent years, expanding 5.45% relative to 2016.

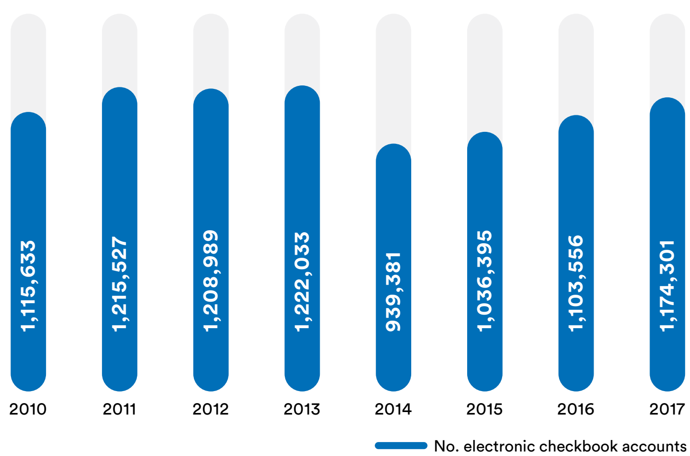
**Bci:**
**Number of Checking Accounts Excluding CNB [1]**



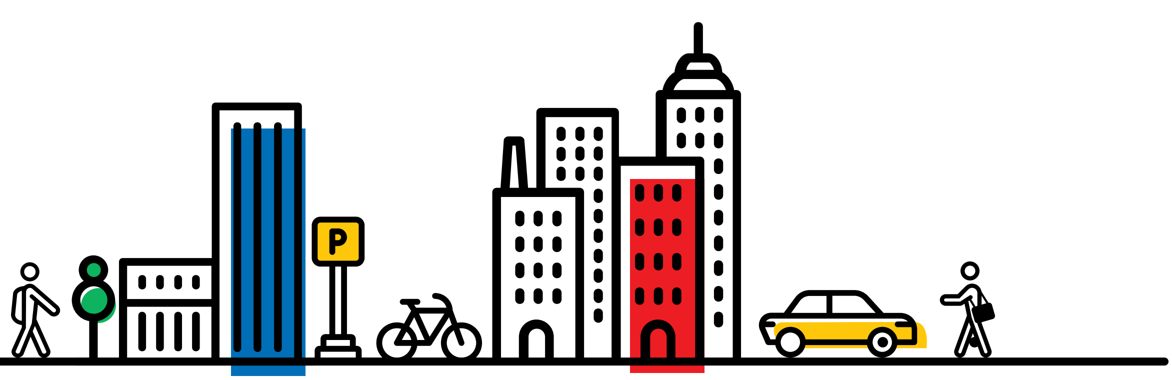

[1] No. checking accounts

Electronic checkbooks also grew, with a year-on-year increase of 6.41%.

**Bci: Number of Electronic Checkbooks Excluding CNB [1]**




[1] No. electronic checkbook accounts



## Risk

In 2017, the risk rate 1, measured as provision expense over total loans, was 1.06%, a decrease of 4 bp over 2016. This consolidation of Bci's performance relative to both previous years and the system derive from the Risk Management Transformation Plan and a focus on risk-adjusted earnings.

The risk ratio, measured as loan loss provisions over total loans, was 1.62% in 2017, a continuation of Bci's positive downward trend of the past three years. This contrasts with the upward path of the banking system.

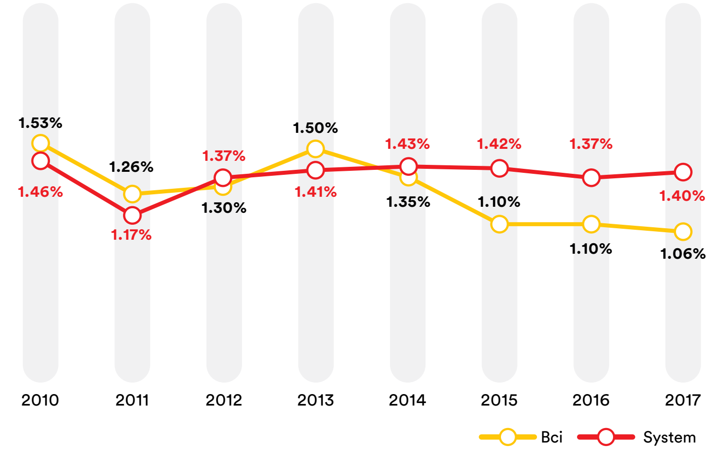
## Basel Ratio, Capital Level, and Tier 1 Ratio

The Basel ratio (regulatory capital over risk-weighted assets) was 13.19% in December 2017, a year-on-year drop of 22 bp. The Tier 1 leverage ratio (Tier 1 capital over total assets) was 7.51%, which is around the level of the previous year.

Both indicators are above the internal limits set by Bci and far higher than the regulatory minimums established by the Superintendence of Banks and Financial Institutions (SBIF), of 8% and 3%, respectively.

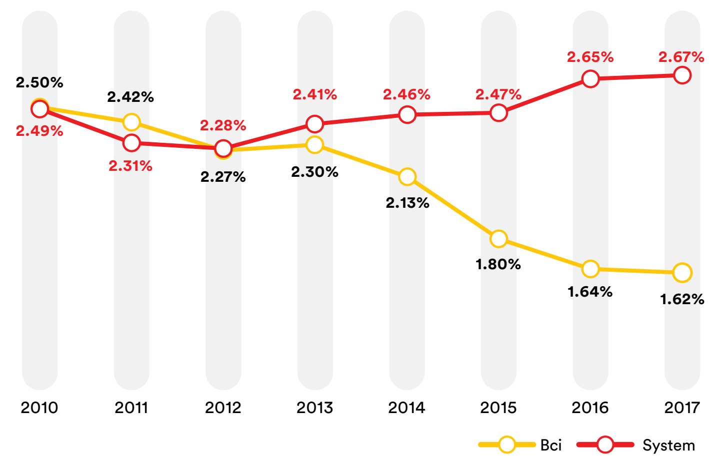
The Tier 1 ratio (Tier 1 capital to risk-weighted assets) was 10.21%, an increase of 15 bp over 2016 and within the internal limit set by Bci.

**Provision Expense and Write-offs over Total Loans: Bci and Banking System [1]**



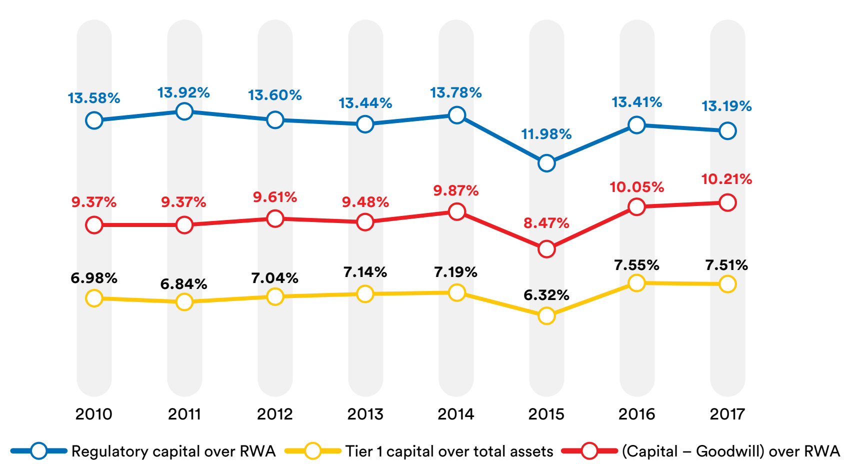

[1] Banking system excludes Bci (and CNB) and includes investment in ItauCorp in Colombia.

**Loan Loss Provisions over Total Loans: Bci and Banking System [1]**




[1] Banking system excludes Bci (and CNB) and includes investment in ItauCorp in Colombia.

**Bci: Basel Ratio, Capital Level, and Tier 1 Ratio**




[1] Bci includes CNB.

# 1.4 Shareholders

In 2017, the Bci share price reached a new peak, reflecting the consistent value generation of the Bank and its subsidiaries, together with favorable market expectations.

## a) Bci shares

Banco de Crédito e Inversiones is listed on the Santiago Stock Exchange, the Chilean Electronic Stock Exchange, and the Valparaíso Stock Exchange.

**Number of shares in circulation**

**124,944,872**

**Market capitalization**

**US$ 8.688 billion**

* Calculated using the year-end exchange rate of Ch$615.22 to the dollar (29 December 2017).

**Annual return (2017) (*)**

**31.18%**

**Annualized ten-year compound return (*)**

**16.45%**

(*) Including dividends.

**Bci is listed on the following stock indices:**

Latin America
- DJSI MILA

Chile
- IPSA
- DJSI Chile
- MSCI Chile

**In 2017, Bci was one of six Latin American banks to join the Dow Jones Sustainability MILA Pacific Alliance Index**

This new index was constructed by S&P Dow Jones Indices, IFC, RobecoSAM, and the Latin American securities exchanges that make up MILA (Mercado Integrado Latinoamericano). The index includes firms with the highest sustainability rating given by RobecoSAM in Chile, Colombia, Mexico, and Peru. Of the 154 companies invited to join the DJSI MILA index, 42 were listed (17 of which are Chilean). In the banking industry, 20 financial entities in the region were invited and only six were selected, including Bci.

Bci has also been listed on the DJSI Chile since the index was created in the local market in 2015.

Over the last five years, Bci shares had a beta of 1.02 relative to the IPSA, reflecting a risk level in line with the market average. Relative to other Bank shares in Chile, Bci had a beta of 0.852. Thus, the stock risk of Bci shares has been lower than the relevant market since 2013.

| **Share returns (2017)** | |
|---|---|
| Opening price (3 January): | $32,619 |
| Highest closing price (29 December): | $42,780 |
| Lowest closing price (31 January): | $32,107 |
| Closing price at year-end (29 December): | $42,780 |
| **Year-on-year change:** | **31,18%*** |

(*) Including dividends. (Source: Bloomberg)

**Share performance in 2017**


[1] Share price includes dividends. Source: Bloomberg

## b) Capital resources

Over the course of 2017, Bci's ratio of common equity Tier 1 (CET1) capital to total assets was 7.55%, while regulatory capital to risk-weighted assets was 13.20%. Both ratios were substantially higher than the minimum requirement under the General Banking Law, which specifies 3% and 8%, respectively.

## c) Dividend taxation

At the Ordinary Shareholders' Meeting held on 28 March 2017, a dividend payout of Ch$1,000 per share was approved, with a charge to net income in the 2016 financial year. This amounts to Ch$123,564,219,000, equivalent to 36.32% of total net income.

This amount was distributed and charged to taxable profits subject to the first-category income tax rate under Chilean Income Tax Law. This tax can qualifies as a credit against the global complementary or additional tax that shareholders must declare annually.

Shareholders are informed of the dividend taxation scheme through a certificate that provides the necessary information for filing the respective annual tax declaration.

The Bank's shareholding companies are required to keep new records under the tax reform enacted through Laws N° 20,780 and N° 20,899, which must specify that the dividend distributed in March 2017 was charged to taxable income that is eligible for a first-category tax credit, with an effective rate of 24.586998%.

On 31 December 2017, common equity Tier 1 capital is composed of:

| | |
|---|---|
| Paid-in capital (124,944,872 shares) | $2,493,420,055,847 |
| Other equity accounts | $(25,557,743,315) |
| Net income for the year | $371,403,139,300 |
| Dividend provisions | $(111,420,941,790) |
| CET1 capital | $2,727,844,510,042 |

(1) CET capital is equivalent to the net amount that must be shown on the financial statements as shareholders' equity, as established in the Compendium of Accounting Regulations issued by the Superintendence of Banks and Financial Institutions (SBIF).

Regulatory capital, which acts a regulator of the different operational limits established in the General Banking Law, is made up of the following items:

| | |
|---|---|
| **CET1 capital** | **$2,727,844,510,042** |
| **Additions** | |
| Additional provisions | $60,946,058,856 |
| Subordinated bonds | $782,945,580,243 |
| Equity attributable to minority interest | $455,979,066 |
| **Deductions** | |
| *Goodwill* | $9,894,573,691 |
| Consolidated minority investment surplus | $50,730,132,657 |
| **Regulatory capital** | **$3,511,567,421,859** |

## d) Distribution of bonus shares

At the Extraordinary Shareholders' Meeting held on 29 June 2017, an agreement was reached to increase the company's capital by $216,600,295,360, through the capitalization of reserves from 2016 earnings. Of the total, $46,518,038,180 was capitalized through the issue of 1,380,653 bonus shares with no par value, at a ratio of 0.0111735664 bonus share for each share held on the date the right to receive these shares was acquired.

Therefore, the subscribed and paid-in capital of Banco de Crédito e Inversiones was set at $2,493,420,055,847 divided by 124,944,872 no-par-value shares of a single series.

Because the distribution of these bonus shares represents an equivalent capitalization, they do not constitute shareholder income and thus are not subject to taxation, in accordance with Chilean Income Tax Law.

## e) Main shareholders

As of 31 December 2017, the 25 main shareholders of Bci are as follows:

| Name | | Shares | % Ownership |
|---|---|---|---|
| Empresas Juan Yarur SpA | | 68,889,392 | 55.14% |
| Yarur Bascuñán Jorge Juan | | 4,813,775 | 3.85% |
| Banco de Chile on behalf of nonresident third parties<br>(Banco Chile on behalf of nonresident third parties C.A. 438,7844 shares) | | 4,387,844 | 3.51% |
| Banco Itaú Corbpanca on behalf of foreign investors<br>(DCV does not have information on the investors, and Banco Itaú does not provide it) | | 3,724,137 | 2.98% |
| AFP Habitat S.A. | | 3,077,766 | 2.46% |
| AFP Provida S.A. | | 2,960,283 | 2.37% |
| AFP Capital S.A. | | 2,620,477 | 2.10% |
| Inversiones Cerro Sombrero Financiero SpA | | 2,231,658 | 1.79% |
| Bci Corredor de Bolsa S.A. | | 2,225,323 | 1.78% |
| Banco Santander on behalf of foreign investors | | 2,218,420 | 1.78% |
| AFP Cuprum S.A. | | 2,180,589 | 1.75% |
| Imsa Financiera SpA | | 1,931,286 | 1.55% |
| Inversiones Tarascona Corporation (agency in Chile) | | 1,678,219 | 1.34% |
| Inversiones VyR Ltda. | | 1,533,194 | 1.23% |
| Banchile Corredores de Bolsa S.A. | | 1,500,083 | 1.20% |
| Yarur Rey Luis Enrique | | 1,330,304 | 1.06% |
| Inversiones Nueva Altamira SpA | | 1,152,486 | 0.92% |
| Larraín Vial S.A. (stock broker) | | 1,112,093 | 0.89% |
| Inversiones Meyar S. A. C. | | 868,240 | 0.69% |
| AFP Modelo S.A. | | 743,895 | 0.60% |
| Empresas JY S.A. | | 739,842 | 0.59% |
| Nueva Chosica S.A. | | 545,740 | 0.44% |
| Credicorp Capital S.A. (stock broker) | | 522,685 | 0.42% |
| Inversiones Colibri Financiera Ltda. | | 517,081 | 0.41% |
| Compañía de Seguros de Vida Consorcio Nacional de Seguros S.A. | | 490,162 | 0.39% |
| **Subtotal** | | **113,994,974** | **91.24%** |
| **Summary** | | | |
| Majority shareholders | 25 | 113,994,974 | 91.24% |
| Other shareholders | 1,726 | 10,949,898 | 8.76% |
| **Total** | **1,751** | **124,944,872** | **100.00%** |
| | | | |
| Subscribed and paid-up shares | | 124,944,872 | 100.00% |
| Authorized share capital | | 124,944,872 | |
| Shares in custody at the Central Securities Depository (DCV) | | 33,773,450 | 27.03% |
| **Subscribed employee shares** | | | |
| | Accionistas | Acciones | % de participación |
| 2001 Compensation Plan | 1,484 | 1,796,993 | 1.44% |
| Employee shareholders | 135 | 187,805 | 0.15% |


## f) Shareholders' agreement

On 7 October 2015, the shareholders related to the Yarur family—which, on 31 December 2017, held 63.276% of the duly subscribed and paid-up shares issued by Bci—signed a new shareholders' agreement, which replaced the agreement in effect since 30 December 1994.

In the agreement, the signing shareholders reaffirmed their commitment to maintaining their traditional coalition and control of Banco de Crédito e Inversiones and reiterated their desire to preserve the current management principles.

In accordance with the provisions of Article 14 of the Chilean Corporations Law, the aforementioned shareholders' agreement is kept in the Bank's minute book, which is available to the other shareholders and interested third parties.

The 7 October 2015 shareholders' agreement and its later modifications were signed by the following natural and legal persons. In the case of corporations, the majority owners are identified:

Empresas Juan Yarur SpA is the main shareholder of Bci, with 68,889,392 shares or 55.14% of the total shares issued. Given that Luis Enrique Yarur Rey is the president of Empresas Juan Yarur SpA, he is therefore also the controlling shareholder of Bci.

| Shareholders' Pact | Shareholder | Tax ID | Ownership (direct or indirect) (*) |
|---|---|---|---|
| **Empresas Juan Yarur SpA** | | | |
| | Luis Enrique Yarur Rey | 5.196.456-K | Controlador de la sociedad |
| **Inversiones Cerro Sombrero Financiero SpA** | | | |
| | Carlos Juan Yarur Ready | 12.069.987-3 | 28.96% |
| | Gonzalo Ignacio Yarur Ready | 7.517.825-5 | 28.96% |
| | Patricia Andrea Yarur Ready | 6.378.077-4 | 18.40% |
| | Virginia Yarur Ready | 6.378.078-2 | 18.40% |
| **Imsa Financiera SpA** | | | |
| | María Paulina Yarur Chamy | 7.010.880-1 | 19.06% |
| | José Luis Yarur Chamy | 7.010.879-8 | 19.06% |
| | Rodrigo Alberto Yarur Chamy | 9.578.628-6 | 19.06% |
| | Sebastián Andrés Yarur Chamy | 9.604.685-5 | 19.06% |
| **Inversiones VYR Limitada** | | | |
| | Victoria Inés Yarur Rey | 4.131.984-4 | 73.73% |
| **Luis Enrique Yarur Rey** | | | |
| | | 5.196.456-K | 100% |
| **Inversiones Nueva Altamira SpA** | | | |
| | Luis Enrique Yarur Rey | 5.196.456-K | 86.41% |
| **Inversiones Meyar S.A.C** | | | |
| | María Eugenia Yarur Rey | 4.131.983-6 | 99.90% |
| **Nueva Chosica S.A.** | | | |
| | María Eugenia Yarur Rey | 4.131.983-6 | 19.72% |
| | Luis Alberto Said Yarur | Domiciliados en Perú | 20.07% |
| | Andrés Said Yarur | | 20.07% |
| | Pablo Said Yarur | | 20.07% |
| | María Eugenia Said Yarur | | 20.07% |
| **Inversiones Colibri Financiera Limitada** | | | |
| | María Paulina Yarur Chamy | 7.010.880-1 | 25.00% |
| | José Luis Yarur Chamy | 7.010.879-8 | 25.00% |
| | Rodrigo Alberto Yarur Chamy | 9.578.628-6 | 25.00% |
| | Sebastián Andrés Yarur Chamy | 9.604.685-5 | 25.00% |
| **Luanpama S.A.C** | | | |
| | Luis Alberto Said Yarur | Domiciliados en Perú | 25% |
| | Andrés Said Yarur | | 25% |
| | Pablo Said Yarur | | 25% |
| | María Eugenia Said Yarur | | 25% |
| **Juan Carlos Yarur Rey** | | | |
| | | 4.131.982-8 | 100% |

# 1.5 Credit rating

Bci has received national credit ratings from Fitch Ratings and Feller Rate and international ratings from Moody's, Standard & Poor's (S&P), and Fitch Ratings.

## Local credit rating

| Feller Rate | |
|---|---|
| Solvency | AA+ |
| Outlook | Positive |
| Time deposits over one year | AA+ |
| Bonds | AA+ |
| Subordinated bonds | AA |
| Shares | 1st class level 1 |

| Fitch Ratings | |
|---|---|
| Short term | N1+ |
| Long term | AAA |
| Bonds | AAA |
| Subordinated bonds | AA |
| Shares | 1st class level 1 |
| Outlook | Stable |

## International credit rating

| Moody's | |
|---|---|
| Long term | A1 |
| Deposits | baa1 |
| Bonds | Aa3 |
| | |
| | |
| Outlook | Negative |

| Standard &Poor's | |
|---|---|
| Foreign currency LT | A |
| Local currency LT | A |
| Foreign currency ST | A–1 |
| Foreign currency ST | A–1 |
| | |
| Outlook | Negative |

| Fitch Ratings | |
|---|---|
| Long-term debt in foreign currency | A |
| Long-term debt in local currency | A |
| Short-term debt in foreign currency | F1 |
| Short-term debt in local currency | F1 |
| Viability | a |
| Outlook | Stable |

**In the local market,** Fitch Ratings increased the credit rating of long-term deposits, mortgage bonds, Bank bonds, and bond series from AA+ to AAA, with a stable outlook. The upgrade reflects Fitch's assessment of the Bank's continuous and ongoing improvement of its underlying financial profile, especially in terms of profitability, asset quality, and capital adequacy—trends that Fitch expects to continue. Moreover, asset quality measures remain solid and have exceeded those of some other regional and local banks.

Feller Rate, in turn, kept Bci's national solvency rating at AA+, with a positive outlook. Time deposits and bonds also maintained their AA+ rating. This decision was founded on the Bank's capacity to generate business and its business profile, which are rated very strong; on its risk profile, funding, and liquidity, which are rated strong; and on its capital adequacy. Feller Rate recognizes the Bank's strong risk management, which has contributed to a favorable evolution of portfolio quality, and the diversification of its funding sources.

**Internationally,** Moody's held the Bank's long-term foreign currency rating at A1 and downgraded the outlook from stable to negative. Moody's based its rating on Bci's strong asset quality management, solid growth of earnings, and low funding costs, as well as the large retail deposit base and the ongoing shift in the portfolio mix (now with a larger share of retail business). The negative outlook reflects the increased asset risk associated with a higher exposure to the historically volatile real estate market in South Florida, which could intensify with the acquisition of TotalBank (subject to approval by the regulatory authorities at year-end 2017), despite Bci's proactive risk monitoring and management.

Similarly, Standard & Poor's (S&P) maintained its long-term rating at A and downgraded the outlook from stable to negative. The company emphasized that Bci has maintained a solid competitive position, healthy risk levels, and adequate capitalization. However, the analysis also takes into account the sovereign rating of Chile and the weakening of the country's financial profile due to the economy's prolonged low growth trend, which could translate into a larger fiscal deficit than projected by S&P.

Finally, Fitch Ratings increased its long-term rating from A– to A, with a stable outlook, based on the same arguments used for the local rating.

# 1.6 Our Bank

Bci is a private financial corporation headquartered in Chile, with subsidiaries in the United States and representative offices in four South American countries and China. It offers a wide range of products and services to individuals, micro-enterprises, businesses, and institutions, through specialized business units and subsidiaries, connected to a global network.


**Business units**

- Retail banking
- Wholesale banking
- Finance division

**Subsidiaries**

- Bci Asesoría Financiera S.A.
- Bci Asset Management Administradora General de Fondos S.A.
- Bci Corredor de Bolsa S.A.
- Bci Corredores de Seguros S.A.
- Bci Factoring S.A.
- Bci Securitizadora S.A.
- Servicios de Normalización y Cobranza, Normaliza S.A.
- Bci Corredores de Bolsa de Productos S.A.

**Bci is the third-largest private bank in Chile**
(as of December 2017)

| Employees | Points of contact in Chile | National ATM network | Total loans |
|---|---|---|---|
| **10,605** (676 en EE. UU.) | **356** | **1,255** | **$24.53** billones |

**The Yarur family has been connected with Bci since its foundation in 1937.** (as of December 2017)

| Controlling group | *Free float* | Pension funds |
|---|---|---|
| **63.28%** | **27.60%** | **9.12%** |

Over the course of eight decades, Bci has maintained a strong corporate culture. The Corporation's principles and values are an inspiration to our employees and, over the years, have evolved into a tool that guides all decisions and supports management and performance throughout the organization.

## Vision

To be a regional leader in innovation, accessibility, and customer experience and to be recognized as an excellent place to work and grow professionally.

## Mision

Bci is a financial solutions corporation that participates in all the business areas and financial operations allowed by the General Banking Law, providing the community with efficient, high-quality products and services, continuous technological innovation, prudent risk management policies, and stringent ethical standards that must be followed by everyone who works in our companies. In this framework, the Corporation is committed to ensuring that our objectives and policies are achieved within a framework that emphasizes our four fundamental pillars: shareholders; employees and their families; customers and suppliers; and the community.

### PILLARS

**Shareholders**

- Superior returns
- Prudent risk management
- Transparency

**Customers and suppliers**

- Innovative, high-quality products and services, at competitive prices
- Long-term, mutually beneficial relationship

**Employees and their families**

- A decent quality of life and stable jobs
- Possibilities for personal, professional, and family development
- Compensation for performance and effort
- Excellent work environment
- Ethical professional conduct
- Responsibilities compatible with personal and family life

**Society**

- Full compliance with ethical and legal standards
- Effective contribution to maintaining the environment and increasing the country's social, cultural, and economic heritage

### VALUES

INTEGRITY → RESPECT → EXCELLENCE

### Common objective

To make dreams come true, by building lifelong relationships of trust and confidence with our customers.

**EXPERIENCE CRITERIA** → SECURITY → ACCESSIBILITY → DILIGENCE → IMAGE

**EMPLOYEE PROFILE** →

# 1.7 Highlights in 2017

**Celebration of the 80th anniversary of Bci**

The year-long celebration was kicked off with a range of activities for employees, customers, and the community at large.

**january • february • march**

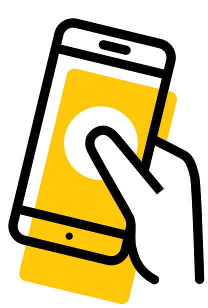
**Launch of the Bci DUO card**

The DUO is the first combined debit/credit card in Chile.

**april • may • june**

**Opening of Bci's first multi-segment branch**

The new branch represents a new model of inclusive onsite service.



**Integration of TBanc to the Bci digital platform**

The Bank absorbed the distance banking services of this division, a pioneering creation 20 years ago.

**Issue of a US$50 million social bond**

The purpose of the bond is to finance the Nace and My SME programs of the Bci Retail Banking Division.

**First online commercial loan for small and medium-sized businesses in the Chilean banking industry**

Bci customers can access working capital without intermediaries.

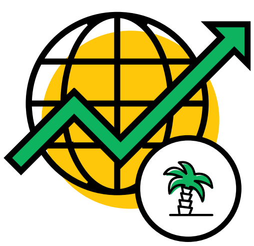
## july • august • september

**Bci Labs launches the first open API platform**

An invitation was issued to develop solutions to improve the digital experience of our customers.


**Launch of MACH, a disruptive innovation from Bci**

This application allows person-to-person transfers and payments, through a virtual prepaid account that can easily be reloaded, free of charge. It is available to Bci customers and non-customers alike.



**Acuerdo de compra de TotalBank**

Through Bci subsidiary, City National Bank of Florida (CNB), for US$528 million.

## october • november • december

**Bci joins the DJSI MILA**

The first regional Dow Jones Sustainability Index.

**Strategic alliance with Walmart Chile**

Includes the acquisition of the financial subsidiaries that manage the Lider MasterCard and Presto credit card, among other products.

**Exclusive alliance with Opportunity Network**

Gives Bci customers access to a global online business community.

**Consolidation of *co-branding* with American Airlines.**

The Bci / AAdvantage credit card was used by 30,000 customers in 2017 and allows the fastest accumulation of miles in the market.

# 1.8 Awards

In 2017, Bci once again received recognition for its efforts in various areas.

## Corporate reputation

### Best Corporate Reputation in Chile
MERCO

2017 First place
2016 First place

### Most Responsible Company and Best Corporate Governance in Chile
MERCO

2017 First place
2016 First place

### Commitment to Integrity Award
Generación Empresarial and Diario Financiero

2017 One of the 10 Most Outstanding Companies

### Award for Innovation in Chile
Best Place to Innovate, the Adolfo Ibáñez University Center for Innovation and Technology, GFK Adimark, and Imagine Business Lab by Microsoft Innovation Center.

2017 One of the 50 Most Innovative Companies

2016 First place, Financial Industry

### Energy Efficiency Certificate
Ministry of Energy and the Chilean Association of Energy Efficiency

2017 Gold

## Customer experience

### Best Digital Bank in Chile
World's Best Consumer Digital Banks Awards in Latin America

Global Finance

### Best Website and Best Mobile Application
Ipsos, Servitest Personas study

### Most Transparent Companies in Chile
IdN Inteligencia de Negocios

2017 First place in the financial sector
Second place in the general ranking
2016 First place in the general ranking

### World Finance Banking Awards Chile
World Finance

2017 Best Banking Group
Best Private Bank
Most Sustainable Bank
2016 Best Banking Group
Best Private Bank
Most Sustainable Bank

### ProCalidad
### Nacional Award for Customer Satisfaction
### Large Banks
Grupo ProCalidad, Adolfo Ibáñez University, Adimark, Praxis, and Revista Capital

2017 First place
2016 First place

## Salmon Awards 2017
## Best Mutual Funds
Diario Financiero and Association of Mutual Funds

First place
Category: <=90-day debt funds: Bci Eficaz Serie APV

First place
Category: Moderate Balanced Fund: Bci Gestión Global Dinámica 50 Serie APV

Second place
Category: Aggressive Balanced Fund: Bci Gestión Global Dinámica 80 Serie APV

Second place
Category: > 365-day debt flexible origin funds: Bci Conveniencia Serie APV

## Financial Education and Inclusion Award
SBIF, University of Chile, Millennial Institute, and Millennial Scientific Institute

2017 Second place for Contribution to Financial Inclusion, Pedro Aguirre Cerda branch
2016 Second place for Contribution to Financial Inclusion, Bci Accessible (accessible banking program)

# Empoloyee Experience

## Best Places to Work in Chile
Great Place to Work Chile y Diario El Mercurio

2017 Fourth place
2016 Fifth place

## Most Attractive Places to Work in Chile
MERCO Talent

2017 Fourth place
2016 Fifth place

## Ranking Best FirstJob Employers
Best FirstJob Employers

2017 Fifth place
2016 Fourth place



# 1.9 Corporate Governance

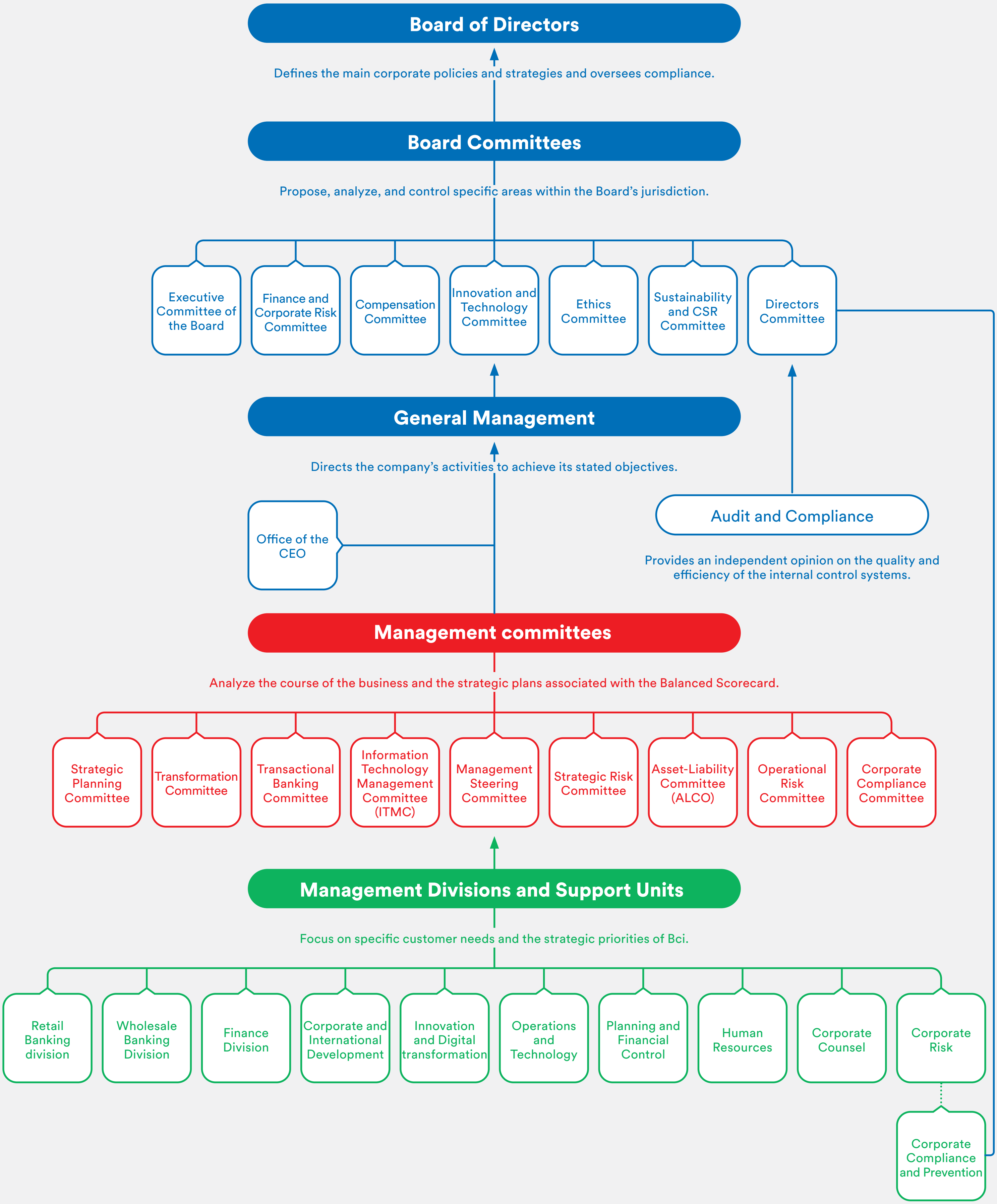
In 2017, Bci continued to strengthen its system of governance, to comprehensively address the Bank's growing internationalization.

Bci's corporate governance is led by the Board of Directors. The nine Board Members are elected individually by the shareholders for a period of three years, at the end of which they can be reelected. Because the company's shareholders' equity exceeds UF 1.5 million and at least 12.5% of issued shares are in the hands of shareholders who individually control or hold less than 10% of those shares, at least one Board Member must be an outside director. Currently, the Board has two outside directors, both of whom sit on the Directors Committee, which performs the internal audit and control functions established in Article 50 bis of the Chilean Corporations Law.

In the year, the corporate governance of Bci was addressed comprehensively in order to optimize the functioning and interrelation of the Bank's decisionmaking bodies with its subsidiaries in Chile and the United States. As one of the results of this process, these business units now give periodic presentations on risk and compliance, in particular, to the Board, the Executive Committee, and the Finance and Risk Committee.

The Bci Corporate Governance Manual, published in 2016, outlines the key provisions in this area. The manual is available on the Bank's website.

# Governance structure



# Board Members

**Lionel Olavarría Leyton**
Vice Chairman

**Luis Enrique Yarur Rey**
Chairman

**Claudia Manuela Sánchez Muñoz**
Director

**José Pablo Arellano Marín**
Director

**Klaus Schmidt-Hebbel Dunker**
Outside Director

**Máximo Israel López**
Outside Director

**Hernán Orellana Hurtado**
Director

**Mario Gómez Dubravcic**
Director

**Juan Ignacio Lagos Contardo**
Director

# Directors

**Luis Enrique Yarur Rey**
Chairman

Mr. Yarur holds a degree in law from the University of Navarra, Spain, as well as a master's degree in economics and business administration from the IESE Graduate Business School in Spain.

He joined the Bci Board of Directors on 21 October 1991.

### Other current positions

- CEO, Empresas Juan Yarur SpA., Empresas JY S.A., Empresas Jordan S.A., and Empresas SB S.A.
- Vice-president, Chilean Association of Banks and Financial Institutions (ABIF), Inversiones Belén S.A., and Empresas Lourdes S.A.
- Member, Business Advisory Board of the ESE Graduate Business School of the University of Los Andes.
- Board Member, Center for Public Studies (Centro de Estudios Públicos, CEP).

### Past positions

- CEO of Bci for eleven years
- Director, Bci Seguros de Vida S.A. and Bci Seguros Generales S.A.
- Director, Banco de Crédito del Peru – BCP

**Lionel Olavarría Leyton**
Vice-Chairman

Mr. Olavarría holds a bachelor's degree in industrial civil engineering from the University of Chile and a master's degree in economics and business administration from the IESE Graduate Business School of the University of Navarra, Spain.

He joined the Bci Board of Directors on 17 March 2015.

### Other current positions

- Director, City National Bank of Florida
- Director, Sinacofi Buró S.A.
- Director, Sistema Nacional de Comunicaciones Financieras S.A. (Sinacofi).

### Past positions

- Deputy General Manager, Banco de Gredos, Spain
- Controller, Chemical Bank, Spain
- Commercial Director, Banco de Santiago, Chile
- Advisor to the CEO and Chairman, Bci, 1981
- Chief Operations and Technology Officer, Bci
- CEO, Bci, 1993 to 2015
- Chairman, Global Compact Executive Committee in Chile
- Founding Chairman, Redbanc S.A.
- Chairman, Transbank S.A., Servipag S.A., Artikos Chile S.A., Banco Conosur, and Bci Factoring S.A.
- Director, Financiera Solución in Peru, Visa Internacional Latinoamérica, Bancrédito Leasing, AXA-BCI S.A., Bci Corredor de Bolsa S.A., Bci Seguros de Vida S.A., Bci Seguros Generales S.A., Bci Asesoría Financiera S.A., and Empresas Juan Yarur SpA.
- Chairman, CEO Committee of the Chilean Association of Banks and Financial Institutions (ABIF).
- Presidente del Comité de Gerentes Generales de la Asociación de Bancos e Instituciones Financieras de Chile (ABIF).

**José Pablo Arellano Marín**
Director

Mr. Arellano has a bachelor's degree in economics from the Catholic University of Chile and a master's and Ph.D. in economics from Harvard University.

He joined the Bci Board of Directors on 16 March 2011.

### Other current positions

- Senior Economist, Latin American Studies Corporation (CIEPLAN).
- Professor, Catholic University of Chile.
- Director, several businesses and social and educational foundations.

### Past positions

- National Budget Director
- Minister of Education
- CEO, Codelco
- Chairman, Fundación Chile.

**Mario Gómez Dubravcic**
Director

Mr. Gómez holds a bachelor's degree in business administration from the Catholic University of Chile and conducted graduate studies at the University of Los Andes.

He joined the Bci Board of Directors on 24 May 2011.

### Other current positions

- Director, Empresas JY S.A.

### Cargos anteriores

- Chief Financial Officer, Bci
- Commercial Director, Bci Commercial Banking Division.
- Chairman of the Board, Bci Asset Management Administradora General de Fondos S.A., Bci Asesoría Financiera S.A, Sociedad de Recaudación y Pago de Servicios Limitada (Servipag), Artikos Chile S.A., andAdministrador Financiero del Transantiago S.A. (AFT).
- Director, Bci Corredor de Bolsa, Central Securities Depository (DCV), Bci Factoring, Bci Securitizadora, Bci Seguros Generales, Bci Seguros de Vida S.A, Bci Corredora de Seguros S.A., and Financiera Solución Peru.

### Juan Ignacio Lagos Contardo
Director

Mr. Lagos holds a law degree, as well as a bachelor's degree in social and legal sciences, from the University of Chile.

He joined the Bci Board of Directors on 2 April 2013.

#### Otros cargos actuales

- Founding partner, Yrrázaval, Ruiz-Tagle, Goldenberg, Lagos & Silva Abogados Ltda.

#### Cargos anteriores

- Professor of economics law, University of Los Andes
- Director, Bci Corredor de Bolsa S.A.
- Director, Chilean subsidiaries of foreign companies in the financial and industrial sectors.

### Máximo Israel López
Outside Director

Mr. Israel holds a bachelor's degree in business administration from the Catholic University of Chile.

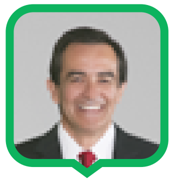
He joined the Bci Board of Directors on 2, April 2013.

#### Other current positions

- Director, Telefónica del Sur S.A., Gtd Grupo Teleductos S.A., and Abastible S.A.
- Director, Rostros Nuevos Foundation.

#### Past positions

- Founding partner and Chairman of the Board, Atton Hoteles S.A.
- Director, de CTI S.A., Econssa Chile S.A., Enaex S.A., Empresas Lucchetti S.A., VTR S.A., Banco Ripley S.A., Transbank S.A., and Redbanc S.A.
- Commercial Director, Banco de Santiago and Banco O'Higgins.



### Hernán Orellana Hurtado
Director

Mr. Orellana has a degree in electrical civil engineering from the Federico Santa María Technical University.

He joined the Bci Board of Directors on 24 January 2017.

#### Other current positions

- Executive Director, Telefónica R&D Center in Chile
- Member, Círculo de Innovación de ICARE
- Board Member, PROhumana.

#### Past positions

- CEO, Compaq Chile.
- CEO, Microsoft Chile.
- Director, CAP S.A., Fashion´s Park S.A., Belltech S.A., IConstruye, and others.
- Dean, Engineering Department, Universidad Andrés Bello University.
- Founding Partner, AxonAxis S.A., and member of the Investment Committee of Aurus IT & Biotech.

### Claudia Manuela Sánchez Muñoz
Director

Ms. Sánchez has a bachelor's degree in business administration from Adolfo Ibáñez University and an MBA from Harvard University.

She joined the Bci Board of Directors on 22 March 2016.

#### Other current positions

- Advisory Board Member of the Association of MBAs (AMBA) and the Association to Advance Collegiate Schools of Business (AACSB).

#### Cargos anteriores

- Co-president of the Harvard University Ibero-American Club.
- Analyst, McKinsey & Co., Buenos Aires
- Associate in the Latin American mergers and acquisitions division of Goldman Sachs & Co., New York.
- Consultant, Amadeus Capital Partners and Deloitte Strategy, London.

### Klaus Schmidt-Hebbel Dunker
Outside Director

Mr. Schmidt-Hebbel has a Ph.D. in economics from MIT. He earned his bachelor's and master's degrees in business administration at the Catholic University of Chile (PUC).

He joined the Bci Board of Directors on 22 November 2016.

#### Otros cargos actuales

- Professor, Catholic University of Chile
- Consultant and director for numerous national and international corporations, associations, and organizations.
- Columnist and speaker.

#### Past positions

- Chief Economist, OECD
- Economic Research Director, Central Bank of Chile
- Senior Economist, World Bank
- Chairman, Financial Committee of the Chilean Sovereign Wealth Funds.
- Chairman, Fiscal Advisory Board of the Chilean government.
- General Director, Grupo Res Publica Chile.
- President, Economics Society of Chile.
- President, Monetary Club.

## Board Activities

The Board of Directors of Bci holds regular meetings once a month and special meetings, which can be called by the Chairman of the Board or by an absolute majority of the acting directors, as needed. In 2017, the Board held 12 ordinary meetings and 10 special meetings.

Each board meeting starts with a detailed presentation by the CEO and his team on the Bank's status, performance, and main indicators, with a focus on risk management. At all meetings, the Directors analyze the Bank's capital adequacy, based on information provided by the Superintendence of Banks and Financial Institutions (SBIF), its operations with related counterparties, and issues addressed by all the Board's various committees. The Board also sets an annual calendar for specific presentations by each of the officers and managing directors who report directly to the CEO, as well as the national and international subsidiaries of Bci. These presentations report on the performance of the division or subsidiary, its primary focuses, and business strategies.
Continuando con la práctica de efectuar al menos una reunión anual en ciudades distintas de Santiago, donde está la casa matriz de Bci, la sesión ordinaria de Directorio de julio de 2017 se realizó en la región de Valparaíso. El propósito es profundizar la cercanía con clientes y colaboradores en todo el país.

**Board meetings**

| | Ordinary | Special |
|---|---|---|
| Number of meetings → | 12 | 10 |
| Average attendance → | 98% | 92% |

The Board has a policy of holding at least one meeting per year outside of Santiago, where Bci is headquartered. Thus, in July 2017, the regular Board meeting was held in the region of Valparaíso. The objective is to promote outreach to customers and employees throughout the country.

## Self-assessment

In the framework of best practices in corporate governance, the Board conducts an annual self-assessment covering its functioning, the level of information provided for the meetings, the depth of discussion of items on the agenda, how the Board's priorities and concerns are addressed by Management, and the Directors' commitment to the Bank's performance. Based on this analysis, proposals are made for improving the functioning of the Board.

## Compensation

The Directors are compensated for their responsibilities and functions under a mixed scheme that includes both fixed and variable components. As approved at the 2017 Ordinary Shareholders' Meeting, the compensation structure of the Directors is as follows:

**MONTHLY RETAINER**

150 UTM (monthly tax units) for each member of the Board of Directors, with the exception of the Chairman, who receives a monthly retainer of 850 UTM, in accordance with his more extensive duties and in compliance with the special mandate conferred by the Board of Directors.

**MEETING FEES**

5 UTM for each meeting of the Board of Directors, the Executive Committee, the Sustainability and Corporate Social Responsibility Committee, the Finance and Corporate Risk Committee, the Compensation Committee, and the Innovation and Technology Committee.

**VARIABLE COMPENSATION**

0.3% of net profits, based on average profits in 2015, 2016, and 2017. This amount is divided by 10, with two-tenths allocated to the Chairman of the Board as Chairman of the institution, in compliance with the Board's mandate, and one-tenth to each of the other directors.

The directors also receive additional compensation for special, permanent, or temporary services rendered.

## Compensation of Members of the Directors Committee

In accordance with the Chilean Corporations Law, which establishes that the compensation of directors who sit on the Directors Committee cannot be less than one and a third times the compensation allocated to directors, the 2017 Ordinary Shareholders' Meeting approved a committee fee for members of the Directors Committee equivalent to 50 UTMs, over and above their monthly retainer, plus one-third of the amount of their corresponding variable compensation.

In 2017, the total amount paid to the directors of Bci, including fixed and variable components, was Ch$2,738,740,800.

## Board Committees

Bci has seven Board of Directors committees, whose nature, functions, and activities are determined by both the needs of the Bank and the current legal and regulatory requirements.

| | Functions and powers | Members | Meetings (total in 2017) |
|---|---|---|---|
| Executive Committee | Responsible for approving the general financial, credit, and operational risk management policies; reviewing and approving loan operations submitted for resolution; approving the credit and risk policy manuals; determining the resources that are periodically allocated to loan loss provisions and write-offs; granting general and special powers; and approving specific donations, among other matters | Full members<br>Luis Enrique Yarur Rey<br>Lionel Olavarría Leyton<br>Mario Gómez Dubravcic<br>José Pablo Arellano Marín<br>Juan Ignacio Lagos Contardo<br>Alternate members<br>Máximo Israel López<br>Hernán Orellana Hurtado<br>Claudia Manuela Sánchez Muñoz<br>Klaus Schmidt-Hebbel Dunker | 81 |
| Directors Committee | Carries out the functions outlined by Article 50 bis of Law 18,046 on Corporations and other duties in accordance with legal and administrative standards. | Máximo Israel López<br>Juan Ignacio Lagos Contardo<br>Klaus Schmidt-Hebbel Dunker | 28 |
| Finance and Corporate Risk Committee | Studies and controls Treasury mismatches and strategies for managing liquidity and market risk (inflation, interest rate, and currency risk); reviews the execution of the long-term debt plan in local and foreign markets; receives reports on the exposure of the trading and investment portfolios and their respective strategies; supervises and controls compliance, credit, operational, and financial risk, at the individual and consolidated levels and at the national and international levels; and defines and reviews policies when necessary, ensuring that the aforementioned risks are managed in accordance with the Risk Tolerance Statement. | Luis Enrique Yarur Rey<br>Lionel Olavarría Leyton<br>Mario Gómez Dubravcic<br>Juan Ignacio Lagos Contardo<br>Klaus Schmidt-Hebbel Dunker | 11 |

| | Functions and powers | Members | Meetings (total in 2017) |
|---|---|---|---|
| Compensation Committee | Establishes the company's general compensation policies, including salaries, bonuses, and benefits for the different employee levels, without prejudice to the powers vested in the chairman of the Bank or the Directors Committee, in accordance with current legislation. | Luis Enrique Yarur Rey<br>Lionel Olavarría Leyton<br>Mario Gómez Dubravcic<br>Máximo Israel López<br>Claudia Manuela Sánchez Muñoz | 2 |
| Sustainability and CSR Committee | Reviews the Bank's strategy, policies, and programs related to corporate social responsibility (CSR), with the objective of achieving social and environmental sustainability for the stakeholders defined in the Bank's mission statement and thus safeguarding the corporate image and reputation of the company and its subsidiaries. | Luis Enrique Yarur Rey<br>Lionel Olavarría Leyton<br>Mario Gómez Dubravcic<br>José Pablo Arellano Marín<br>Juan Ignacio Lagos Contardo | 4 |
| Innovation and Technology Committee | Reviews and approves the Bank's technological strategy and architecture; its IT security strategy and plan; the innovation ecosystem and plan proposed by the Office of the CEO; and the annual short- and medium-term technology and operations investment plan; and ensures that all of these areas are in line with the Bank's business strategy. | Luis Enrique Yarur Rey<br>Lionel Olavarría Leyton<br>Máximo Israel López<br>Claudia Manuela Sánchez Muñoz<br>Hernán Orellana Hurtado | 6 |
| Ethics Committee | Oversees compliance with the rules of Code of Ethics, taking an essentially legal, regulatory, and liaison role in terms of appropriate practices for achieving the Corporation's goals and applying its policies, in accordance with ethical standards. Proposes measures to correct infractions; that is, the Committee does not punish infractions, which is the responsibility of the CEO and his chain of command, with input from Audit and Compliance and/or Corporate Counsel. | Full members<br>Luis Enrique Yarur Rey<br>José Pablo Arellano Marín<br>Máximo Israel López<br>Regular attendees<br>Eugenio Von Chrismar Carvajal<br>Pablo Jullian Grohnert<br>2017Juan Yarur Lolas Award<br>Juan Pablo Stefanelli Dachena<br>2017Jorge Yarur Banna Award<br>Fernando Carmash Cassis<br>Executive Secretary<br>Carlos Andonaegui Elton | 3 |

## Ethics Management

The Bci business model is based on the corporate values of integrity, respect, and excellence. These principles, present since the corporation was established 80 years ago, are the foundation of our ethics management system. In 2017, the consolidation of the Ethics and Risk Culture Plan, launched a year earlier, contributed to strengthening this corporate commitment.

### Ethics and Risk Culture Plan

This plan is structured around three pillars: communication (regarding breach of trust or other misconduct and the importance of reporting it); mobilization (through workshops and talks); and awareness (ethics training and analysis). Progress on the plan is reviewed at the monthly meetings of the Fraud Desk and the Ethics Committee, with participation by Bci's Directors.

#### Progress in 2017


- Publication of Ethics in Action, a newsletter sent out every two months to nearly 10,000 Bci employees. The newsletter contains reports and analysis related to Bci's confidential reporting mechanisms (24-hour confidential hotlines through which employees can ask questions, provide information, or report misconduct).

- Workshops to update the Bci Code of Ethics, which was first published in 1996 and most recently edited in 2010. The workshops explored the incorporation of emerging issues such as diversity and the use of social networks and included the participation of employees from the different business areas and support units, as well as former employees of the Bank.

- The use of e-learning technologies to disseminate brief examples of breach of trust and its consequences, in areas such as operational risk and the role of leadership.
- Incorporation of an ethics module in the Bci Leadership Academy, in the corporate induction training program, and in financial education programs in Bci branches.

## Confidential Reporting Mechanisms

Bci has four confidential reporting mechanisms: Bci te escucha (Bci listens); ¿Qué hago? (What should I do?); criminal risk prevention and free competition; and fraud prevention. These confidential hotlines are open 24 hours a day to answer questions and receive reports of misconduct or other tips. The different channels are dedicated to addressing specific types of problems and are managed by the corresponding areas. Investigation of the reports received is handled internally, depending on the characteristics of the report.

For reporting bad practices, weaknesses in monitoring and control, and potential internal and external fraud. Managed by the Corporate Compliance and Prevention Unit.

For employees, customers, and suppliers to report possible instances of money laundering, terrorist financing, bribery, corruption, or issues related to free competition. Managed by the Operational Risk Division.

| | Contacts | |
|---|---|---|
| | 2017 | 2016 |
| ● | 126 | 72 |
| ● | 47 | 107 |
| ● | 82 | 46 |
| ● | 103 | 84 |


Mechanism for employees to contact the Ethics Committee with questions or reports.

For reporting problems related to the work environment, such as abuse of power or harassment. Managed by the Human Resources Division.

## Corporate Compliance and Prevention

At Bci, the Corporate Compliance and Prevention Unit is responsible for overseeing compliance with the regulations that govern the Corporation's business. The main objective is to avoid regulatory and reputational risk within the company, with a focus on prevention.

One of the most important activities in this area is the implementation of measures to detect, monitor, and report unusual or suspicious operations that could be related to possible cases of money laundering, terrorist financing, or bribery (Law 19,913). This unit is part of the Bank's Risk Division and reports directly to the Directors Committee and the Committee for the Prevention of Money Laundering.

The Corporate Compliance and Prevention Unit is also responsible for overseeing the observance of the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS) at the level of the holding company and the application of the Corporation's program for compliance, promotion, and defense of free competition. The Corporate Compliance Manager also acts as Head of Prevention, overseeing the Bci crime detection and prevention model, applied in the framework of Law 20,393 on the Criminal Liability of Legal Persons.

In carrying out its functions, this unit is always looking for ways to strengthen its ability to learn more about the Bank's customers, employees, and suppliers, through the development of procedures and technological tools that make it possible to detect and analyze patterns of high-risk conduct and to identify customers with risky assets, risky geographic regions, or particularly risky commercial activities.

### 2017 Highlights

- **Coordination of compliance activities with the units in the United States,** to strengthen Bci's role as parent company, in relation to City National Bank of Florida (CNB) and the other subsidiaries and offices in the region. This was one of the main tasks of the Regional Compliance Officer in 2017. Progress was also made in the CNB integration plan in terms of compliance.

- **New approach in data analytics and models.** To complement the traditional alert platforms, the unit has started work on developing new data analysis models to identify unusual behavior or activity. These methodologies will be incorporated into the unit's different monitoring protocols for the prevention of money laundering and terrorist financing, as well as the promotion of free competition.

- **Incorporation of two new specialized units:** The Retail Banking Compliance Unit and the Wholesale Banking Compliance Unit. They join the Financial Compliance Unit, created in 2016, to ensure that the Bank has specialists overseeing each type of business.

- **New regulations.** In 2017 the Compliance and Prevention Unit worked on the adoption of CRS, which enters into force in 2018 and which obligates Chile, as a signing country, to share with the other 100 nations tax information on foreign residents living in Chile and on Chileans with business overseas. In 2017, Bci worked to have the necessary systems in place by mid-year, for capturing and managing this flow of information. Another regulation that entered into effect in 2017 is Circular N°57 from the Chilean Financial Analysis Unit, which requires all reporting entities to identify the ultimate beneficial ownership of their legal entity clients and to report the identity of any individual who owns 10% or more of that entity's capital, so as to arrive at the natural person behind these entities.

## Training and diffusion

The 2017 annual training and diffusion plan carried out by the Corporate Compliance and Prevention Unit included the following activities:

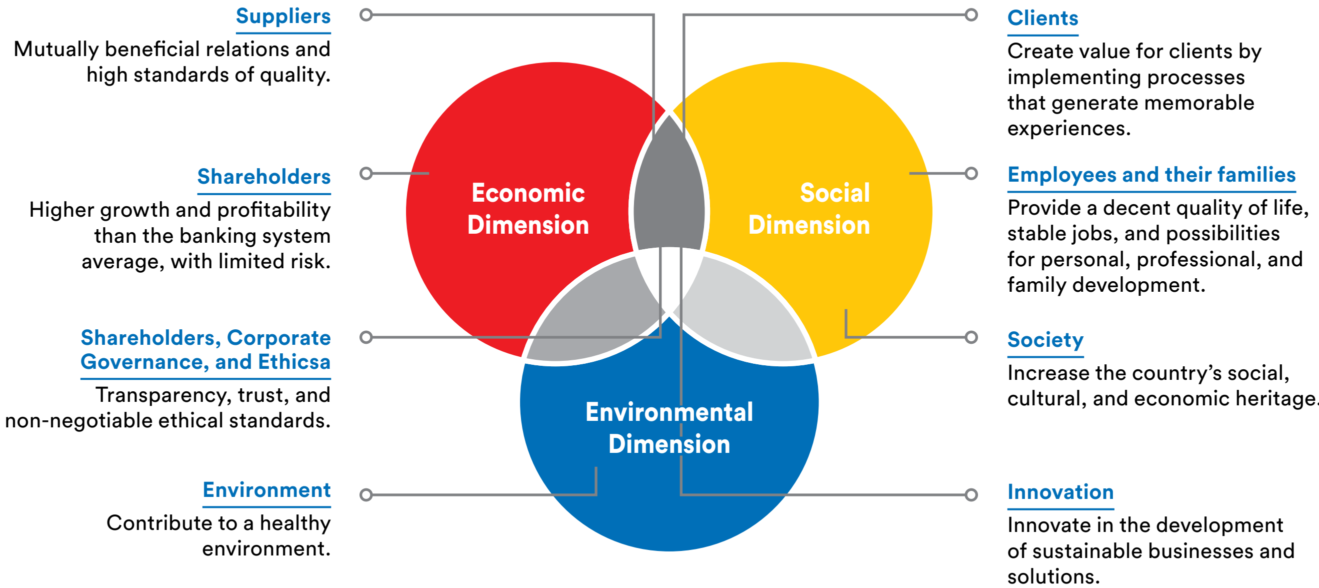
- Face-to-face classes on compliance, taught throughout the year, with regularly scheduled classes in the different areas as well as special classes to address specific needs.
- Diffusion of compliance and ethics management in all the Bank's induction courses.
- Monthly bulletins on compliance topics;
- E-learning program on regulatory compliance and operational risks, with modules on topics such as money laundering, criminal risk prevention, free competition, FATCA, and financial regulation.
- A minisite on the Bank's Intranet to address risk-related issues, which was reinforced in 2017 through the incorporation of new sections.
- Training for Bci executives from the United States, given by Bci's Regional Compliance Officer for the United States., which reviewed the latest trends in money laundering and terrorist financing and the impact of cryptocurrencies in this area.

## Internal control of purchasing processes

Bci's Suppliers and Purchasing Unit developed a supplier monitoring process for all its regular suppliers, based on the control and tracking of critical variables. The main objectives are to ensure compliance with commercial agreements, legal requirements, and financial conditions; to mitigate operational and continuity risks; and to have a base of qualified suppliers that meet the profile defined by corporate policy in this area. The key elements of this process are as follows:

- Clear and specific policies and procedures.
- Emphasis on critical processes and the reduction of operational risks.
- Training for both internal users and suppliers.

## Bci sustainability model




# Sustainability

Bci aims to promote the economic, social, and environmental well-being of the people and communities with which it works. This triple focus is therefore incorporated into the Bank's strategic planning.

Bci's sustainability model aims to generate value for all our stakeholders, using a strategy based on four pillars: transparency and confidence; sustainable client; employee experience; and commitment to the community.

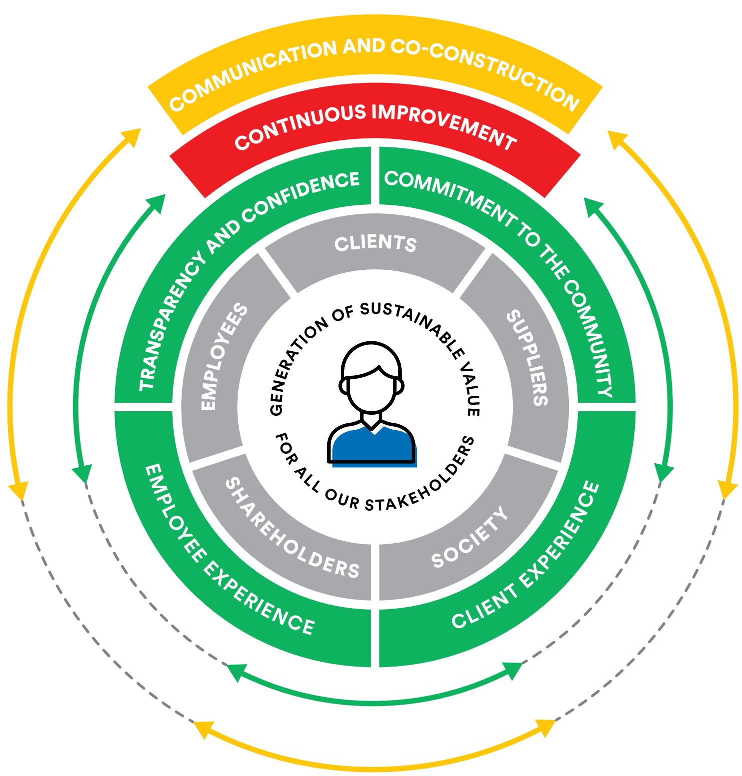
## Main objectives

- To promote economic, social, and environmental well-being.
- To contribute and generate shared value.
- To be the most sustainable company in Latin America.

The Sustainability and CSR Committee, which is composed of five directors and is headed by the Chairman of the Bci Board of Directors, meets periodically to review the sustainability strategy and the related policies and programs.

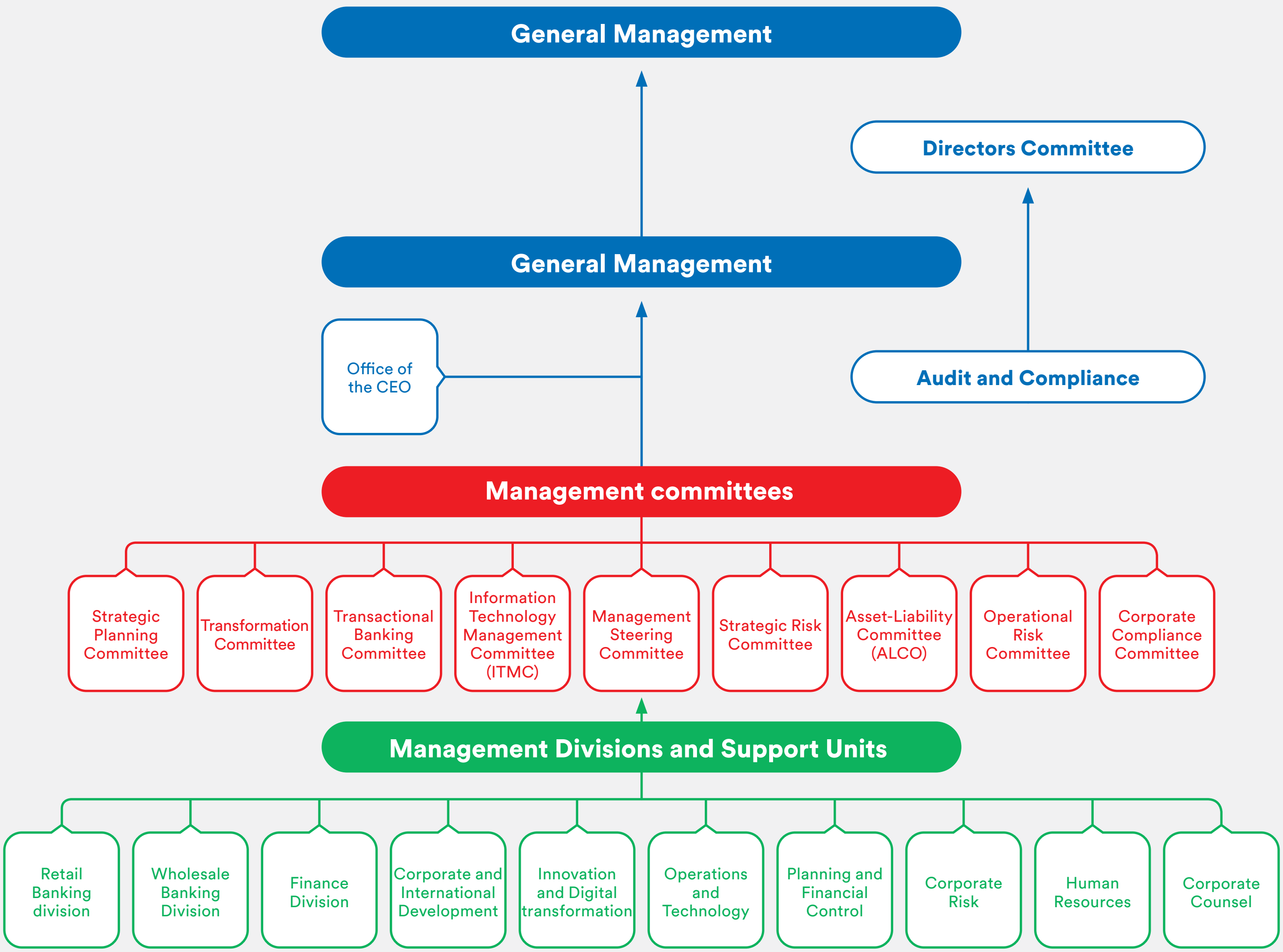
In 2017, the committee had four meetings. The issues discussed included the status of the various sustainability programs that generate value for clients, employees, suppliers, the environment, and the committee and an analysis of the Bci sustainability model the results of the Dow Jones Sustainability Index (DJSI).

## Bci sustainability strategy



## Senior Management

### Organizational structure




In Memoriam
**Pedro Balla Friedman †**

Pedro Balla Friedman passed away on 20 June 2017. He was with Bci for over 30 years, acting as Bank's Corporate Counsel and later as Legal Advisor to the Chairman and CEO. During his extensive and successful career, he was frequently recognized for the quality of his work and his outstanding

*"Pedro was a principled and personal leader and a wonderful human being. He belonged to the generation that built the foundations of the Bank and took the fist steps toward transforming a small local bank into the institution that it is today."*

***Eugenio Von Chrismar***

## Chief Executive Officer

### Eugenio Von Chrismar Carvajal

Mr. Von Chrismar holds a degree in civil engineering from the University of Santiago in Chile, with post-graduate studies in business administration at Harvard University and the London Business School.

He took over as Bci's CEO in March 2015.

### Other current positions

- Chairman of Bci Factoring S.A., Bci Securitizadora S.A., and Bci Asesoría Financiera
- Chairman of City National Bank of Florida
- Chairman of Empresas Juan Yarur SpA.

### Past positions

- *International staff in charge of investment banking and trading in Latin America at CitiCorp and Bank of America*
- *Chief Financial Officer, Bci*
- *Internalization strategy and subsidiary development for Bci Corporate & Investment Banking.*

More information:
bci.cl/investor-relations/

# Main Officers

**Diego Yarur Arrasate**
VP Corporate
International Development

**Gerardo Spoerer Hurtado**
VP Wholesale Banking

**Ximena Kutscher Taiba**
VP Corporate Audit
Compliance

**Rodrigo Corces Barja**
VP Retail Banking

**Javier Moraga Klenner**
VP Finance Division

**José Luis Ibaibarriaga Martínez**
VP Planning and Financial Control

**Pablo Jullian Grohnert**
VP Human Resources

**Ignacio Yarur Arrasate**
VP Innovation and Digital Transformation

**Patricio Subiabre Montero**
VP Operations and Technology

**Fernando Carmash Cassis**
Corporate Counsel

**Antonio Le Feuvre Vergara**
VP Corporate Risk

# 1.10 Risk Management

The implementation of the initiatives included in the Risk Management Transformation Plan has allowed Bci to maintain its standards of excellence in this area.

## Approach

The main goal of risk management at Bci is to comprehensively evaluate and control the Bank's risks, so as to contribute to optimizing the risk-return ratio of our operations, in line with best international practices.

Responsibility in this area resides first with the Board of Directors, with support from the senior management committees and other areas of the Bank.

## Main control mechanisms

### Risk Tolerance Statement

Among the pillars defined by Basel III, risk tolerance is a key component of risk management processes, because it entails identifying the risks to which the Bank is exposed and defining and communicating the limits within the business strategy should be executed, so as to optimize the risk-return ratio. Additionally, the definition of risk tolerance promotes an understanding of the risks to which the Bank is exposed and contributes to proactive management thereof. That is, it transforms risk evaluation metrics and methods into business decisions and reports and optimizes the achievement of results and value creation in the organization, including resource allocation and the development of new products and services, new client segments, and new businesses. It also contributes to policy creation, calibration, and maintenance and helps builds support for generating dialog at the highest levels of the organization regarding situations that could compromise the Bank.

Adherence to the Bci Risk Tolerance Statement is reviewed and managed monthly, based on the established limits. The Board of Directors is in charge of approving the risk tolerance framework and authorizing it annually. Modifying adherence to the Risk Tolerance Statement is delegated to the Executive Committee, in terms of the incorporation, replacement, or modification of risk definitions and limits, based on proposals from Senior Management. The Finance and Corporate Risk Committee periodically monitors the evolution of adherence, analyzes the proposed measures against critical levels, and requests reports on pertinent measures as needed to avoid exceeding the limits established for the indicators.

### Capital Stress Tests

Stress tests analyze the Bank's performance under different economic scenarios that could arise in the future. The results of the tests are used to guarantee, within the planning horizon, a volume of own resources in line with the Bank's risks, thereby ensuring compliance with legal and regulatory provisions and the funding of the strategic plan. The tests also support optimal capital allocation, with a focus on business lines that add value to the Corporation.

The main objectives of the stress tests are to verify capital adequacy (Tier 1 capital, Basel ratio), to identify possible vulnerabilities, and to evaluate the Bank's performance (profitability) under adverse macroeconomic scenarios. The process yields forecasts of regulatory and internally defined solvency ratios, in a horizon of two years. The stress scenarios used replicate both minor variations and serious historical economic or market events, to assess the impact on capital requirements and income.

### 2017 Focus

**Consolidation of industry leadership in risk ratios,** anchored on the Risk Management Transformation Plan, launched in late 2013. The following achievements were made in 2017:

- Strengthening of the risk culture. Definition and management of risk tolerance in Bci and subsidiaries.
- Implementation of lines of defense to guarantee the independence and control of credit decisions.
- Restructuring of small- and medium-sized commercial and retail banking into a single retail bank risk unit.
- Creation of an exceptions policy and control area, with clear and simple rules, which has allowed the automation of loan resolution.
- Development of model processes and platforms, as well as model validation systems. Development of models with higher discrimination power, increased integration with business management, and better time to market.
- Highly automated retail lending process, with an intensive use of campaigns.
- Redefinition of the wholesale loan origination process (higher risk/complexity are approved at a more senior level), to promote better decisionmaking and a segmented and standardized process.
- Improvement of portfolio monitoring processes, predictive systems, preventive actions, and proactive management (due diligence).
- Integration of accounts receivable management and tracking processes.

In the area of statistical models and data, 2017 highlights include the following:

- Corporate risk data management;
- Better data coverage for all risk management units.

- New system for running and monitoring models.
- Development of new internal provision models.
- Development of 27 new risk management models.
- Development, for the first time, of models for managing other risks, including demand account balances (financial risk), fraud (operational risk), and money laundering (compliance).

**Corporate control management for all Bci subsidiaries.** In 2017, the Bci Board of Directors approved provisions on risk management, degree of autonomy, and the flow of related information to and from its national and international subsidiaries.

## Bci risk management governance structure

| | | |
|---|---|---|
| **Board of Directors** | | |
| Defines the overall risk management framework and monitors risk. | | |
| Maintains a comprehensive analysis of the risks to which the Bank is exposed. | | |
| Establishes the levels for provision adequacy, additional provisions, and the Basel ratio. | | |
| **Executive Committee** | **Directors Committee** | **Finance and Corporate Risk Committee** |
| Defines and approves the Bank's risk tolerance and related policies, as delegated by the Board, and makes decisions on loans of significant size and complexity. | Responsible for the functions of the Audit and Compliance Committee, in accordance with the provisions of the Corporations Law and the SBIF, and directly supervises the activities of the Audit and Compliance Division and the Corporate Compliance and Prevention Division. | Monitors credit, market, and operational risk management, periodically reviewing the main indicators and analyzing the quality of the loan portfolio and the associated risk rates. In 2016, this Committee's domain was expanded to include Bci's business operations in in the United States. |
| **Senior Management** | | |
| **Committees** | | |
| Asset-Liability Committee (ALCO) | Responsible for the financial risk policy framework and decisions on asset and liability management and market and liquidity risks, including risk monitoring. | |
| Operational Risk Committee | In charge of defining the operational risk strategy; continuously reviewing policies on operational risk management, technology risk and information security management, business continuity, fraud prevention, and regulatory risk; monitoring risk levels; and tracking improvement plans for maintaining risks within the established tolerance ranges. | |
| Committee for the Prevention of Money Laundering | Establishes and monitors policies for the prevention of money laundering and terrorist financing. | |
| Strategic Risk Committee | Main function is to generate high-level discussions on strategic risk issues, so as to guide the business toward the desired portfolio while staying within the risk tolerance limits defined by the Board. | |
| Expanded Models Council | Responsible for managing the strategic function of risk management models, as well as prioritizing and aligning the development, adjustment, and utilization of the models with the Bank's strategy and that of the Corporate Risk Division. | |
| Corporate Risk Division | Manages the units in charge of credit risk, operational and financial risk, and the prevention of money laundering and terrorist financing. | |

# Main Risks

## Credit Risk

Credit risk is the potential loss assumed by the Bank when it lends money, due to the possibility that the borrower could default on the loan. Credit risk management entails a series of policies and procedures through which Bci evaluates, assumes, classifies, controls, and covers the risk. These include not only loan loss provisions, but also lending requirements and the monitoring of borrowers' performance.

### Management

Our credit approval and monitoring processes are based on international best practices and the use of statistical models in the different portfolio segments, including both the commercial and retail areas.

Credit risk practices are divided into loan origination, policies, monitoring, and collection.

Credit risk is managed at three levels: (1) the Corporate Risk Strategy Division is responsible for designing—in conjunction with the sales teams and the Corporate Risk Origination Division—the credit risk strategies for retail and wholesale bank clients, in terms of risk policies, the monitoring of borrowers' performance, and loan collection; (2) the Corporate Risk Origination Division provides support to Wholesale, Retail, and International sales teams, in terms of business structure and resolution within the established policies and strategies; and (3) Normaliza S.A., a Bci subsidiary that handles loan collections and normalization, is responsible for early management of past-due customers so as to maximize the recovery of bad debt through direct negotiation or court action.

### 2017 Highlights

- Six new parametric policies and deeper work with models and data, as an integral part of credit risk management, have supported an increase in automated loan resolution, shortening collection times and reducing risk.
- Installation of regional risk executives, with new authority for flexible loan resolution in pairs (sales executive and risk executive). This process is anchored on the centralized automatic renewal of credit lines under specific circumstances and for specific borrowers, which frees up the staff's time for new roles.
- In monitoring and collections, highlights include the use of a default forecast model, which allows the early adoption of the best client strategy; a new incentives model for collections executives (variable income); the implementation of Small Core–a Costumer Relationship Management (CRM) platform that centralizes customer interactions–for the entire sales network, and new tools for improving collections efficiency.

## Financial Risk

Financial risk is the probability of loss due to a decrease in the value of the investment portfolios or in the value of funds or equity managed by the Corporation, as a result of changes in financial asset prices.

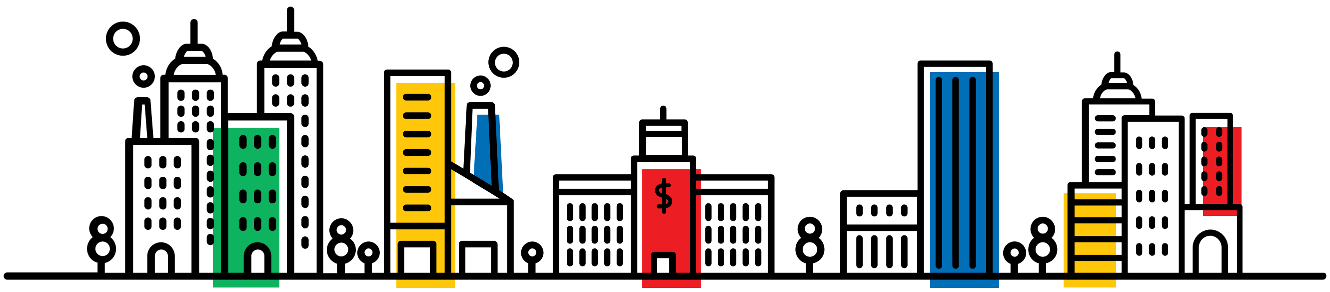
### Management

Financial risk management is closely supervised by Bci through different corporate bodies, including the Asset-Liability Committee (ALCO), which monitors collection, liquidity, and interest rate strategies and defines limit structures in line with the Risk Tolerance Statement; and the Finance and Risk Committee, which is in charge of the monthly monitoring of strategies and compliance with internal and national regulations.

Bci manages financial risks through a set of policies, measurement methodologies, and mechanisms for monitoring and internal control, which allow the identification, measurement, and control of possible losses deriving from adverse movements in asset and liability values.

Financial risk control includes liquidity risk, which is the risk that the Bank will have insufficient liquid assets to meet its contractual obligations and/or will need to assume unusual funding costs. Liquidity risk management entails identifying, measuring, and controlling the contingency of not being able to meet payment obligations fully and on time.

In accordance with the Central Bank of Chile, Bci is authorized by the Superintendence of Banks and Financial Institutions to apply econometric and



statistical asset-liability models to control its liquidity position. These models are used to calculate liquidity needs, taking into consideration the historical behavior of customers' liabilities and debt. Other mechanisms include the use of internal limits set by the Board of Directors, early warning indicators, and a contingency plan. It is thus possible to anticipate periods of illiquidity and to quickly take the necessary actions.

### 2017 Highlights

- New models of the stability of time deposits and demand account balances, to measure liquidity flow.
- Revision of the quantification factors for the counterparty risk exposure of derivatives.
- Support for financial innovation, in terms of the risk and valuation methodologies and regulatory support for seven new products.
- Improvement of the processes, methodologies, and systemic configurations involved in the valuation of financial instruments.
- Operational and technological reinforcement of the financial risk platform as the main risk reporting channel.

## Operational Risk

Operational risk is the risk of losses deriving from human error, inadequate or defective internal processes, or system failures resulting from external events.

Operational risk is inherent in all the Bank's activities, products, systems, and processes. The origins vary widely and include internal and external fraud, processing errors, inadequate business practices, labor conflicts, supplier failures, technological failures, human error, and natural disasters.

### Management

At Bci, operational risk management is the responsibility of the operational risk committees: namely, the Information Security and Technology Risk Committee, the Business Continuity Committee, and the Outsourced Services Risk Management Committee. These governance committees meet periodically and are responsible for overseeing the execution of the risk identification and assessment program, as well as the management of the root causes to mitigate risks.

Work in this area is performed by operational risk specialists in processes, information security, cyber-security, and technology risk, business continuity, fraud prevention, and risk management processes. These professionals are duly trained in risk assessment and management workshops, and their job is to prevent process-related losses, incidents, and complaints and to acquire the theoretical and practical knowledge necessary to anticipate—to the extent possible—unexpected contingencies in these areas.

### 2017 Highlights

- New internal fraud prevention model.
- Development of new risk assessment and security policies for the implementation of digital transformation projects.
- Implementation of the Operational Risk Management Framework in Bci subsidiaries
- Automation of operational risk processes.
- Improved industry cooperation and coordination on cyber-security, fraud, common suppliers, and continuity, through the Chilean Association of Banks and Financial Institutions (ABIF).
- Strengthening of control and security processes for reducing external fraud.
- Strengthening of supplier monitoring and management processes.

# Interview with the CEO

After three years as CEO of Bci, Eugenio Von Chrismar discusses his vision for the future and the main challenges for 2018.

**How do you see the banking industry today?**

The world, as we know it, has changed. How we relate to one another, how we work, how we consume—everything is in a constant state of flux.

In every industry, consumers are looking for personalized, immediate, intuitive, and transparent experiences. And they prefer companies that empower them and inspire trust.

At the same time, the massive and aggressive entry of new players in the market—including the so-called fintech companies—is changing the standard of experience. They are very good at interpreting their customers' needs and wants, so they are able to provide a fluid, instantaneous, secure, comprehensive experience, earning their trust by establishing transparent, horizontal relationships.

The financial industry is not impervious to these changes, which have reconfigured everything we do and challenge us to constantly adapt.

**How is Bci facing these changes?**

We have a clear goal: to become the most well-liked and preferred bank by 2020, providing the best omnichannel service experience for our customers, offering the best opportunities for personal and professional growth for our employees, and being a strategic partner for the communities in which we operate.

To achieve this goal, we have defined a range of strategic capabilities that we need to build and strengthen,

with an emphasis on the omnichannel experience, integration with the ecosystem, consolidation of a collaborative culture, strengthening of disruptive innovation, and the use of data analytics.

We also continue to move forward on our internationalization strategy, in order to support our customers in their regional expansion. Thanks to our large commercial platform in the United States, which includes City National Bank of Florida, Bci Miami and Bci Securities, we are now the Latin American bank with the largest presence in Florida.

**How will customers benefit from this transformation?**

The goal of this transformation is to strengthen our customer experience. We are a bank of and for people. Technology only adds value when it is at their service.
That's why we are working to provide our customers with self-service options on any device, wherever they may be, with simple, user-friendly solutions. Today you can open a checking account in 30 minutes, in a paper-free, time-saving process.

Thanks to our investments, our systems have a 99.78% uptime. An app that doesn't work or a website that crashes are unacceptable for our clients, who need access to us 24 hours a day, 7 days a week.

Intensive data use has allowed us to simplify face-to-face processes, providing customers with a personalized omnichannel experience in line with their individual needs. It also allows us to manage credit risk more flexibly, which simplifies customer interactions with the Bank.

**How will employees benefit from this transformation?**

The challenge of transforming our Bank almost by definition requires people who can complement our skills.

We have employees who have years of experience with Bci, whose depth of knowledge is invaluable and who are ambassadors of our culture. They have helped position our Bank as a leading company in the region. At the same time, we have brought in new talent whose knowledge and vision have contributed to broadening and diversifying our own outlook and changing how we face future challenges.

The biggest challenge that we all face is to use these complementary perspectives to create a better version of ourselves. To do so, we are implementing new ways of working and state-of-the-art methodologies, and creating a center for excellence for installing and scaling up the new scheme.

**How does Bci support the community and the country's development?**

Bci promotes the economic, social, and environmental well-being of the people and


communities with which we work. We also seek to generate value for our customers through innovative and inclusive initiatives.

A concrete example of this is Accessible Bci, an initiative for providing financial services to people with impaired vision, hearing, or mobility, based on a service and infrastructure model designed in accordance with international standards.

We want to eliminate the barriers that stand in the way of bank access for people with disabilities, thus both addressing a social reality and helping people to live independently and autonomously and to participate fully in society.

As a result, our Bank is the first and only company in Latin America that has a 100% accessible service model, with over 70 branches and virtual channels.

**How do you see the future of Bci in the coming years?**
I am convinced that in 2020 we will be a regional leader in innovation, accessibility and customer experience, offering the best value proposition, and we will be known as an excellent place to work and grow.

We will develop in step with the social, technological, and economic changes, adapting to any disruptive trends and new challenges that arise. We will keep dreaming big, and we will succeed in becoming the most well-liked and preferred bank.

# 2 Customers

At Bci we want our customers to have memorable experiences every time they contact us and on every available means of access.

## 2017 Highlights

| | |
|---|---|
| 530.397 | customers with Internet-based access |
| 19,2 | Internet transactions |
| 616.464 | checking accounts |
| 1.174.301 | electronic checkbooks |

**Best website and best mobile app**
Ipsos Estudio Servitest Personas

**23** branches of City National Bank of Florida

**356** offices in Chile

**National Award for Customer Satisfaction**
Large Bank Category
ProCalidad

**Best digital Bank in Chile**
World's BEST Consumer Digital Banks Awards in Latin America

**52%**

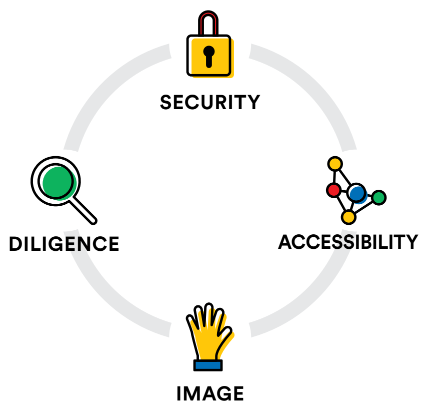
of business customers obtain their commercial loans 100% online. (December 2017)


**1.255** ATMs

**5,9 millon**

ATM transactions

Bci's common objective is to make dreams come true, by building lifelong relationships of trust and confidence with our customers. We aim to establish long-term relationships and develop a distinctive experience, based on four key criteria that make up the Bank's corporate culture: Security, Access, Diligence, and Image.




In 2017, Bci finished the development of a Customer Relationship Management (CRM) program designed internally and tailored to our needs. The purpose of the program is to optimize the use of information generated in customer interactions in order to improve products and processes, enhance decisionmaking, and prevent errors.

The CRM program manages all customer interactions. Solutions are thus designed individually and reflect each customer's reality and preferences, including the form of contact, almost immediately.

The CRM program also helps to improve the timeliness and appeal of promotional campaigns and allows sales executives to focus their efforts with personalized proposals.

## Omnichannel access

To meet the digital expectations of our customers, Bci has systematically analyzed their interactions with the Bank in order to design, from their perspective, simple, fast, omnichannel access to products and services.

Through coordinated and cooperative effort among the different areas, the Bank has developed innovations that fulfill this objective.

## Customer-focused strategy

Bci's corporate strategy is based on a commitment to providing our customers with innovative, high-quality products and services that satisfy their needs in a timely fashion and at competitive prices. Our customers are the foundation of the organization's success, so we need to committed to establishing and maintaining long-term relationships.

# 2.1 Retail Banking

Through its Retail Banking Division, Bci covers the financing, financial services, and investment needs of individuals and micro, small, and medium-sized businesses, with differentiated value proposals for each segment.

Personal Banking (serving natural persons) and Business Banking (providing specialized services for small and medium-sized enterprises and entrepreneurs) were combined into a single division in 2016, to deepen their customer focus and increase the flexibility of decisionmaking.

The personal banking products offered by the Retail Banking Division include consumer and mortgage loans, checking accounts, credit cards, insurance, credit lines, and overdraft protection, as well as investment products such as time deposits, domestic and foreign mutual funds, the purchase and sale of stocks and bonds, and voluntary pension savings. For micro-business and small and medium-sized enterprises (SMEs), the division offers, in addition to all of the above products, commercial loans, leasing, factoring, bank guarantees, and other complementary services, such as support for management, business networks, and training.

## Personal Banking

**In 2017, Retail Banking made strides in the provision of omnichannel yet personalized service.**

### Highlights

- **Application of a comprehensive customer service model,** thanks to the successful implementation of the new CRM platform.
- **Transformation of the means of payment,** in 2017, this unit launched a transformation plan focused on profitable growth, innovation, and the development of the payment ecosystem. To this end, a series of initiatives were implemented, such as the improvement of the value proposition of the Bci Nova and SME segments and the launching of the DUO card, a unique product in Chile that combines debit and credit functions in a single card.
- **Consolidation of the co-branding program with American Airlines.** At year-end, the Bci / AAdvantage credit card was used by 30,000 customers and was positioned as the credit card with the fastest accumulation of miles in the market.
- **Integration of TBanc into the Bci digital platform.** Since April 2017, all customers who used TBanc—a pioneering development in remote services, launched by Bci 20 years ago—have direct access to the Bank's digital advances and developments.

### Alliance with Walmart Chile

On 19 December 2017, Bci singed an agreement with Walmart Chile, the largest supermarket operator in the country and world leader in the retail sector, to acquire its financial business through the purchase of 100% of the entities that make up Walmart Chile Financial Services, including the issue and operation of the Líder MasterCard and Presto credit cards, the origination of cash advances and super-advances, and personal insurance brokerage.

This agreement, which is subject to approval by the regulatory authorities in Chile and the United States, establishes that the acquired corporations will become subsidiaries of Bci and will continue working with the retailer independently of the Bank, to maximize business potential.

The agreement also contemplates a commercial alliance to continue developing the financial business in conjunction with Walmart Chile.

## Customer service channels

### Website and mobile app

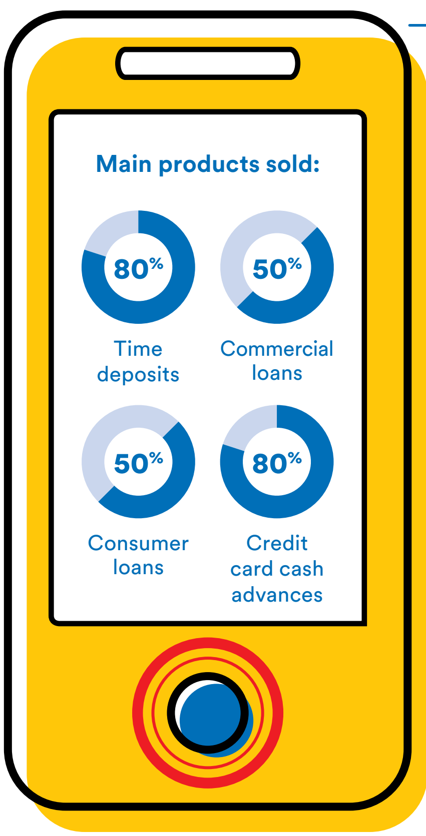
Main channel for sales, distribution, and service

**7,5**

7.5 million visits a month

**+80%**

Personal Banking customers are digital users (connecting online every two days, on average).




### Telephone banking

Telephone banking services for Bci, TBanc, and Bci Nova

- Chat (used by 78% of personal banking customers)
- Robot (increases contact capability and reduces response time)
- Bot (program that automatically performs repetitive Internet-based tasks)
- Telephone service

### ATM

Convenient cash access as needed.

**1.255**

Extensive network of 1,255 Bci automatic teller machines

### Branches

In-person service network

**356**

offices nationally

**72**

Accessible Bci branches


**52%**

**of Bci's commercial loans are now processed online**

First in Chile

## 100% Online Bank Products

### Commercial loans

Since July 2017, businesses have the option of applying for commercial loans online, without having to go through intermediaries, using a fast, simple process that can be carried out anytime, anywhere.

At year-end, this product was unique in the local banking industry and one of the Bank's most successful developments of the year.

### Debt consolidation

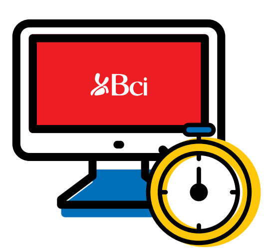
Bci was the first Chilean bank to offer self-service in consumer debt consolidation. As of November 2017, our customers can securely complete the process in less than five minutes, entirely online, without recording.

### Checking accounts

In 2017, more than 4,300 people opened a Bci checking account over the Internet, a process that took less than 30 minutes. Bci was the first bank in the country to launch this 100% online product, in 2016.

**159%**

**growth in commercial loan in 2017**

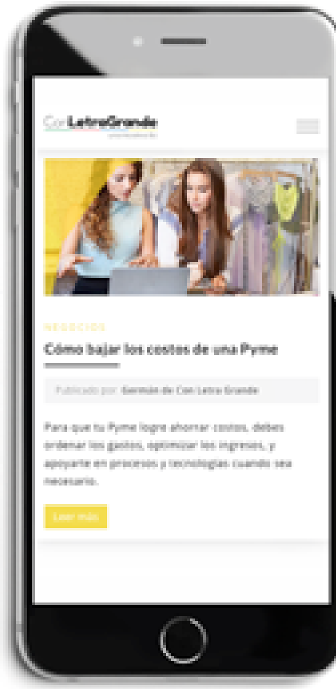


## Financial Education

Transparency, as a key institutional value, is incorporated in Bci's sustainability strategy and in the experience criteria that guide our employees' actions. At Bci, transparency is a critical condition for establishing long-term trust-based relationships with our stakeholders. To strengthen transparency as a distinguishing characteristic, the Bank has promoted a number of initiatives and programs in recent years, centered around information, education, and consulting.

### 2017 Highlights

- In October, Bci launched a new technological platform in its financial education program, Con Letra Grande (In Large Print). The blog www.conletragrande.cl provides simple, direct content generated on the basis of the most-searched questions on the Internet. The goal is to facilitate understanding of banking services, promote the responsible use of financial products, and increase financial system access for individuals and small businesses. y ampliar el acceso de las personas y los emprendedores al sistema financiero.
- In its first two months, the new site received over 130,000 visits, while 1,200 people signed up to receive information, with a 41% open rate on emails sent.
- In the year, Bci executives held 249 customer workshops on financial education, of which 96% were on responsible debt and the remaining 4% on investment products, mortgages, and the economy in general.




**+50** different blog entries on www.conletragrande.cl to help people make healthy and sustainable financial decisions.

## Business Banking

**In 2017, Bci strengthened its value proposition for businesses and their partners, with an emphasis on specialized attention, online products and services, and advice on business structure.**

### 2017 Highlights

- Over 40,000 business owners are active digital customers.
- Launch of a new service model for businesses that are less than 12 months old, which received a customer satisfaction index (Snex) of 82%. The success rate of businesses in this program was 85%.
- The Bci / AAdvantage credit card was made available to business partners.
- The number of businesses with Bci credit cards grew 14% in 2017 relative to 2016.
- In visits to customers in the micro-business segment (with over a year in business and annual sales of less than UF 2,400), Bci account executives used a new tool, a digital technical sheet, which had a positive impact on the quality of the sales process and allowed data collection in the field, which will be useful for improving service quality.

### Highlights in the entrepreneurial ecosystem

**Bci sealed an alliance with Start-Up Chile, the largest business accelerator in Latin America**
Under the agreement, the Bank offers banking services to over 250 startups supported by Start-Up Chile, including financing and access to an international network of mentors and investors.

**Social Store, the digital window of Bci Nace, has over 20,000 followers**
At the end of its first year in operation, this platform was used by 350 entrepreneurs, all supported by the Bci Nace program, to market and sell their products and services. As part of this initiative, Bci also provided these businesses with free consulting on digital marketing and social networks in 2017.

**Nearly 100 customers used the business self-assessment program**
Bci's self-diagnosis program for SMEs, launched in 2016, allows our business banking customers to visualize the performance of different areas of their business (organizational capabilities, sales, and financial management), receive feedback, and access the Catholic University's mentor network. In 2017, 98 customers received over 32 hours of mentoring and 20 hours of consulting.

**SME-UC is 10 years old**
Bci is the strategic partner in this initiative of the Catholic University of Chile's Business School, which provides advice and support for small and medium-sized businesses to strengthen their management capabilities and enhance their competitiveness. At year-end 2017, the university offered four programs for small business owners: SME management certification course; online courses in SME management; SME self-assessment program; and classes partnered with Coursera, an international online program that has connected over 54,000 people to classes taught at top universities around the world. In 2017, 97 of Bci's Retail Banking business customers participated in the university's various SME management programs.

**Bci Challenge has helped over 100 businesses since its creation**
Since its creation in 2008, this contest, organized jointly by Bci and the Universidad del Desarrollo, provides free communications and marketing consulting to the twelve winning companies, in the Bci Nace program. University students in the last year of their degree program spend three months working with the new businesses to develop a marketing and advertising plan.


## Accessible Bci

Over the last year, Bci worked to expand and improve the service model created in 2015 to adapt its products, services, and infrastructure to the needs of people with impaired vision, hearing, or mobility.

### 2017 Highlights

- 72 accessible branches (which have ramps and large open areas, designated tellers for shorter wait times, help desks and ATMs with a lower reach height, automatic doors, elevators, designated parking, and video-call service with sign language interpreters).
- 13 accessible ATMs (with audio description and keypad selection).
- 100% of Bci branches have kits for for the visually impaired (raised-line checks and stickers for credit/debit cards).
- 100% accessible web and mobile services: online transfers; credit card payments, credit line payments, addition of contacts, transfers, prepaid mobile phone loading, BIP (metro) card loading, bank statements, bill payments, and changes to personal information.
- 100% Mobile Multi-pass, with voice navigation.
- Accessible branches have a system for recognizing a customer's condition, that is, whether the customer has a visual, hearing, or mobility impairment.

## Bci Branch in Pedro Aguirre Cerda

This new in-person service model promotes financial inclusion and entrepreneurship.

In 2017, Bci inaugurated its first multi-segment branch (combining Bci, Bci Nova, and My SME), in the community of Pedro Aguirre Cerda (PAC) in Santiago. The branch was designed in collaboration with the municipality and neighborhood representatives. Monthly meetings were held to bring together representatives of the Chilean Micro-Business Association (AMEPAC), taxi driver unions, open air market groups, women entrepreneur associations, the neighborhood council, and community leaders. Around 30 people attended each meeting, where they reviewed progress on the construction and the cultural extension and financial education programs associated with the branch.

In addition to providing traditional financial products and services, such as checking accounts, demand deposit accounts, credit cards, loans, and saving and investment options, the PAC branch allows customers to pay utility bills (water, electricity, gas), access an ATM, and load their prepaid Santiago metro cards. Bci's goal is to provide formal access to people who are outside the banking system and to promote entrepreneurship by providing people with clear, precise, pertinent, and—especially—understandable financial information.

In its first year, this branch held more than 12 financial education workshops for micro-business owners, who gave the classes a grade of 6.4 (on a scale of 1 to 7) for content and 4.6 (on a scale of 1 to 5) for accessibility.

### Financial education

The first talk at the Pedro Aguirre Cerda branch was given by the Superintendent of Banks and Financial Institutions (SBIF), Eric Parrado.

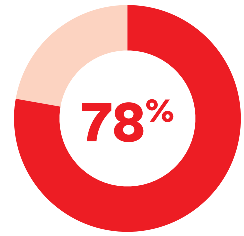
### Nutcracker Ballet

To commemorate its first year in the community, Bci sponsored the performance of The Nutcracker, an international ballet that was attended free of charge by 3,200 people from the Pedro Aguirre Cerda community in December 2017.

## PAC Branch in 2017

Customer satisfaction

↓

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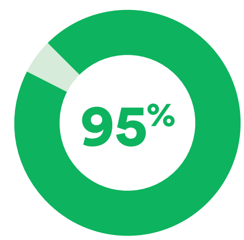


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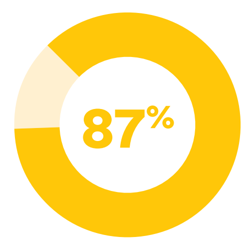



think Bci is a good neighbor

(1) Net Promoter Score
(2) Net customer satisfaction score

In 2017 Bci's PAC branch was awarded second place for Support for Financial Inclusion in the Financial Education and Inclusion Contest, held by the SBIF in conjunction with the University of Chile and the Millennium Institute (MIPP).

# 2.1 Wholesale Banking

Bci's priority in 2017 was the development of financial solutions that support the efficiency and global reach of businesses and corporations.

The Wholesale Banking Division bases its value proposal on specialized attention, knowledge of industries and ecosystems, and close customer relationships. The division encompasses Business Banking, Large Business and Real Estate Banking, Corporate Banking, and Private Banking, as well as the Strategy Division. It has four business areas, with specialists who are available to work with Bci's customers as needed: Transactional Banking, Bci Financial Consulting, Factoring, and Leasing.

This structure aims to promote a comprehensive view of the customer and collaborative, shared practices in all segments of industrial sectors, achieving a more efficient proposal for addressing the business ecosystem as a whole.

## Close Relationships

In 2017, the Wholesale Banking Division participated in ***15 seminars in different regions,*** in order to generate opportunities for building closer relationships with businesses, corporations, and communities in different areas of the country. At these meetings, Bci joined other expert speakers to give presentations on issues such as monetary policy, digitalization, business confidence, and the economic outlook.

To promote cultural outreach, the Bank sponsored ***open jazz concerts*** for customers, stakeholders, and others in the communities of Quillota, Rancagua, Curicó, Concepción.

The annual ***Bci Day*** was held this year in San Pedro de Atacama, in the Antofagasta Region, and at the Las Majadas de Pirque Convention Center in the Maipo Valley. Both events featured a combination of workshops on innovation, policy, and the economy and team-building activities for Bank staff and business executives.

In 2017, the Wholesale Banking Division organized the ***VIII Annual Conference,*** entitled "Industry 4.0 / Wild Knowledge: Transforming Business Models." The conference, which was attended by over 500 people, featured a keynote speech by the Minister of the Economy, Luis Felipe Céspedes; and a presentation by Swedish business and economics professor, Kjell A. Nordström, on the digital transformation and its impact on the ability of the country, businesses, and society as a whole to achieve sustainable long-term growth.

The Retail Banking Division's vision is to establish long-term relationships with its customers in order to become market leaders and the bank of choice for the largest businesses and families in Chile. The division is present throughout the business network of high-potential industries and their respective ecosystems, with a differentiated and competitive value proposition.

## Corporate Banking

Our corporate clients receive a highly personalized service, with financial solutions that are tailored to their individual needs. The service model is unique in the market and is based on trust and the construction of close long-term relationships.

In 2017, the Corporate Banking section had significant business in corporate financing, debt restructuring, and syndicated loans. The area recorded considerable growth of loans and balances, above the market average.

### Opportunity Network
**International *Marketplace* for Bci Customers**

In August 2017, Bci signed an exclusive agreement with the fintech company Opportunity Network, creator of a digital business community that connects national and international companies so that they can generate business with community members who are clients of other banks or financial entities associated with the network.

On this innovative platform, customers invited by Bci can publish business opportunities, review open opportunities from other companies, connect with trustworthy partners, and start a business conversation with member firms around the world.

**+20** industries

**120** countries

**+15mil** partners

## Private Banking

Bci's Private Banking section has a team of highly specialized investment bankers, who are experts in designing the best individual strategy for our customers, in line with their specific needs and investment profile.

In 2017, the assets under management (AUM) of this section exceeded US$ 3.0 billion. For the sixth consecutive year, the Private Banking section was awarded Best Private Banking by World Finance.

## Large Business and Real Estate Banking

This section aspires to be a regional leader in innovation, accessibility, and customer experience, creating a definitive Bank identity. In financial terms, the comprehensive income from Large Business and Real Estate Banking increased significantly in the last two years, recording double-digit annual growth rates.

The Real Estate Banking section is a leader in the sector, financing all the high-profile residential and office real estate projects in the country.

## Business Banking

The Business Banking section provides personal, flexible, and innovative service to its customers, generating personalized solutions that comprehensively meet their financing needs. The section covers all the cities in the country and supports a large number of productive industries. In 2017, the number of new customers doubled in this section relative to the previous year, as did gross commercial loan sales, factoring, and leasing contracts.

## Corporate Finance

The Corporate Finance section offers its customers the experience and consulting services of a highly qualified team, who adapt their solutions to the needs and reality of each company.

The section offers a wide array of products, including financial transactions, funding, debt restructuring, project finance, mergers and acquisitions, and corporate valuation.

## Factoring

Bci Factoring provides specialized service nationwide, with a team of professionals who are highly experienced in factoring. Bci customers thus have access to the best factoring services in the country, in the event they need access to short-term liquidity.

At year-end 2017, over 60% of the section's business was digital factoring, which demonstrates the success of the Bank's digital transformation process over the past several years.

## Leasing

Bci Leasing provides customers with medium- and long-term financing alternatives for acquiring fixed assets by leasing for a specified period of time, with the option to buy. In 2017, over 50% of leasing operations were through multi-leasing.

## Transactional Banking

Our Transactional Banking section is a market leader in the provision of payment products and services, collections, factoring, leasing, financial consulting, insurance, money market desk, derivatives, and foreign trade and investment. It provides support across all business areas, with an extensive distribution network that includes branches throughout Chile and overseas, subsidiaries, representative offices, web platforms, and mobile apps.

# 2.3 Finance Division

**The Finance Division's mission is to support the Bank's strategic development plan, by obtaining the best financing conditions for our customers; contributing to the optimization of the Bank's asset and liability portfolio; and delivering innovative high-quality investment, risk coverage, and consulting solutions.**

The strategic objective of this area is to consolidate its position as a market leader, with regional risk coverage solutions for our customers. Goals include increasing market share in asset brokerage and investment management with regional coverage; and creating and nurturing a culture of innovation, performance excellence, and teamwork.

## Treasury

Led by a highly experienced team, the Treasury area is in charge of financing the growth of Bci, through the issue of short- and long-term debt securities in the local and international markets.

Another of the primary functions of this area is the management of the Bank's liquidity, balance sheet, and price, maturity, currency, and interest rate risks, in accordance with prudent risk criteria.

In 2017, the Treasury repeated the excellent performance of previous years, achieving greater diversification of our local funding sources and broadening our foreign investor base. In the year, the Treasury accomplished the following:

- Issued the first social bond in Japan;
- Issued a new 144A bond in the U.S. market under historically favorable conditions;
- Kept inflation rate and inflation risks low on the balance sheet, with excellent execution of the coverage strategy;
- Increased the number of new initiatives in the pipeline by more than ten times, through an innovation process based on agile development methodology, becoming an increasingly important source of customer satisfaction and new income for the Bank.

## Sales & Trading

The Sales & Trading team combines the market-making, structuring, and distribution of a wide range of financial products, including currency hedging, derivatives, structured investment and hedging products, bonds, and money market instruments.

In 2017:

- The unit achieved its targets for the year, increasing the volume traded and generating record income for Bci.
- Our customers gave the highest evaluation of the services offered, according to customer satisfaction measures.
- S&T increased its positioning in the offshore banking and financial institutions segment, in terms of interest rate, inflation, and currency hedging.
- The volume of foreign currency bought and sold over the web increased significantly over last year, facilitating customers' market access via a digital channel.

## Bci Research

The main objective of Bci Research is to analyze the economy and its impact on the key financial variables for Bci and our customers. They identify the main macroeconomic trends and forecast the most probable medium- and long-term path.

This area supports the Bci sales teams by providing timely information on economic issues. In this context, the Bank's chief economist releases regular and special reports on economic performance and forecasts. In addition, Bci organizes meeting with customers to analyze the economic scenario and how it could affect their business development, including the potential impacts of changes in the international scenario, international financial market shocks, or unexpected domestic events.

En 2017:

- Focus Economics named Bci Research the Best Economic Forecaster of the exchange rate and GDP growth in Chile.
- The area received a lot of press coverage in terms of interviews and reports on its forecasts, which underscores the quality of their analysis and economic forecasts.

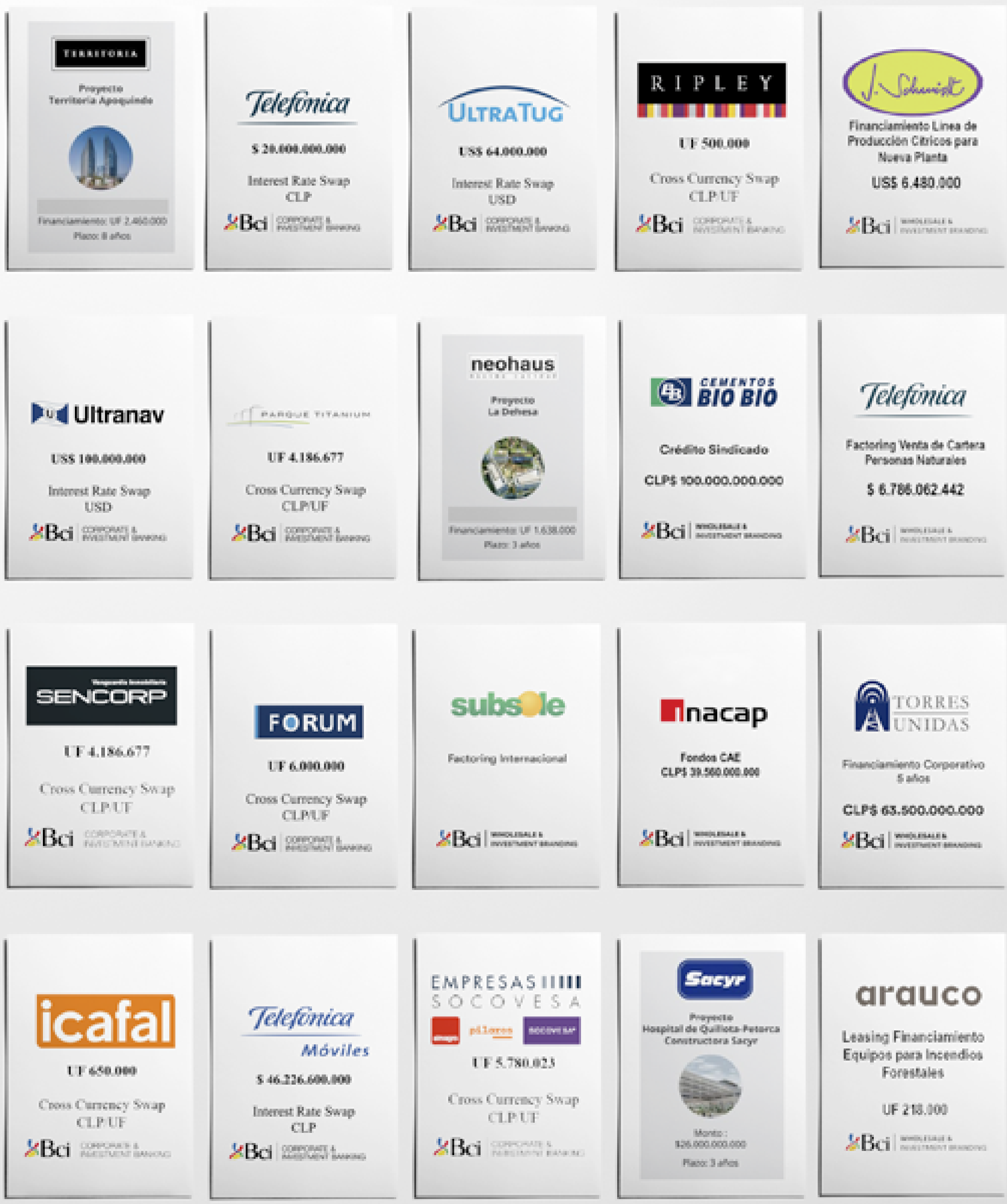
## Bci Wealth Management

This area, which comprises Bci Asset Management, Bci Corredor de Bolsa, Bci Securities, Inc., develops investment proposals tailored to out customers' needs and expectations, taking into consideration the investment horizon and risk profile defined by the customer.

In 2017:

- The area organized a series of investment meetings and workshops for its customers, where a panel of experts and business leaders analyzed political, social, and economic developments in Chile.
- *World Finance* gave Bci Corredor de Bolsa its Brokerage Award for Chile and Bci Asset Management its Investment Management Award, positioning the Bci Wealth Management area as a leader in investment management and consulting.

# Financial Deals in 2017



# Main Officers

**Eric Recart Balze**
CEO, Bci Corredores de Seguros S.A.

**Tomás Flanagan Margozzini**
CEO, Bci Corredor de Bolsa S.A.

**Víctor Aguilar Zaforas**
CEO, Bci Factoring S.A.

**Jorge Gonzáles Echazabal**
CEO, City National Bank of Florida

**Patricio Romero Leiva**
CEO, Bci Asset Management Administradora General de Fondos S.A.

**Francisco García Pinochet**
CEO, Bci Corredora Bolsa de Productos S.A.

**Jerónimo Ryckeboer Rovaletti**
CEO, Servicios de Normalización y Cobranza, Normaliza S.A.

*Francisco Cuesta, CEO of Finanzas Corporativas, retired on 31 December 2017. Felipe González Holmes took over the position on 01 January 2018.

# 2.4 Subsidiaries

Bci's subsidiaries in Chile fill complementary business niches to provide comprehensive service to our customers.

All of these corporations focus on a single core business and are regulated by either the Superintendence of Securities and Insurance (SVS) or the Superintendence of Banks and Financial Institutions (SBIF).

## Bci Asset Management Administradora General de Fondos S.A.

This subsidiary provides wealth management services to people, businesses, and institutions, through mutual funds, investment funds, voluntary pension savings, portfolio management, funds domiciled in Luxembourg, and, complementarily, the distribution of their funds and global financial and alternative asset managers. The company currently manages over US$ 9.2 trillion, using diverse strategies that give clients access to a wide range of investment alternatives in equity capitalization and debt instruments, in both local and international markets.

### 2017 Highlights

- The subsidiary became the largest manager of balanced funds in Chile, with US$ 1.1 billion in assets.
- Once again, our funds received the 2017 Salmon Awards, given out by Larraín Vial Indices and Diario Financiero, for maintaining the highest risk-adjusted earnings in the industry for both the traditional series and the voluntary pension saving series.
- The company was recognized as one of the most important wealth managers in the industry, receiving the 2017 World Finance Investment Management Award for both equities and fixed income in Chile, and was the only company in the country to receive the highest rating (excellent) from the international agency Fitch Ratings.
- The strengthening of customer communication channels through various initiatives contributed to record ratings on investment customer satisfaction.

## Bci Corredor de Bolsa S.A

Bci Corredor de Bolsa provides brokerage services to a wide range of segments, including pension fund managers, mutual funds, investment funds, foreign brokers, local family offices, and private individuals. In 2017 the company celebrated its 30th year in business. It has become one of the main brokers in the Chilean capital market, with a strong reputation for service excellence.

### 2017 Highlights

- Bci Corredor de Bolsa was recognized by World Finance as the best brokerage in Chile.
- Its core equity portfolio was again recognized as one of the most profitable of the year, demonstrating the consistency of the company's recommendations.
- Twenty-two investment meetings were held, where officers of the country's main issuers gave presentations on their performance and plans to Bci customers.
- The distribution and finance areas were restructured to provide a better value proposal for clients. This led to a significant increase in the volume traded by customers.

## Bci Factoring S.A.

This subsidiary provides the best factoring solutions in the country, responding quickly to our customers' short-term financing needs. With over two decades of experience and a team of 268 people, Bci Factoring has established a successful service model in the local market, with global specialists via Factor Chain International (FCI) and coverage in over 90 countries.

### 2017 Highlights

- Sustained growth in the SME segment and in the volume of transactions contributed to achieving a 28% market share, measured in business stock (Source: SBIF, November 2017).
- Consolidation of digital services, through the Digital Factoring business platform.
- Development of the e-Factoring business as a complement to payment services for firms and corporations, through supplier financing.

## Bci Corredores de Seguros S.A.

Our insurance subsidiary brokers general and life insurance offered by insurance companies in the national market, which are selected on the basis of their experience, solvency, and service quality. This subsidiary, created in 1998, has a team of over 180 insurance specialists, who take the time to fully understand the needs of each customer.

### 2017 Highlights

- Consolidation a new after-sales service model that has improved customer experience.
- Solid growth and leadership in general insurance market share.
- Implementation of an insurance brokerage training plan and certification courses aimed at improving the quality of advice and service for the end customer.

## Bci Asesoría Financiera S.A.

Bci Asesoría Financiera provides a wide range of consulting services in the area of corporate finance:
Financial structuring (syndicated loans, project financing, liability restructuring, and special financing); capital market operations, including both debt and equity (structuring and issuance of bonds and negotiable instruments, capital increases, and initial public offerings); mergers and acquisitions (M&A) and search for partners; and a range of services related to valuation and fairness opinions to help clients make adequate financial decisions and strategies.

### 2017 Highlights

- The company managed 16 mandates in the year, including bond issues, syndicated loans, and project funding.

## Bci Securitizadora S.A.

Created in 2001, Bci Securitizadora provides financial solutions to firms through the structuring and issuance of securitized bonds, backed by financial assets such as consumer loan portfolios, invoices, concessions, promissory notes, contracts, and future flows.

Bci Securitizadora gives firms access to the capital market, thereby diversifying their funding sources, thanks to the application of advanced financial engineering, extensive knowledge of the capital market and associated investors, and a rigorous asset management.

## Servicios de Normalización y Cobranza Normaliza S.A.

Normaliza maximizes the recovery of past-due loans at Bci, with a customer-focused approach based on best practices in collections. Today, this subsidiary is a market leader in process automation and implementation, together with lean flows in all areas (extra-judicial and judicial), which has contributed to high levels of productivity and efficiency.

### 2017 Highlights

- Nuevas tecnologías y canales de cobranza permitieron duplicar la productividad de los ejecutivos, así como mejorar la oportunidad de contactos y negocios con clientes.

## Bci Corredora de Bolsa de Productos S.A.

Bci Corredora de Bolsa de Productos was the first traditional bank subsidiary to enter the Chilean receivables exchange, in order to provide a regulated public trading platform for products, contracts, invoices, and derivatives. The company was created in 2015 and authorized by the Superintendence of Securities and Insurance (SVS) in November of that year. It began operating regularly on the exchange in 2016.

### 2017 Highlights

- Number one in volume traded, with 34% market share.
- Largest number of payers traded.

## Annual Performance of Bci Subsidiaries

| Company | Annual income 31 Dec 2016 Ch$ billion | Annual income 31 Dec 2017 Ch$ billion | Share of Bci's Consolidated Income 31 Dec 2016 % | Share of Bci's Consolidated Income 31 Dec 2017 % |
|---|---|---|---|---|
| Bci Asesoría Financiera S.A. | 4.179 | 810 | 1.23 | 0.22 |
| Bci Asset Management Administradora General de Fondos S.A. | 28.920 | 29.224 | 8.50 | 7.87 |
| Bci Corredor de Bolsa S.A. | 9.317 | 7.446 | 2.74 | 2.00 |
| Bci Corredores de Seguros S.A. | 26.477 | 33.810 | 7.78 | 9.10 |
| Bci Factoring S.A. | 14.296 | 18.308 | 4.20 | 4.93 |
| Bci Securitizadora S.A. | 367 | 343 | 0.11 | 0.09 |
| Servicios de Normalización y Cobranza, Normaliza S.A. | (264) | (104) | (0.08) | (0.03) |
| Banco de Crédito e Inversiones Sucursal Miami | 19.944 | 6.127 | 5.86 | 1.65 |
| City National Bank of Florida | 55.926 | 27.802 | 16.44 | 7.49 |
| Bci Securities Inc. | (1.744) | (1.292) | (0.51) | (0.35) |
| Bci Corredores de Bolsa de Productos S.A. | (4) | 100 | 0.00 | 0.03 |
| **Subsidiaries' income (total)** | **157.414** | **122.574** | **46.28** | **33.00** |
| **Bci's income** | **340.121** | **371.425** | | |

# 2.5 National Presence

## Bci Branches and Other Points of Contact in Chile



**214 Branches**

Comprehensive service centers for all Bci customers. Staff includes tellers, loan officers, investment specialists, and factoring and business support specialists.

| | |
|---|---|
| 32 | NORTH |
| 139 | CENTER |
| 43 | SOUTH |

**54 Bci Nova**

Branches oriented dedicated to electronic checkbook clients, staffed with account executives, assistants, and operations managers..

| | |
|---|---|
| 14 | NORTH |
| 24 | CENTER |
| 16 | SOUTH |

**42 Commercial platforms**

Service platforms providing personalized, exclusive attention to address the needs of specific customer segments.

| | |
|---|---|
| 9 | NORTH |
| 23 | CENTER |
| 10 | SOUTH |

**26 Private and preferential banking**

Sucursales orientadas a atender a clientes de alto patrimonio.

| | |
|---|---|
| 5 | NORTH |
| 17 | CENTER |
| 4 | SOUTH |

**13 Points of sale**

Primarily personal banking services, offering sale and after-sale services.

| | |
|---|---|
| 2 | NORTH |
| 10 | CENTER |
| 1 | SOUTH |

**1 Remote service center**

Virtual banking for operations related to consumer loans, renegotiation, and overdraft protection, among other products and services.

| | |
|---|---|
| 1 | CENTER |

**6 Auxiliary cash offices**

Transaction and treasury services, equipped with ATMs and automated account services that, for accounting purposes, are operated by a central office.

| | |
|---|---|
| 2 | NORTH |
| 2 | CENTER |
| 2 | SOUTH |


602


Bci

# 2.6 International Platform

Bci is present in six countries, with subsidiaries, branches, and representative offices, and offers global coverage through affiliation with over 1,000 correspondent banks.


In 2017, Bci continued to expand its international presence so as to strengthen the supply of products and services for customers who carry out overseas transactions, through our platform of subsidiaries and branches in the United States, representative offices in other countries, a network of correspondent banks, and alliances with foreign banks.

## Internationalization

If the acquisition of TotalBank is approved, the share of Bci's assets overseas will increase to 27.4%, up from 6.5% prior to the acquisition of CNB in 2015.

Since 2016, Bci's growth strategy is spearheaded by the Corporate and International Development Division, especially in the United States, the Andean region, and the Asia-Pacific axis. The main objective of the division is to diversify the Bank's income sources. It is therefore focused on the following tasks:

- To strengthen Bci's businesses, through representative offices, the Bci Miami branch, and City National Bank of Florida, by sharing best practices and contributing to the implementation of strategic initiatives;
- To execute acquisitions, alliances, and new business developments that dovetail the Bank's strategy in both international and local markets and to support the integration into Bci of projects that come to fruition; and
- To continue developing the regional platform so as to support Chilean clients that engage in international operations and to serve local businesses that operate in the countries where the Bank has offices, as well as multi-Latin companies.

### Strategic Agreement with CaixaBank

Bci and CaixaBank, leader in retail and mobile banking in Spain, established an agreement through which they will offer financial services to clients introduced by the counterparty, guaranteeing high standards of service quality. The agreement also considers complementary know how and technology.

CaixaBank serves 15.8 million customers and has the most extensive physical network in Spain, with around 4,700 branches and 9,400 ATMs. With 5.2 million active Internet customers, it is also a leader in digital banking in Europe.

### *Supply Chain Finance*

In 2017, Bci began to develop international financial solutions for firms that make up the supply chain of large corporations or projects. In this new business model, the Bank mainly operates international factoring platforms.

### Technology Watch Unit Created in Shanghai

In March 2017, Bci reinforced its representative office in Shanghai, China, with a technology watch unit for APEC countries. The goal is to connect with new business models and financial products that are emerging in this region and thus to contribute to developing initiatives that generate value for the different actors in the Bank's ecosystem.

### Incorporation of Bci in R3

In November 2017, Bci joined R3, a fintech firm that leads a consortium of over 100 large international banks interested in developing block chain technology for bank applications. Bci was the first Chilean commercial bank to join the group.

### Trade Mission from Miami

A delegation of U.S. companies, together with Miami Mayor Tomás Regalado, visited Chile in April 2017 to attend the international conference "Miami: Global Investment and Business Platform," sponsored by Bci.

This trade mission is part of the Bank's efforts to facilitate the creation and strengthening of business networks between Chile and the United States and to support our customers in their regional expansion.

The meeting, which was attended by over 200 business executives, was coordinated jointly with the Chilean Chamber of Commerce in Florida, Chile-U.S. Chamber of Commerce, and the Chilean-American Chamber of Commerce (AmCham Chile).

**2017 Highlights**

### Agreement on the Acquisition of TotalBank

On 30 November 2017, through its subsidiary City National Bank of Florida (CNB), Bci signed an agreement to acquire 100% de TotalBank for US$ 528 million. The acquisition is subject to regulatory approval in the United States and Chile.

TotalBank has been operating in South Florida for over 40 years. As of September 2017, the Bank had assets totaling US$ 3.042 billion, net loans of US$ 2.170 billion, deposits of US$ 2.181 billion, and 17 branches. It offers a wide range of financial services to corporate clients, small businesses, and individuals.

TotalBank is a logical next step for Bci, given the similarities with CNB in terms of customer segments, its geographical location, and its healthy and diversified portfolio. Once approved, the acquisition will combine the best of both institutions to offer superior service to all our customer, with significant economies of scale.


## City National Bank

City National Bank had assets exceeding US$ 10.0 billion in 2017. With the acquisition of TotalBank, CNB will become the third largest bank in Florida and one of the 100 largest banks in the United States.

City National Bank (CNB) is headquartered in Miami, Florida, where it is one of the largest financial institutions in the state, with assets exceeding US$ 10.0billion at year-end 2017.

CNB has a history spanning over 70 years. With this purchase in 2015, in an operation involving around US$ 950 million, Bci became the first Chilean financial institution to acquire a bank in the United States.

The acquisition of CNB in 2015 was a milestone in Bci's internationalization strategy. The Bank chose Florida because it is one of the main business hubs between the United States and Latin America. In addition, the market has a GDP more than three times greater than Chile's, as well as higher growth and lower risk levels.

Once the acquisition of TotalBank is finalized, following regulatory approval, the consolidated assets of CNB will exceed US$ 13.0 billion, which will position this Bci subsidiary among the 100 largest banks in the United States, out of 4,800 institutions.

At year-end 2017, investment in CNB represented 18.2% of the consolidated assets of Bci. This subsidiary contributed 7.5% of final earnings and 18.3% of total loans in the period.


## 2017 Performance

Commercial loans, real estate loans, and leasing operations drove total loan growth at CNB in 2017. The leasing business had an especially strong performance, following SBIF approval of the operations of subsidiary City National Capital Finance (CNCF). The latter was created by CNB to meet the capital goods financing needs of large and medium-sized firms.

The corporate governance structure was strengthened in 2017, with the addition of new Board of Directors committees to improve the monitoring and control of the Bank's activities. In addition, the compliance, operational risk, and cyber-security teams were reinforced to ensure the containment of risk related to the Bank's future growth.

| City National Bank of Florida | | | | |
|---|---|---|---|---|
| (US$ billion on 31 December of each year) | 2014 | 2015 | 2016 | 2017 |
| Total assets | 5,353 | 6,478 | 8,257 | 10,169 |
| Net loans | 3,311 | 4,041 | 5,325 | 7,062 |
| Deposits | 4,159 | 4,483 | 5,580 | 7,822 |
| Tangible equity | 761 | 845 | 908 | 982 |
| Net income | 43 | 47 [1] | 70 | 91 [2] |

[1] Net income in 2015 is normalized to reflect income for the full year (12 months) and not just income generated after the takeover (in mid-October 2015), which was US$ 10.4 million.
[2] Net income in 2017 is normalized to eliminate the effect of the U.S. tax reform. Taking the reform into account, net accounting income is US$ 52.3 million.


## Bci Miami

Bci Miami was founded in 1999 to support our Chilean and Latin American personal and business banking customers that invest or conduct business outside the country, in particular in the United States. This office offers banking services such as deposits and transactional accounts in the main currencies, money management, online banking, credit lines, foreign trade services, factoring, and forfeiting. For individuals, the branch offers traditional bank accounts, deposits, debit cards, access to international credit cards, and electronic banking services, as well as investment services in conjunction with Bci Securities.

In 2017, the Bci Miami branch saw a sharp increase in interest in the U.S. market, in general and in Florida, in particular, by Latin American customers. The office played an active role in providing support for real estate, foreign trade, and investment projects. There was also continued growth in the financing of foreign trade operations between Chilean, Latin American, and North American businesses.

Over the course of the last year, the branch continued implementing its digital transformation program, in line with the corporate vision, using agile CRM tools and digital transactional processes designed to promote greater access and a better experience for our customers.

## Bci Securities

Bci Securities Inc., a subsidiary of Bci in the United States, is a brokerage and wealth management firm headquartered in Miami. Services include trading, investment strategies, and market analysis, aimed at helping our customers achieve their financial objectives. The investment options managed by this subsidiary include international stocks, fixed-income products, exchange-traded fund (ETF) options, and mutual funds.

## Representative Offices

In addition to City National Bank and the Miami branch, Bci has a global network of five representative offices located in Brazil, Mexico, Peru, Colombia, and China (Shanghai). The Bank has also built a large network of alliances, cooperation agreements, and correspondent banks overseas. These agencies and delegations provide Bci customers the support they need to conduct foreign trade or investment in their chosen markets, as well as to facilitate access for foreigners who are interested in investing or doing business in Chile.

In addition to helping Bci's customers develop their business and investments in these countries, since opening, these offices have contributed a local risk portfolio, whose geographical dispersion helps to diversify the Bank's business portfolio, and have facilitated the structuring of tailored solutions for large firms.

## Global Network

Affiliation with over 1,000 correspondent banks and numerous cooperation agreements with other financial entities allow Bci to facilitate our customers' overseas investment and business development.

## Cooperation agreements
**Effective 31 December 2017**

| Country | Institution | Objective |
|---|---|---|
| Spain | CaixaBank | Supply of financial services to customers introduced by the counterparty, guaranteeing high standards of service quality. |
| Peru | Banco de Crédito del Perú | Mutual recommendation of customers that want to invest in the other country. |
| United States | Wells Fargo Bank | Provision of financial products and services in the country to the counterparty's customers. This agreement is especially beneficial for customers that are entering the market and thus do not have a local credit or commercial history. The agreement allows credit decisions to be based on the references that the sponsoring bank has in the source account. |
| Italy | Intesa Sanpaolo | Support for the counterparty's customers in the bank's home country. |
| Costa Rica | Banco Internacional | Reciprocal foreign trade and investment promotion, acting as reference bank for companies in the home country. |
| Argentina | Banco Credicoop | Promotion of trade between Chile and Argentina. |
| China | China Construction Bank | Promotion of foreign trade operations of Bci customers in China and facilitation of payments in renminbi and checking accounts in that currency. Additionally, for Bci clients that open offices in China, China Construction Bank will accept a standby letter of credit (SBLC) from Bci as a guarantee for opening lines of credit with the Chinese bank. |
| China | The Export-Import Bank of China | Promotion of cooperation between Chinese and Chilean firms in the development of foreign trade and investment. In the framework of the agreement, China Exim Bank has approved a line of credit for Bci for US$700 million. |
| China | China Export and Credit Insurance Corporation (Sinosure) | Provision of loan insurance on financing operations for Chinese firms developing investment projects in Chile. This agreement also insures exports by Chinese firms to Chile. |

# 3 Employees

To maintain its outstanding business culture and achieve the objective of being the best place to work and grow, Bci is adopting new ways of organizing work that contribute to our vision of being the most well-liked and preferred bank.

## 2017 Highlights

**676** employees in the United States

**599** at City National Bank

**69** at Bci Miami

**8** at Bci Securities

**9.929** employees in Chile

**54%** are women

**50%** are millennial[2]

**17%** have worked at Bci for over 15 years

[2] People born between 1980 and 1993.

**345** new digital talent

**Merco Talent 2017**
Bci took fourth place out of 100 companies in Chile for its ability to attract and retain talent, as ranked by Merco.

**1,13%** accident rate

**17.576** daily recognitions submitted online by employees

**Best Workplace in Chile**
Bci took fourth place in the 2017 ranking by Great Place to Work Chile, which directly surveys employees at 50 companies. The Bank was first among companies with more than 1,000 employees.

With the goal of being the most well-liked and preferred bank by 2020 in sight, Bci understands that it is imperative to strengthen the capacity for collaboration among the different areas. To achieve this objective, an integrated corporate change management plan was launched in 2017 to address the need to generate commitment to new ways of interacting and organizing work, to speed up the development process, and to create a widely shared conviction that these changes are urgent.

Since its foundation, Bci has placed employees and their families at the center of our decisionmaking processes, building long-term trust-based relationships and expressing a constant concern for offering a decent quality of life, stable jobs, and possibilities for personal, professional, and family development. This people-centered approach to building a business is founded on the core values of integrity, respect, and excellence. Guided by the conviction that in order to have a positive impact on customers, society, and shareholders, we first have to take care our employees, Bci has remained faithful to the distinctive management style that characterizes the Company.

With this core philosophy intact, our organizational capabilities have steadily expanded to adapt to the challenges of international expansion and new customer expectations, in a world in which digital media have radically changed the way people interact.

## Bci employees

Bci employees have four attributes, based on our corporate values:

1. They act like the owner (they are protagonists who make things happen);
2. They get the best out of people (they bring out talent and motivate others);
3. They are committed to our customers (everything they do is centered on the customer); and
4. They achieve ambitious goals (they innovate and push their limits).

## Internationalization

Starting in 2015, Bci has worked with City National Bank (CNB) on a cultural integration plan aimed at incorporating key elements of the Bci culture while respecting the long, successful history of CNB in Florida.

### 2017 Highlights

- **Design and implementation of the CNB employee profile,** which defines the characteristics and behavior that all CNB employees must demonstrate in the performance of their jobs.
- **Design and implementation of the CNB Leadership Academy,** a program adapted to the cultural reality of the United States and, in particular, CNB. In this first version, the senior management of City National Bank participated in a four-day workshop, together with the CEO of Bci, Eugenio Von Chrismar, and Chairman of the Board, Luis Enrique Yarur.
- **Redesign and launch of the CNB Recognition Program,** based on the four characteristics of the CNB employee profile.
- **Design and implementation of the organizational survey,** to evaluate the presence of and commitment to the CNB employee profile within the company.

In addition to these actions, joint training workshops and shared experiences have been organized to gradually increase the synergies and collaboration between Bci Chile, Bci Miami, Bci Securities, and City National Bank.

# 3.1 Diverse and Collaborative Culture

At Bci, we understand that a key factor for successful change is the presence of diverse teams of people who know how to work in collaboration, sharing their knowledge and experience.

## Attraction of Digital Talent

To address the needs and challenges of the digital transformation, the Bank undertook a process to identify and recruit the digital talent that will drive the effort to meet our goal of becoming the most well-liked and preferred bank. Through publications and alliances with specialized job listings, international searches, and recruiting on digital channels, the Bank attracted 345 new employees to power the transformation process.

## Bci Unlimited

With this initiative, the Bank supports employees with a visual, hearing, or physical disability, so that they can fully develop professionally. In addition, our candidate search and selection systems have been adapted to guarantee the attraction of talent. At year-end 2017, 40 Bci employees are in the Bci Unlimited program, of which 22 were contracted in the year.

### 2017 Highlights

- Review of work stations with support from the Occupational Safety Institute (IST), to adapt them to the needs of employees with a disability who join the Bank.
- Alliances with inclusive job boards.
- Communication of the importance of inclusion, through internal campaigns and participation in mass-media seminars, workshops, and programs.
- Sign language training for the talent attraction team, to improve the interview experience for people who are hearing impaired.

## Bci Women's Network

This Bci program promotes leadership, participation, visibility, and internal networking among Bank managers and executives and ensures the attraction, retention, and development of female talent.

### 2017 Highlights

- Bci Network Testimonials. Interviews are published monthly with executives who have had an interesting career path at the Bank and a strong work-family balance. Corporate Mentoring: In 2017 Women's Mentoring segment was added to this program, to connect female mentors with a long history at the Corporation with more junior professionals, to provide guidance on their career development.
- Bci Leadership Challenge: Gender and Integration. This training course was taught exclusively for the Bank by the Adolfo Ibáñez University Business School. It was attended by 25 management-level employees, between August and December.
- Participation in gender studies. For the first time, Bci collaborated on constructing the PROHumana gender equality index and participated in the Gender Parity Chile initiative.

## Bci Employee Recognition

The objective of this program is to stimulate and reinforce behaviors that strengthen the Bci culture and contribute to the achievement of our business objectives. In 2017, the program focused on the Bci employee profile and key characteristics for the Bank's transformation, incorporating teamwork as an active part of the recognition process in the different areas considered in the model, such as internal ceremonies and informative meetings.

- During the Fourth Annual Recognition Week, 11,460 general recognitions were submitted online, almost triple the number in 2016.

## Bci Employee Recognition Mechanisms

| Mechanism | Descripción | Total 2017 |
|---|---|---|
| Daily recognition | An online platform where employees recognize their peers or leaders from their own team or from other areas of the Bank. | 17,576 |
| *Recognition pins* | Given out by team leaders in recognition of consistently commendable or outstanding performance by employees. | 1,171 |
| Annual ceremonies by area (90 in 2017) | Formal recognition of behavior associated with the employee profile (including teamwork, since 2016). | 1,935 |
| Annual ceremony | The most important recognition award, given to employees or teams that have consistently demonstrated behavior in line with the Bank's value framework or have contributed to achieving the Corporation's goals. | 205 |

## 80th Anniversary of Bci

From Arica to Punta Arenas, and in Miami, a wide range of activities were organized for the employees of Bci and its subsidiaries to celebrate the Bank's 80th anniversary.


### Digital book

In line with the Bank's transformation, a chronicle of the past 80 years at Bci was compiled in an interactive e-book entitled 80 años; una historia de futuro (80 Years: A History of the Future), which included music, videos, and photographs.

### Regional celebrations

Over 8,000 employees participated in 17 office parties that were put on over the course of the year all across Chile, with closing festivities in Miami for employees of Bci Miami and CNB, in a light-hearted atmosphere of celebration, respect, and camaraderie.

### 80th Anniversary Song Festival in Santiago

Following a casting process held throughout Chile and Miami, sixteen employees—one from each region of the country and one from Miami—reached the finals held at the 80th anniversary celebration in Santiago. The three winners received a trip to the United States to attend the anniversary celebration in Miami.

The celebration in Santiago was attended by over 5,000 employees, who enjoyed a private concert by singer-songwriter Luis Fonsi. This event launched the 80th anniversary social network campaign, which reached nine million people.

### VII National Bci Olympics

Over 700 competitors on 12 teams, from Arica to Punta Arenas, came together at the Military School to participate in the VII National Olympics. The athletic prowess of Bci was on display in 17 disciplines, in the framework of the corporate values of integrity, respect, and excellence.

Seven employees from Miami participated in the Olympics. A special award was given for Best Sportsmanship; the recipients received a trip to the United States to participate in the 80th anniversary celebration in Miami.

### Bonuses and benefits

All employees with more than a year and a half with the Bank received a special one-time bonus of Ch$250,000 to Ch$500,000 and an additional 1 to 2 days in the flexible work program.

# 3.2 Leadership and talent

The Leadership Academy is the mechanism through which Bci promotes a leadership culture and attributes in the organization. This program was designed internally and includes training workshops adapted to the needs of leaders at different stages of professional development within the Bank.

## Leadership Academy

The objective of the Leadership Academy is to establish, through the reinforcement of daily practices, a distinctive leadership model that gives the Corporation a competitive advantage and translates into a key element for business growth.

To achieve this objective, the program has 44 internal facilitators, who act as ambassadors of the Bci culture and leadership approach, representing and transmitting the Bank's unique management style.

## Leadership Support Plan

| PHASE | 1. Start | 2. Growth | 3. Maturity |
|---|---|---|---|
| Duration | 0 to 6 months | 6 to 18 months | 18 months to 3 years |
| Academy | Leadership | Leadership Phase 1 | Leadership Phase 2 |
| Subject matter | Induction to leadership | Leading and transforming personnel | Leading through experience |
| Participants in 2017 | 184 leaders | 102 leaders | 169 leaders |

### 2017 Initiatives

- **Cultural Ambassador Workshop.** Aimed at employees with a year at the company, on average, to help them understand and connect to the Bci cultural concepts that are necessary for performing their leadership role.
- **Leading New Generations Training Program.** This self-learning program provides an introduction to key approaches and tools for developing the talent of young employees.
- **Teamwork Workshop.** Support for leaders in the area of team management, with different levels and content targeted to the individual students, based on a prior assessment.

# 3.3 Employee Experience

In 2017, the value proposition focused on work flexibility, while also maintaining other benefit programs for employees and their families.

Bci is continuously shaping and revising its employee value proposition (EVP), to ensure that it is consistent with their interests and concerns. Every year, the Bank carries out its own research and reviews internal and external studies to get a better understanding of the different generations and how they interact. We also use tools such as external rankings, for example, Great Place to Work; studies, such as Better Working Fathers and Mothers by Chile Unido; and internal assessments, such as the work climate survey.

In 2017, the Bank revised its EVP to incorporate the results of a study on millennials, the generation that now represents 50% of the total Bci staff.

## Flexibility

- Flextime Program: workers can take hours or days off at any time throughout the year, using a redeemable points system with a set of general activity and interest categories for employees to choose from, which was expanded in 2017. In 2017, 409 employees took advantage of one or more of the flex-work options (see box).
- The Operations and Technology Division launched a pilot program in 2017, which included remodeling a building and changing the structure of contracts and time management. Over a hundred employees who work with this division can now specify where and when they work.

## Funding Programs

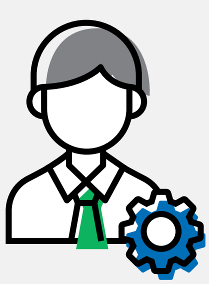
Through this initiative, the Bank co-finances projects, presented by work groups, aimed at developing sports, cultural, and social activities for employees and their families.

In 2017

- 1,204 employees participated.
- 101 sports, social, and cultural projects were financed (61 in the Metropolitan Region and 40 in the other regions).

## Family Focus

The Bank continues to promote a range of initiatives aimed at incorporating employees' families in the Company's activities.

### Flextime program options

**Flexible hours.** Workers can adjust the time they arrive and leave the office.

**Dream time.** Employees can take three months of unpaid leave to pursue a dream.

**Mixed work.** Employees can work from home for part of the day.

**Work from home.** The work station can be moved to the employee's home.

**Flexible six-month schedule.** Employees can adjust their arrival and departure times for a six-month period.

**Flexible summer schedule.** Employees can adjust their arrival and departure times for the summer months (December to February).

**Half-day.** Half-days end at 2:00 or 3:00 p.m.

**Flex-days.** Employees can take hours or days off at any time throughout the year, using a redeemable points system with a set of general activity and interest categories for workers to choose from.

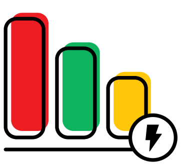
# 4 Community

**Bci works to contribute effectively to maintaining a health environment and increasing the country's social, economic, and cultural heritage.**

## 2017 Highlights

**882.750** people attended over 20 cultural activities free of charge, including art exhibits, plays, and concerts.

**5.220** Bci customers donated a Christmas dinner to the Las Rosas Foundation.



**11,9%** reduction in annual energy consumption since 2012, surpassing the 10% target set for 2020.

**93%** supplier satisfaction

**1,6** business days is the average invoice payment time to suppliers.

corporate volunteer hours

**1.015**

Bci was one of 22 companies recognized as leaders in the development of energy efficiency at the national level and was awarded the 2017 Energy Efficiency Gold Certificate by Ministry of Energy and the Chilean Association of Energy Efficiency.


## Corporate Citizenship Strategy

The Bank's actions related to the country's social, cultural, and economic heritage are defined in the Corporate Citizenship Strategy, led by the Corporate Affairs and Sustainability Division. Progress is periodically reviewed and controlled by the Sustainability and CSR Committee, made up of the five Directors, including the Chairman of the Board.

In accordance with this strategy, Bci contributes to Chilean society in five priority areas, both directly and in conjunction with specialized institutions:

1. **Children:** Protection of disadvantaged children.
2. **The elderly:** Commitment to assisting older adults and addressing their issues.
3. **High-quality education:** Support for programs that lead to improvements in the quality of education.
4. **4. Cultural heritage:** Promotion of Chilean art, music, architecture, folklore, and artisan fairs.
5. **Diversity:** ZSupport for intercultural relations with indigenous and immigrant communities.

# 4.1 Our Suppliers

Bci aims to build long-term, mutually beneficial relationships with our suppliers, based on trust, efficiency, service quality, and regulatory compliance.

The Bank's purchasing and suppliers policy defines the following standards and guiding principles:

- Maintain the independence of the different business processes;
- Guarantee, at all times, the objectivity and transparency of the purchasing process;
- Establish fair trade agreements that promote the construction of long-term, mutually beneficial relationships with our suppliers;
- Work toward a more efficient use of resources; and
- Ensure service quality and regulatory compliance.

The Corporate Purchasing Division, which is responsible for applying this policy, aspires to be recognized as an expert partner in purchasing management, which anticipates the business's needs and those of internal clients, provides competitive and innovative value solutions, establishes long-term supplier relationships, and ensures the transparency of the purchasing processes.

## Supplier Experience Plan

**Main focal points and initiatives**

| Long-term relationships | Transparency and corporate reputation | Recognition and feedback | Risk management and internal control |
|---|---|---|---|
| • Invoice payment in less than 7 days.<br>• Continuous training and listening.<br>• Good practices and purchasing process control. | • Negotiation and signing of trade agreements based on the purchase of products or contracting of services that meet a high standard of quality and fulfill internal business needs and customer satisfaction, ensuring fair trade agreements with our suppliers and reasonable market prices.<br>• Respect for our suppliers, for regulatory and legal compliance, for our corporate reputation, and for the transparency of processes, so as to avoid the creation or appearance of any conflicts of interest. | • Distinguished Supplier Award<br>• Distinguished External Employee Award<br>• Supplier Portal<br>• Open communications channels<br>• Supplier satisfaction survey | • Clear and specific policies and procedures.<br>• Monitoring of suppliers, with a focus on critical processes and the reduction of operational risks.<br>• Training for both internal users and external suppliers. |

## 2017 Highlights

| | |
|---|---|
| **1.287** | suppliers |
| **1.249** | local |
| **491** | recurrent |
| **724** | SMEs |

**99%** of payments made in less than seven days

| | |
|---|---|
| **93%** | satisfaction from Bci suppliers |
| **78%** | would recommend the Bank (+33 pp vs. 2016) |
| **89,4%** | satisfaction from internal clients (+8.4 pp vs. 2016) |


### Highlights

- Implementation of digital platforms, which consolidate an operating model focused on value creation, collaboration, and high standards of performance and supplier loyalty.
- Renewal of the ProSME certificate, which Bci first received in 2011, when it became the first Chilean company to obtain this certificate of commitment to the efficient and timely payment of small and medium-sized suppliers.

# 4.2 Corporate Citizenship

## 2017 Alliances, Action Areas, and Highlights

**Children**
### Crecer Mejor Corporation

Created by Bci employees in 1991, the Crecer Mejor Corporation (Grow Better Corporation, formerly the Minors Credit Corporation) combines the experience of the Villa Jorge Yarur Banna, a specialized residence for 74 socially vulnerable girls from 6 to 18 years of age, with an Innovation and Research Center, created in 2017, to systematize, investigate, document, and share the lessons and good practices acquired over nearly three decades in existence. This corporation is financed through contributions from Bci and its employees.

#### Achievements

- Redesign of the corporate image and name, to align with the current challenges.
- Consolidation of a portfolio of 2,296 partners, an increase of over 300 new partners since 2016.
- Implementation of 30 activities, with the participation of 218 Bci employees, for a total of 1,015 volunteer hours.

**Education Quality**
### Enseña Chile Foundation

Since 2013, Bci has supported the Enseña Chile Foundation (Chile Teaches), which organizes programs to select, train, and support professionals who will go on to teach at vulnerable schools, in order to significantly increase the students' learning, motivation, and prospects.

- In 2017, 169 Enseña Chile professionals worked at 105 schools, in cities from Tarapacá to Aysén, reaching a total of 32,800 students. At year-end, there were 356 professionals who had contributed to improving education quality and now work in other areas of the economy.

**Diversity**
### Aitué Foundation

With support from Bci, the Aitué Foundation spearheads projects that contribute to improving the indigenous institutional structure, carrying out research, and promoting international exchange.

#### Highlights

- In the Araucanía Region, Bci launched a work plan in conjunction with the foundation to reinforce the intercultural competencies of the Bank's employees in this region and their relationship with their surroundings.

**Diversity**
### Jesuit Migrant Services

Since 2016, Bci has supported the social service and intercultural education programs implemented by the Jesuit Migrant Services to promote and protect the dignity and rights of migrant families. In the framework of this alliance, the Bank is working, in particular, to insure the

social and financial inclusion of migrants in Chile. Bci's economic support of this foundation was $75 million in the year.

### Highlights

- Assessment of the socioeconomic situation of the migrant community in Chile, to develop specific financial products that address their needs.
- Identification of the possibility of promoting a micro-business finance program.

**The Elderly**
## Las Rosas Foundation

Bci has collaborated with the Las Rosas Foundation since 2007, to assist the country's poorest, most destitute seniors and provide them with the necessary care so that hey can live out their old age with dignity and love. In the ten years since the alliance was formed, Las Rosas Foundation has established 30 senior homes and 2,200 residents.

### Contributions

- Bci helped finance the annual cost of caring for 39 residents, through a direct contribution of Ch$323 million.
- Through Friends of the Las Rosas Foundation charity campaigns in regional branches and on the Internet, the Bank attracted new supporters who contributed a total of Ch$13 million in the year.
- Thanks to the teller window Christmas Campaign, 5,220 Bci customers donated a Christmas dinner costing Ch$2,000 for the Foundation's residents.
- Bci employees volunteered at the Independence Day, Christmas, and other celebrations at the Holy Trinity Senior Home in the community of Santiago.
- Bci executives participated at the annual Las Rosas Foundation dinner with companies in Santiago, Viña del Mar, Talca, Concepción, Valdivia, and Osorno.

**Cultural Heritage**
## Bci Chilean Art Collection

With guided visits over the course of the year and in particular on Chile's National Heritage Day, Bci opened the doors of its corporate building to share its art collection, one of the largest in the country. Started by Juan Yarur Lolas in 1940, the collection includes 233 works of art, Mapuche silverwork and ceremonial objects, sculptures, and paintings by distinguished Chilean artists.

### Alcance

- 113 people visited the collection on National Heritage Day.
- 39 works of art were restored in the workshop created by Bci in 2016 for this purpose, located in its office building on Huérfanos street.

**Cultural Heritage**
## Art in the Community

Through a series of events related to music, art, or architecture, Bci hopes to generate memorable experiences based on the emotional connection that art elicits in people and to be recognized for its innovative contribution to cultural artistic expression.

### Highlights

- The Nutcracker ballet, staged by the Ballet de Arte Moderno (BAM), was performed free of charge for over 3,200 people in the community of Pedro Aguirre Cerda, in an event sponsored by Bci in thanks to the community, following the opening of the local Bci branch designed and built in collaboration with the neighborhood.
- As part of the 80th anniversary celebrations, Bci held an internal painting contest that gave 3,000 employees the opportunity to exhibit their work at the national level.

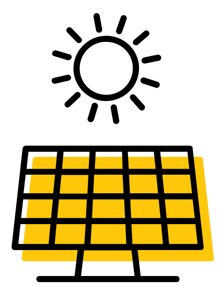
# 4.3 Commitment to the Environment

## 2017 Action Areas and Highlights

Bci contributes to caring for the environment through actions organized around three priority areas: namely, actions that address the direct impact of the Bank's activities; actions that can be promoted through its products and services; and actions that have a positive influence on employees' behavior, such as the provision of information and incentives for responsible action.

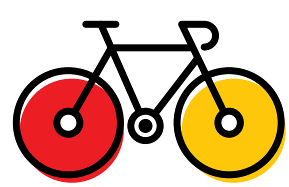
### Environmental Strategy

ACTION AREAS



SUSTAINABLE OPERATIONS

RESPONSIBLE FINANCING



RAISING AWARENESS.

# Sustainable Operations

## Energy efficiency

**Actions**

**Energy management system under ISO 50001 standards.** This certification, obtained in 2016 for the corporate headquarters at El Golf 125, ensures that the energy performance of the building is duly monitored and continuously upgraded.

Use of solar energy. At year-end 2017, photovoltaic systems were operating at the Vitacura Oriente and Apoquindo branches and at the corporate headquarters at El Golf 125, en Santiago.

**Energy optimization program based on office hours** (air conditioners are turned off after 6:00 p.m.).

**Energy monitoring at the corporate buildings** in Santiago located at Huérfanos 1102 and El Golf 125 (headquarters).

**Online energy control.** Launched in 2016, as a pilot project for 30 branches.

2017 Highlights

- The follow-up audit confirmed the correct application of the ISO 50001 standards at corporate headquarters.
- Bci's annual electricity consumption was reduced by 8.67% year-on-year (the savings is equivalent to the average monthly consumption of 798 branches).
- A solar plant with 72 photovoltaic units with a 20.4 kW capacity was installed at the corporate headquarters located at El Golf 125. From its launch on 16 October through 31 December, the plant generated 8,000 kWh. This implies an annual capacity of approximately 35,000 kWh. Surplus power can be sold to the public network.
- The replacement of 4,028 devices with more efficient models generated a total energy savings of 261,619 kWh, equivalent to the monthly consumption of 93 branches.
- The energy use of 40 branches and eight corporate buildings is being monitored online.

## Sustainable Construction

**Actions**

**Corporate policy on building construction criteria.** According to corporate policy, Bci offices prioritize the use of renewable energy, water use management, energy efficiency, indoor environmental quality, and material and resource management.

Highlights

- LEED certification process for the Bci building located at Huérfanos 1102, which was previously completed for the Vitacura branch and the corporate building at Edificio Alcántara 99, Las Condes.

## Waste Management and Recycling

**Actions**

**Recycling program,** in conjunction with the San José Foundation and Rembre, which manage containers positioned at the corporate buildings—Fundación San José Foundation, for paper; Rembre, for cardboard, plastic, glass, metals, and Tetra Pak.

**Regulated system for the treatment of generator batteries,** including mechanisms for removal and final disposal, managed by the Bank Maintenance area.

**Handling and later disposal of organic waste from the corporate cafeterias,** in conjunction with the respective concessionaires.

Highlights

- San José Foundation removed 69,291 kilos of paper from the Bci corporate buildings (34% more than in 2016).
- Rembre collected 459.6 kilos of waste from its containers at Bci, including el 61% paper, 23% plastic, 8% cardboard, 3% metals, 3% trash, 2% glass, and 0.3% Tetra Pak.

## Water Management

**Actions**

**Efficient use program at the corporate buildings,** in the planning stage as of the writing of this annual report.

Highlights

- The baseline was established through a review of historical water use at eight corporate buildings. Reduction goals and targets will be established in 2018.


A TODOS NOS PREOCUPA CUIDAR LA ENERGÍA
HEMOS AHORRADO EL EQUIVALENTE AL CONSUMO ANUAL DE 700 CASAS
¡SOMOS SUPERHÉROES DEL MEDIOAMBIENTE!


TODOS QUEREMOS ESTAR CERTIFICADOS
¡FELICITACIONES A TODOS!
¡SOMOS SUPERHÉROES DEL MEDIOAMBIENTE!


TODOS PENSAMOS EN RECICLAR
LLEVAMOS RECICLADAS 8.144 RESMAS DE PAPEL
¡SOMOS SUPERHÉROES DEL MEDIOAMBIENTE!


EN LA MENTE DE TODOS ESTÁ CUIDAR NUESTRO MEDIOAMBIENTE
¡CONTAMOS CON TU APOYO Y COMPROMISO!
¡SOMOS SUPERHÉROES DEL MEDIOAMBIENTE!

## Responsible Financing

### Support for NCRE generation projects
**Actions**

**Financing for medium-sized non-conventional renewable energy (NCRE) projects,** from 3 to 60 MW, including run-of-river hydropower stations and wind farms. This is an area that Bci wants to promote in the future, since it addresses a strategic decision by the country and is in line with the Corporation's environmental commitment.

**Bci NCRE I Investment Fund,** managed by Bci Asset Management. Su the main objective is to invest in shares or debt securities of companies that distribute non-conventional renewable energy.

### Bci Carbon Neutral Credit Card

**Eco-Points program.** For every Ch$10,000 in purchases in Chile or US$ 100 overseas, card users accumulate 100 Eco-Points, which are good for 18 months. Accumulated points can be used to buy tons of CO2-e offsets or to help combat climate change, through the financing of projects that either reduce greenhouse gas emissions or capture greenhouse gasses via forestation. (One ton of CO2-e is equal to the emissions generated by driving 6,000 kilometers in a medium-sized car or by heating or cooling a single-person home for a year.) anual de energía para calefacción o sistema de aire acondicionado en una vivienda unipersonal).

### Environmental Risk Assessment and Analysis Tools

**Actions**

**A specialized area for NCRE projects can** reduces project analysis time and lower the financing risk in this area.

## Raising Awareness

### Promotion of Sustainable Practices
**Actions**

**Bicycle parking at seven corporate buildings,** providing a total of 393 spaces for employees who can bike to work.

### Communication on Environmental Management
**Actions**

**Diffusion campaign on the ISO 50001 energy management system,** within the framework of the Bank's energy efficiency and management.

#### Highlights

- Around 800 people, including employees and suppliers, were informed about the Bank's efficient energy management system through a one-to-one awareness campaign.
- A company-wide email was sent out on the importance of efficient energy use and the requirements of 50001 certification.
- Waste reduction incentive campaigns.

Bci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