2016

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Integrated Annual Report

80-year history with a vision of the future

Eight decades of track record of a Chilean company, which has been a major player in Chile's economic development and witness of its political and social life, always making a difference due to its business culture based on its values of integrity, respect and excellence.

Directors and employees wished to transmit their vision of Bci's past, present and future in this Integrated Annual Report.

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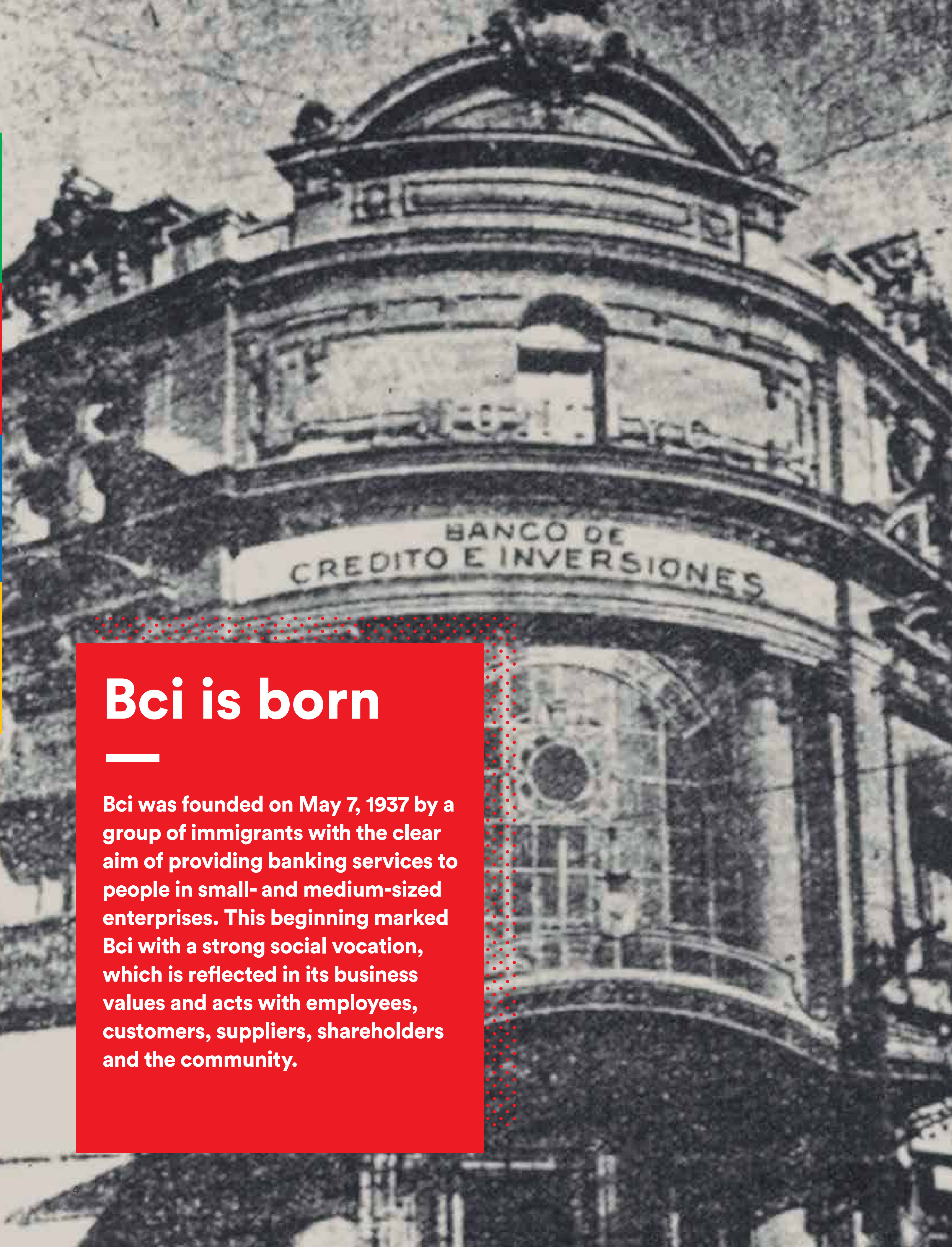


Bci is born

Bci was founded on May 7, 1937 by a group of immigrants with the clear aim of providing banking services to people in small- and medium-sized enterprises. This beginning marked Bci with a strong social vocation, which is reflected in its business values and acts with employees, customers, suppliers, shareholders and the community.

01— Chairman's report

For the second year running, I am pleased to present Bci's Integrated Annual Report, which in one single document contains the financial information, sustainability management, and performance of our company in the social, economic and environmental areas in 2016.

It was a tough year for Chile, and for the third year running economic growth was quite weak at around 1.6% after 25 years of accelerated growth. This greatly changed the quality of life of Chileans. This figure reveals a slight drop in investments, weak growth of private consumption, and a relatively large increase in government spending.

Inflation dropped gradually in 2016 to slightly below 3%, due to the large appreciation of the Chilean peso and weakness of domestic demand. The labor market performed better than forecasted, on account of the great increase in the self-employed, notwithstanding the fact that they are more precarious jobs.

It was a positive year for the Chilean stock market, despite volatility in emerging markets and commodity prices, including copper. The selective share price index (IPSA), which measures the stock market performance of the leading companies in Chile, had profitability of 12.8%, and Bci's share price performed outstandingly with a return of 34.9% (adjusted for dividends) against the 20.7% profitability of the banking sector's index in the year.

In this economic context, at Bci we increased our results, grew in assets, improved our risk indexes, and made progress with the digital transformation and internationalization processes. The latter includes the successful integration of our bank in the United States, City National Bank of Florida.

To adjust our organization to market requirements, in 2016 we carried out an organizational change, which entailed reorganizing the Retail, SME, Institutional banking areas and finance to enhance the value offering through specialized segment areas, products and channels. We also established the corporate and international development management, which aims to boost international business and be more tuned into the global technology trends.

Furthermore, we created the digital transformation management to assure and accelerate its transversal implementation. The latter will enable us to address and lead the changes in the industry due to the emergence of new technologies and disruptive business models, and attain large improvements of efficiency, service quality, distribution channels and database management.

—
Luis Enrique Yarur
Bci Chairman

In the year, the main progress of the Retail Banking area was the development of new digital products focused on timely meeting the needs of speed and self-service of customers in the banking sector. As part of this work, late in the year we launched the 100% digital opening of new checking accounts and an innovative online debt consolidation service.

In the services area, the SME Banking division, which is part of the Retail Banking area, continued to boost the differentiated value proposal for each of the markets in which it operates, complementing this with a personalized service model and specialized service platforms, including the in-person channel, the telephone channel, online and the *Bci Empresarios* mobile application.

It should be highlighted that in 2016 Bci celebrated 10 years of ***Nace***, a pioneer initiative in Chile, whose aim is to provide financing to entrepreneurs in the early stage of their development. With over 1,500 bankarized entrepreneurs and a success rate of 85%, this program led to Bci being recognized by the US *Fortune* magazine as one of the "50 companies that are changing the world," and this ranking distinguishes companies "that have had a positive social impact with activities that are part of their business strategy."

Likewise, the Institutional Banking area also made large progress. The Large Company, Company, Real Estate and Institutional banking areas were focused on portfolio growth, financing of customer investments, improving the value offering by increasing products per customer, becoming the leading treasury service bank, attaining portfolio risk management excellence and improving the commercial effectiveness of the first line teams. The Corporate Banking area financed projects and acquisitions in the energy, infrastructure, retail and financial service sectors, with a focus on businesses with positive social impacts that protect the environment. After the Private Banking area attained a large portfolio increase, it focused on developing greater cross-customer connection, particularly in the investment area. It strengthened the mutual fund administration model and made progress with designing an attractive investment proposal offshore.

The financial division had a good 2016, despite the challenging conditions prevailing worldwide and in Chile in the year, which included not very foreseeable international events with a large impact on markets. The business volume growth was mainly based on a customer closeness model, which considered permanent support of the decision-making and risk assessment processes, and the development of value-added proposals. As part of this strategy, the team of economists of the research department supported the commercial areas to provide different kinds of advice for customers.

This division also made considerable progress with the atomization and geographical diversification of financing sources. It attained large growth in the retail segment, reducing the concentration of institutional investors, and also increased its presence in foreign markets, inaugurating a new debt issue program to leverage financing opportunities in foreign markets more flexibly and faster.

Its sales and stock broker area also attained outstanding business volume growth. Lastly, the general fund administrator had a performance of excellence, attaining first place in three categories of the Salmon Awards and was runner-up in two others.

Aligned with our internationalization plan and due to the acquisition in late 2015 of City National Bank, the fifth largest bank for assets with headquarters in the state of Florida, we managed to consolidate our international presence. At the close of 2016, Bci therefore had 22% of its assets and revenue abroad, which is fully commensurate with our diversification strategy. This strategy has also enabled a substantial portion of the company's income to come from our subsidiaries, which accounted for 46% of the Bank's profits in the year.

At the close of 2016, City National Bank (under generally accepted accounting principles in the United States) had total assets of US$8,237 million, net loans of US$5,324 million, deposits of US$5,574 million and tangible common equity (Tier I) of US$914 million. During the year, it posted net income of US$69.5 million, equivalent to 48.1% growth year-on-year.

To finance the acquisition of City National Bank and maintain our capital indexes in line with best practice, we successfully made a capital increase in Chilean pesos, equivalent to US$410 million, all of which has enabled us to have the funding needed for the growing volume of our operations.

Concerning employees, Bci's management was mainly focused on enhancing working day flexibility with the Flexible Working (TAM) program, one of the aspects most valued by young employees, women and new professionals. Likewise, the Bank continued to drive the leadership of women in the company with the *RED Bci* (Bci Network) program. In 2016, this initiative gained greater visibility with the joint work it started with external organizations and a series of actions consolidating its positioning among employees.

Another core focus of the Bank regarding people was that of change management. This work was aimed at instilling the changes Bci is making in the different areas of the Bank and making them sustainable. Among other initiatives, it considered a special plan for leaders, whose objective is to make them the change models in their own teams.

All the above management of national and international business and our 80-year concern for our employees enabled us to attain net income of Ch$340,165 million in 2016. That was 2.8% up on the previous year and increased the Bank's share of the total net income of the banking sector from 15.1% in 2015 to 17.3% in 2016. In terms of efficiency, the indicator declined from 46.9% to 50.1%, mainly explained by a better offering of benefits to our employees, the cost of closing the City National Bank deal and the endeavors we are making with the digital transformation plan.

Bci's return on equity dropped from 16.5% to 13.5% in 2016, but was much higher than the 10.6% of the rest of the banking sector. The ratio of regulatory capital to risk-weighted assets increased from 12.0% in 2015 to 13.4% in 2016, mainly on account of the aforementioned successful capital increase. This level is still much higher than the 8% regulatory minimum established in the General Banking Law and reflects our commitment to responsible growth. The Tier I indicator was 10.05% and according to our commitment.

In 2016, Bci's total loans grew 10.9%. Such increase was driven by the 10.9% growth of commercial loans, 11.5% of mortgage loans and 9.6% of consumer loans.

It should be highlighted that we attained this growth with controlled risk, evident in a risk ratio, measured as the balance of allowances on total loans, of 1.64% in 2016, and consolidating the positive downward trend in the last six years compared to the upward ratio of the banking sector.

Likewise, the main domestic and international risk rating agencies maintained the Bank's high ratings at domestic level (AA+) and internationally (A). Specifically, at domestic level Feller Rate ratified Bci's solvency risk rating as AA+ and maintained its "Positive" outlook. It did the same with the time deposit and bond rating. It based this rating mainly on the strength of the Bank's risk management structure and policies with a favorable impact on its portfolio indicators, and on the diversification of its financing sources. Fitch Ratings confirmed the domestic risk rating as AA+ for Bci's long-term deposits, mortgage bills, bank bonds and bond lines, with a "Positive" outlook. It based this rating on the Bank's sound domestic franchise and right management after the acquisition of City National Bank with, in its opinion, large progress made with integration.

Regarding corporate governance, I would like to thank Mr. Juan Manuel Casanueva Prendez, who was a director for over 15 years up to January 29, 2016, and he made a major contribution to the Bank's progress. We appointed Claudia Manuela Sánchez Muñoz to replace him.

10.9%

increase in total loans in 2016

22.0%

Assets abroad

"We set a target of eliminating the barriers for people with disability from interacting with the Bank and created the *Bci Accesible* (Bci Accessible) program for this. This is an innovative service and infrastructure model for people with physical, visual and hearing disability."

I would also like to highlight the valuable contribution made by our former director Mr. Francisco Rosende Ramírez, a distinguished economist and academic, and an exemplary man who was with us from March 2010 up to his unfortunate passing in August 2016 at the age of 60. Francisco was a man driven by issues of national interest and those inherent to Bci. We are very honored to have had his contribution during this time and we will always remember him with great affection. We appointed Klaus Schmidt-Hebbel Dunker as his replacement, who must be confirmed as a director in the next shareholders' meeting in March 2017.

In this same area, I would also like to mention that one of the highlights in the years was the improvements driven by the Board as a result of its annual self-evaluation process. These measures cover various aspects regarding its operation as the Bank's highest governance body, like the degree of information directors have for Board meetings, the depth in which they analyze the issues on the agenda, how the priorities and concerns of the Board are reflected in senior management and the directors' involvement in the Bank's management.

Concerning our commitment to society, one achievement in 2016 was the consolidation of the *Bci Accesible* program. This is a service and infrastructure model aimed at making it easier to provide financial services to people with visual, hearing, mental and reduced mobility disability. As of 2016, 70 of our offices throughout Chile have access ramps, cleared circulation areas, preferential tills, counters and ATMs at a special height, along with preferential parking lots. To increase the coverage of this program, during the year the Bank developed nine digital channels adapted to the needs of people with hearing and visual disabilities, i.e.,a website and call center.

This way of doing business enabled us not only to achieve good financial and internal management indicators in 2016 but also for Bci to gain large recognition and accolades for customer experience, employee experience and sustainability. Such distinctions included the Consumer Loyalty Award given by the consultant Alco and first place we attained in the ProCalidad National Customer Satisfaction Index, conducted by Universidad Adolfo Ibáñez, Adimark, Praxis and *Capital* magazine.

In regard to human resources, the Bank also attained fifth place in the Best Companies to Work for in Chile ranking (best company with over 1,000 employees), undertaken by the consultant Great Place To Work (GPTW), and third place in the Best Companies for Working Parents ranking of Fundación Chile Unido and *El Mercurio* newspaper.

In 2016, the Bank was also once again recognized as the Company with the Best Corporate Reputation in the report by the Business Monitor of Corporate Reputation (MERCO), and it was runner-up in the Socially Most Responsible Companies in Chile ranking by PROhumana.

These indicators and accolades are the outcome of the trust in us by shareholders, employees, our customers, the community and suppliers, and boost our commitment to carry on developing a business focus that puts people at the heart of all activity and whose core aim is to make a contribution to the country's growth and prosperity.

Lastly, I would like to wind up this report with a milestone that makes me very proud: in 2017 we will start celebrations of our 80 years of institutional life. There are not many companies that can celebrate eight decades of track record, and fewer that do this with continuous success and that have stood out as an important player in the economic and social development of our country.

I am sure that in the next 80 years we will continue to make this institution grow in the international and digital areas, with our customers, employees and the whole community of which we are part. This development will always be in line with the vision and values we have had since the outset: putting people at the heart of all activities and generating shared value fairly with all our stakeholders, adapting to the changes and progress of society in our country, and in each community in which we operate.

This is what makes us unique and that is why We Are Different.

Luis Enrique Yarur Rey
Bci Chairman

"I am sure that in the next 80 years we will continue to make this institution grow in the international and digital areas, with our customers, employees and the whole community of which we are part".

Bci today

We are prepared and progressing with our dream of making Bci the most loved and preferred bank, a company in which employees feel happy and proud to work, where customers are the best source of inspiration, promotion and recommendation, and where society feels represented.

02— CEO's vision

After two years as the Bci CEO, Eugenio Von Chrismar gives us his vision of the future and the main challenges in 2017.

Eugenio Von Chrismar Carvajal
CEO

How do you see current society?

We are now starting a new era, which the World Economic Forum in its last meeting in Davos called the fourth industrial revolution, marked by the convergence of digital, physical and biological technologies and the exponential speed of the transformations, showing that the world we knew has changed forever.

This revolution changes how we engage and communicate with each other; how we are educated, how we work, buy and gain access to different possibilities that before were unimaginable.

In this context, how have people evolved?

From our area in particular, it changes the customer's way of consumption and how we must work to offer service and products. Everything must be immediate and designed for each kind of customer.

The trend evident in the last few years indicates that the companies preferred by consumers are those that provide a comprehensive experience, which as the word says, integrates and complements a digital experience with the service offered by the traditional channels.

We call this the omnichannel model, whose result related to customers is being available at any time they want, where they want, how they want and using the channel they prefer.

What is Bci's aim in this scenario?

We are prepared and making progress with fulfilling our dream of making Bci the most loved and preferred bank, a company in which employees feel happy and proud to work, where customers are the best source of inspiration, promotion and recommendation, and where society feels represented.

What are the main work focuses to achieve this?

There are two main work focuses:

- Digital transformation, whose aim is to add digital value proposals in each of our business segments and models. The focus is on customer trips, data & analytics, mobile, development of ecosystems and disruptive innovation, applying the Agile and DevOps methodology.

- Internationalization. It is very important to carry on increasing our presence in the Florida market, which as you know accounts for over twice Chile's GDP and will diversify our risk and revenue. We want to attain leadership of the community banks in Florida, since it is a market in which we feel very comfortable and has a host of opportunities.

We now have City National Bank of Florida and the Miami branch, which are both an excellent business platform and will enable us to carry on growing strongly, incorporating new financial services and products that will increase the return on equity of our investments.

What role do employees play in this challenge?

To be successful in this new society, we must work in collaboration. What is collaboration for Bci? Teams working on the same task, sharing an objective and goal. I am convinced that this generates large benefits in our daily work making it simpler and more streamlined, enabling us to be more efficient and assertive, getting better results and management of our assets.

When we talk about a collaborative economy, we understand that it is an opportunity to build an ecosystem of fintechs and startups, a community of entrepreneurs that develops financial solutions jointly with Bci, with strategic partnerships that enable us to expand our value offering.

Lastly, what do our customers gain?

With our work on this, we will be able to meet the expectations of current society, i.e., having everything available online immediately in an accessible and personalized way. Regarding this point, it is key to use data analytics to go one step farther and know what our customer needs in advance.

Likewise, we will be able to offer them an omnichannel service, in other words meeting their needs when, where and how they want and in the channel they prefer.

03— Financial highlights

CONSOLIDATED BALANCE SHEET	2009	2010	2011	2012
Balances of operations at the close of each year, expressed in millions of chilean pesos				
Commercial and interbank loans	6,159,662	6,544,486	7,880,994	9,048,347
Mortgage loans	1,736,465	1,913,547	2,168,712	2,466,999
Consumer loans	1,041,979	1,174,581	1,400,739	1,620,457
Total loans	**8,938,106**	**9,632,614**	**11,450,445**	**13,135,803**
Allowances for credit risk	(194,334)	(249,328)	(277,297)	(299,373)
Total net loans	**8,743,772**	**9,383,286**	**11,173,148**	**12,836,430**
Financial investments	1,951,298	1,346,687	2,072,068	1,994,900
Other assets	2,426,452	2,465,311	2,864,445	3,095,248
Total assets	**13,121,522**	**13,195,284**	**16,109,661**	**17,926,578**
NIBDs	2,400,959	2,844,029	3,172,480	3,618,365
Term deposits	5,491,152	5,467,545	6,749,054	7,222,588
Other obligations	4,333,258	3,844,544	4,966,078	5,665,668
Capital and reserves	783,608	883,708	1,039,157	1,230,077
Allowances for minimum dividends	(48,232)	(66,623)	(78,380)	(81,377)
Net income	160,774	222,075	261,268	271,256
Minority interest	3	6	4	1
Total liabilities & shareholders' equity	**13,121,522**	**13,195,284**	**16,109,661**	**17,926,578**

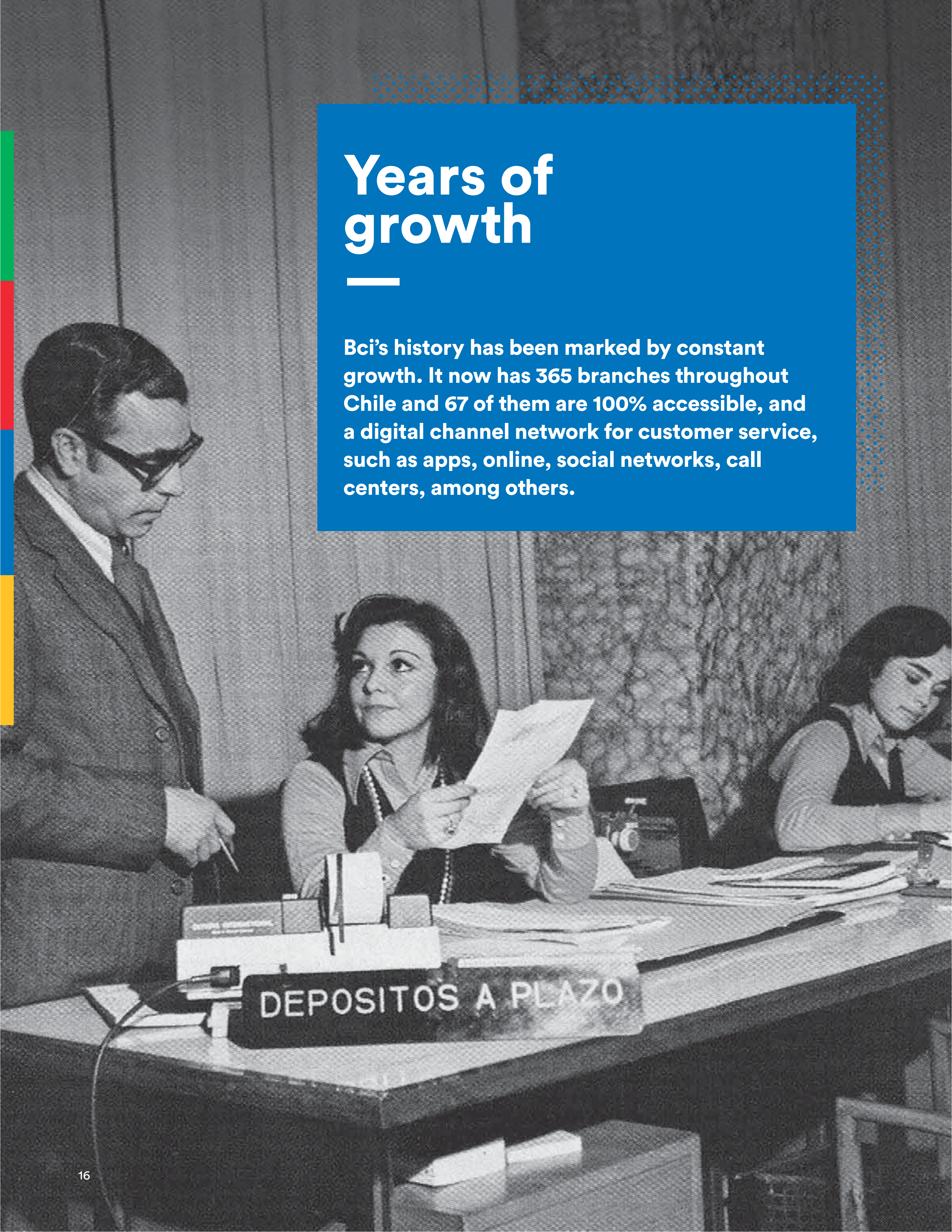
The results of City National Bank of Florida are included as of October 2015

FINANCIAL INDICATORS				
Bci Shares				
Price in Chilean pesos	16,576	33,058	28,789	32,946
Earnings per share	1.586	2.154	2.504	2.563
Stock price/book value (times)	2.14	3.86	2.57	2.42
Stock price/earnings per share (times)	10.45	15.35	12.95	12.67
Market capitalization (millions of Chilean pesos)	1,680,642	3,408,483	3,003,599	3,437,305
Profitability and efficiency				
Return on equity	21.86%	21.37%	21.38%	19.10%
Capitalized earnings of the previous year	69.44%	68.47%	67.50%	67.06%
Return on assets	1.22%	1.68%	1.61%	1.51%
Efficiency/ back-stopping cost/operating income[1]	44.71%	45.42%	44.93%	46.08%
Assets per employee (millions of Chilean pesos)	1,482	1,420	1,576	1,692
Market share				
Loans[2]	12.76%	12.72%	12.94%	12.95%
Risk				
Risk rate1 (allowance expense[3]/total loans)[4]	1.95%	1.53%	1.26%	1.30%
Risk ratio (allowances/total loans)[5]	2.18%	2.50%	2.42%	2.28%
ACTIVITY INDICATORS (number)				
Employees (Bci Corporation)	8,848	9,346	10,220	10,595
Branches[6]	332	365	378	388
Checking accounts	397,764	425,233	449,700	489,816
Electronic checkbooks	1,107,366	1,115,633	1,215,527	1,208,989
ATMs	1,013	1,111	1,333	1,294
ATM transactions[7] (December each year)	4,037,717	5,455,584	5,672,989	4,572,650
Internet transactions[8] (December each year)	24,827,278	12,925,182	14,434,020	15,369,000
Customers with internet access passwords	333,379	404,956	408,987	428,310

	2013	2014	2015	2016	Change 2016/2015
	9,946,350	10,799,382	13,406,099	14,902,850	11.2%
	2,818,822	3,317,344	4,485,485	4,999,917	11.5%
	1,764,297	1,985,762	2,412,813	2,644,473	9.6%
	14,529,469	**16,102,488**	**20,304,397**	**22,547,240**	**11.1%**
	(334,247)	(342,596)	(364,452)	(369,666)	1.4%
	14,195,222	**15,759,892**	**19,939,945**	**22,177,574**	**11.2%**
	1,976,887	2,086,992	3,706,013	3,792,479	2.3%
	4,074,560	5,956,285	5,038,443	4,879,851	-3.2%
	20,246,669	**23,803,169**	**28,684,401**	**30,849,904**	**7.6%**
	3,920,617	4,592,440	8,047,288	8,194,263	1.8%
	7,707,698	8,228,609	9,301,896	9,957,688	7.1%
	7,036,254	9,181,156	9,334,801	10,179,276	9.1%
	1,371,893	1,560,882	1,768,715	2,280,185	28.9%
	(90,088)	(102,891)	(99,247)	(102,049)	2.8%
	300,294	342,972	330,819	340,121	2.8%
	1	1	238	420	76.5%
	20,246,669	**23,803,169**	**28,684,401**	**30,849,904**	**7.6%**
	29,162	29,944	26,730	33,894	26.80%
	2,802	3.155	2.986	2.753	-7.79%
	1.98	1.81	1.48	1.70	0.22
	10.41	9,49	8,96	12,31	3.35
	3,125,421	3,254,948	2,961,863	4,188,086	41.40%
	18.98%	19.04%	16.54%	13.51%	-304 bp*
	66.24%	55.03%	68.31%	66.51%	-180 bp
	1.48%	1.44%	1.15%	1.10%	-5 bp
	43.95%	43.84%	46.92%	50.11%	319 bp
	1,925	2,265	2,716	2,946	230
	13.23%	13.08%	12.88%	13.28%	40 bp
	1.50%	1.35%	1.10%	1.10%	0 bp
	2.30%	2.13%	1.80%	1.64%	-16 bp
	10,518	10,511	10,560	10,473	-87
	384	361	361	365	4
	514,803	528,598	557,236	584,622	27,386
	1,222,033	939,381	1,036,395	1,103,556	67,161
	1,080	1,037	1,057	1,062	5
	4,173,362	4,675,418	4,338,540	4,403,674	65,134
	16,083,389	15,814,481	16,019,215	16,540,828	521,613
	429,913	464,048	469,014	469,969	955

[1] Operating revenue is operating income plus voluntary allowances.
[2] Exclude Corpbanca's acquisitions in Colombia and City National Bank of Florida.
[3] Allowance expense is defined as the sum of the expenses of provisions for credit risk and credit contingency and minimum allowance adjustment for a normal portfolio.
[4] Total loans to customers.
[5] The total loans to customers and due by banks.
[6] Include contact points.
[7] ATM withdrawals.
[8] Until the year 2009, transactions with or without authentication passwords are considered. From 2010 forward, initially transactions with authentication passwords are considered.

* bp: basis points.



Years of growth

Bci's history has been marked by constant growth. It now has 365 branches throughout Chile and 67 of them are 100% accessible, and a digital channel network for customer service, such as apps, online, social networks, call centers, among others.

04— Financial performance in 2016

Financial performance graphs

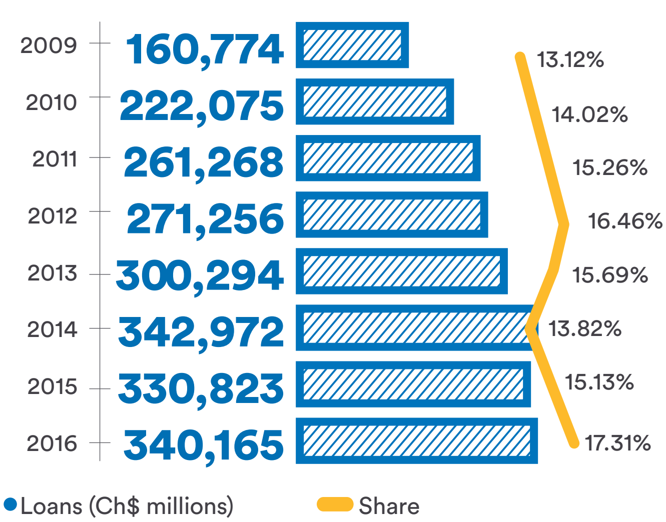
The graphs below show Bci's financial results and performance in 2016, including City National Bank of Florida as of October 17, 2015.

The figures are given in nominal Chilean pesos.

Results

Bci had net income of Ch$340,165 million in 2016, and was the third bank with the highest net income in the banking sector. In 2016, the Bank increased its net income market share by 218 basis points on the previous year, mainly due to the good performance of Bci and subsidiaries and accounting for the 12-month net income of City National Bank of Florida.

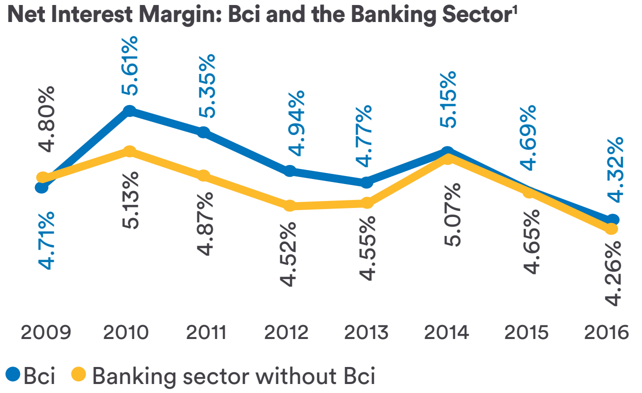
Bci: Net Income and Share of the Banking Sector[1]



Note 1: The banking sector includes City National Bank Of Florida and ItauCorp's investment in Colombia.

The net interest margin, corresponding to the ratio of net interest income to average loan readjustments was 4.32%, above that of the banking sector and in line with the corporate strategy of giving preference to risk-adjusted income.

Net Interest Margin: Bci and the Banking Sector[1]

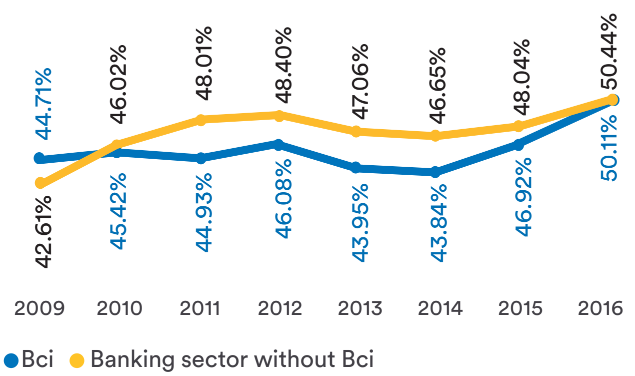


Note 1. The banking sector excludes Bci (and City National Bank of Florida) and includes ItauCorp's investment in Colombia.

The operating efficiency ratio measures the relation between operating expenses and gross operating income. In 2016, Bci's efficiency declined, due to operating expenses increasing 19.7%. The incorporation of City National Bank of Florida accounted for 53% of this increase, and Bci and its subsidiaries 47%. In the case of Bci, the update of the benefits manual with a salary increase for lower-income employees and the heavy investment in the digital transformation plan should be highlighted. This will enable the Bank to address and lead the changes in the industry due to the irruption of disruptive technology, also allowing us to raise income and reduce operating costs in the medium term.

Bci

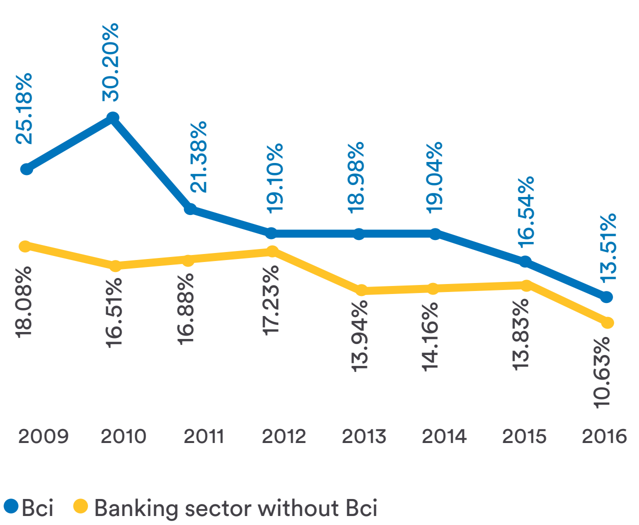
Efficiency Ratio[1]: Bci and the Banking Sector[2]



Note 1. A lower ratio means greater efficiency.
Note 2. The banking sector excludes Bci and City National Bank of Florida and includes ItauCorp's investment in Colombia.

Bci had a return on equity (ROE) of 13.51% in 2016, 303 basis points lower than last year. That was mainly due to the capital increase made in April 2016 and a higher efficiency ratio, but Bci's ROE greatly outperformed the 10.63% ROE of the rest of the banking sector.

ROE: Bci and the Banking Sector[1]



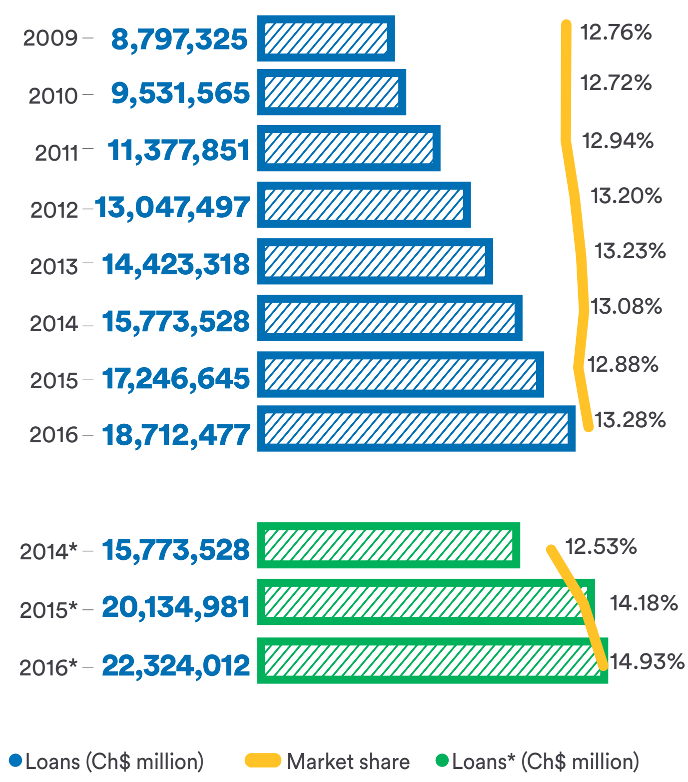
Note 1. The banking sector excludes Bci and City National Bank of Florida and includes ItauCorp's investment in Colombia.

Market share

Bci's total accrued loans (net of interbank loans) amounted to Ch$22.32 billion as of December 2016, a 10.87% year-on-year increase.

Market share in Chile increased from 12.88% to 13.28%, and market share including City National Bank of Florida rose from 14.18% to 14.93%.

Total Bci Loans and Market Share



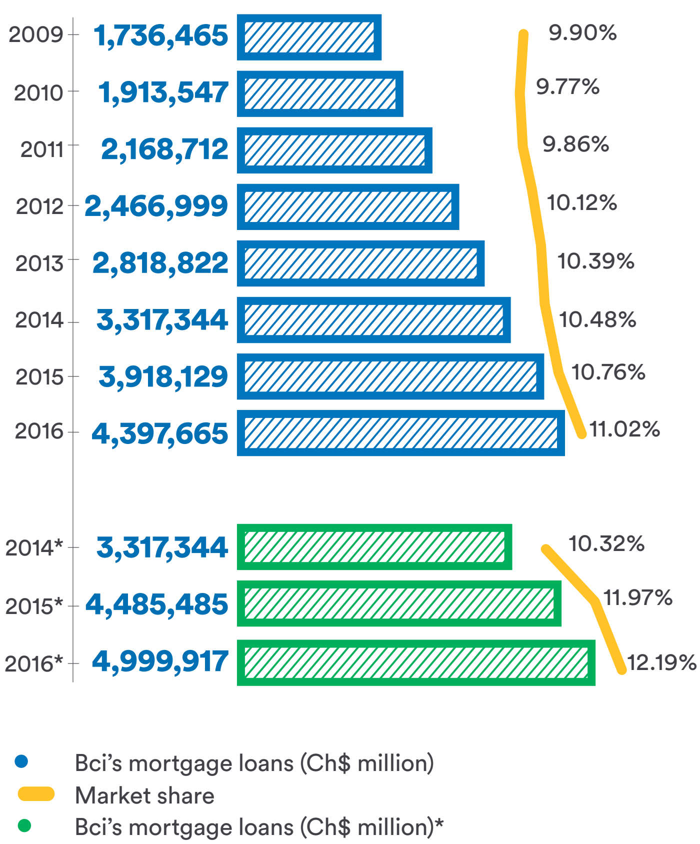
(*) The figures include City National Bank of Florida and ItauCorp's investment in Colombia. The remaining figures exclude both.

Total loans (net of interbank loans) include mortgage, commercial and consumer loans. These have increased steadily since 2009. In 2016, the upward trend coninued with mortgage loans growing 11.5%, commercial loans 10.9% and consumer loans 9.6%.

Bci continued to increase the mortgage loan volume and attained a higher market share, which was 11.02% in Chile (and 12.19% including City National Bank of Florida).

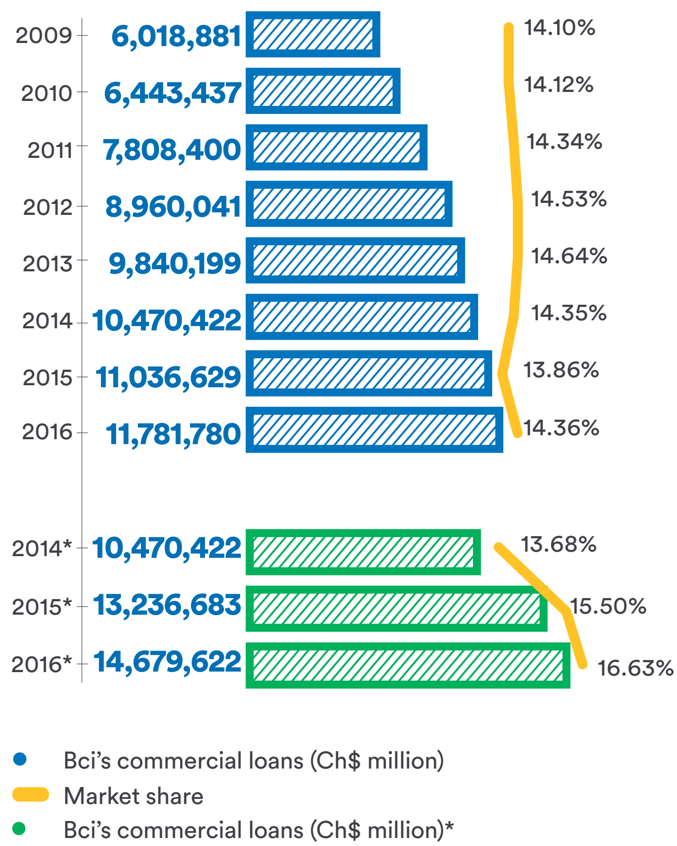
For the year ended December 2016, Bci's market share of commercial loans in Chile was 14.36% and 16.63% including City National Bank of Florida. These results are in line with the strategy of giving preference to profitability over the volume growth.

Bci's Mortgage Loans and Market Share



(*) The figures include City National Bank of Florida and ItauCorp's investment in Colombia. The remaining figures exclude both.

Bci's Commercial Loans and Market Share

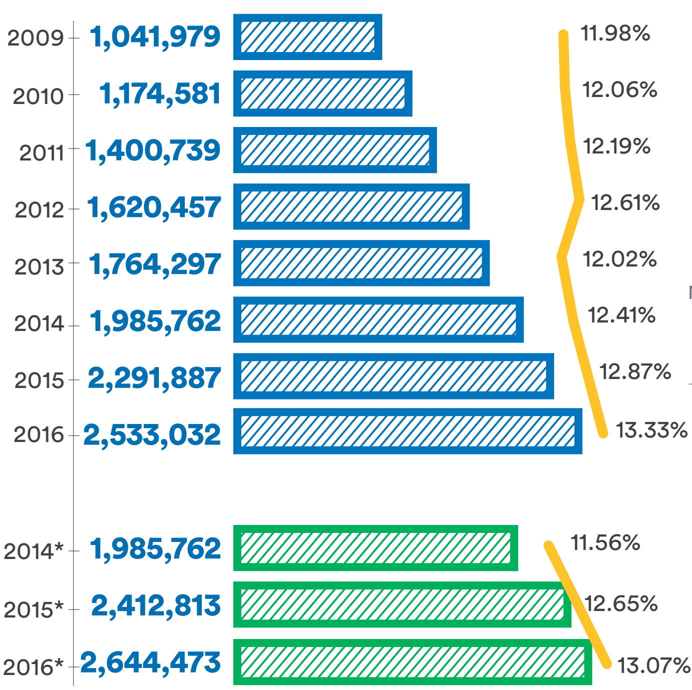


(*) The figures include City National Bank of Florida and ItauCorp's investment in Colombia. The remaining figures exclude both.

In 2016, the number of checking accounts continued the steady growth of the last few years, increasing 4.91% year-on-year (YoY). The same was the case of non-interest-bearing accounts (NIBDs) which increased 6.48% YoY.

The large 10.5% growth of consumer loans in Chile and 9.6% including City National Bank of Florida enabled Bci to carry on increasing its market share. It was therefore one of the banks with the highest growth in this segment, closing the year with consumer loan and market share increases of 13.33% and 13.07%, respectively.

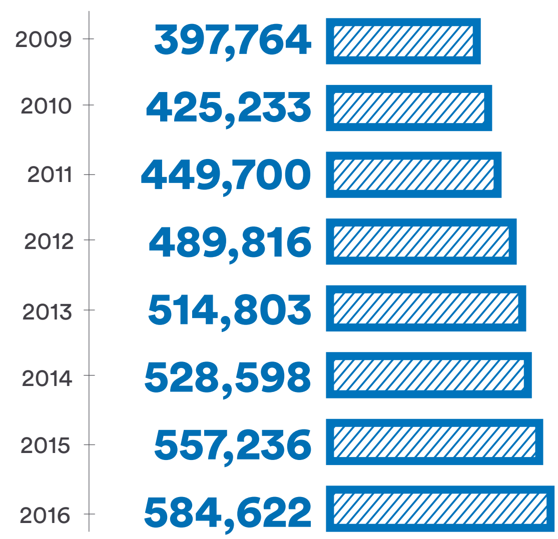
Bci's Consumer Loans and Market Share



- Bci's consumer loans (Ch$ million)
- Market share
- Bci's consumer loans (Ch$ million)*

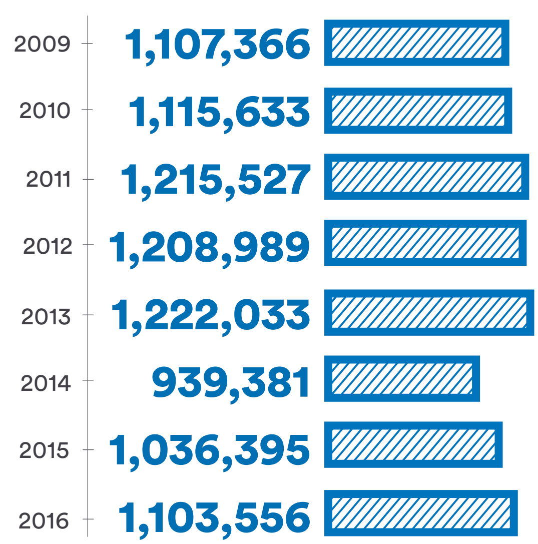
(*) The figures include City National Bank of Florida and ItauCorp's investment in Colombia. The remaining figures exclude both.

Number of Bci Checking Accounts



Note 1. The figures exclude City National Bank of Florida

Number of Bci NIBDs

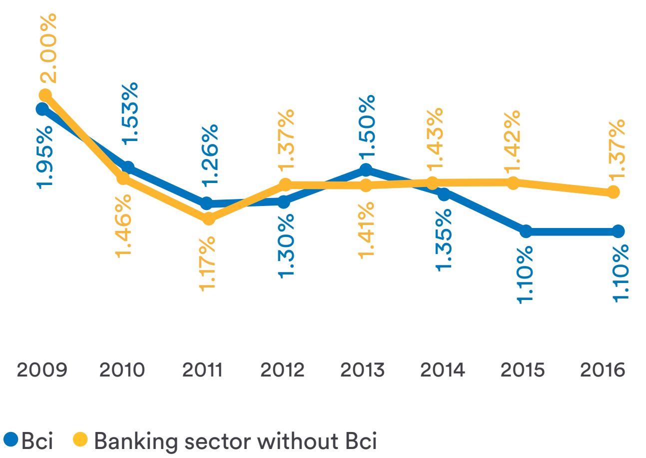


Note 1. The figures exclude City National Bank of Florida

Risk

The risk 1 rate, measured as the allowance and write-off expense on customer loans, was 1.10% in 2016 and the same as in 2015, consolidating Bci's better performance compared to previous years and that of the banking sector. This is the outcome of the risk management transformation plan and the focus on risk-adjusted profitability.

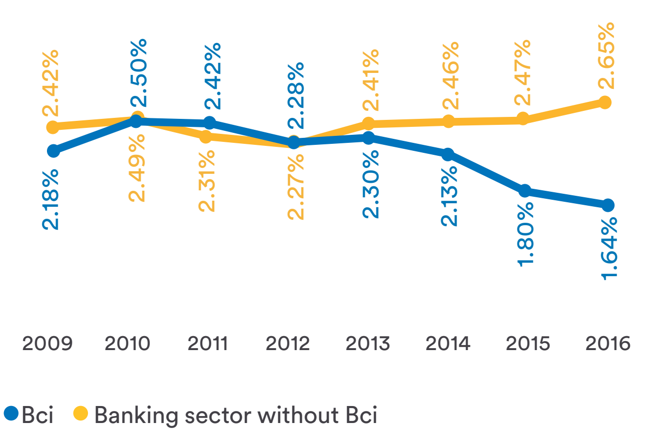
Loan Allowance and Write-off Expense: Bci and the Banking Sector[1]



Note 1. The banking sector excludes Bci and City National Bank of Florida and includes ItauCorp's investment in Colombia.

The risk ratio, measured as the balance of allowances on total loans, was 1.64% in 2016, thereby continuing the downward trend in the last six years, which is in contrast to the upward trend of the banking sector.

Balance of Allowances on Total Loans: Bci and the Banking Sector[1]



Note 1. The banking sector excludes Bci and City National Bank of Florida and includes ItauCorp's investment in Colombia.

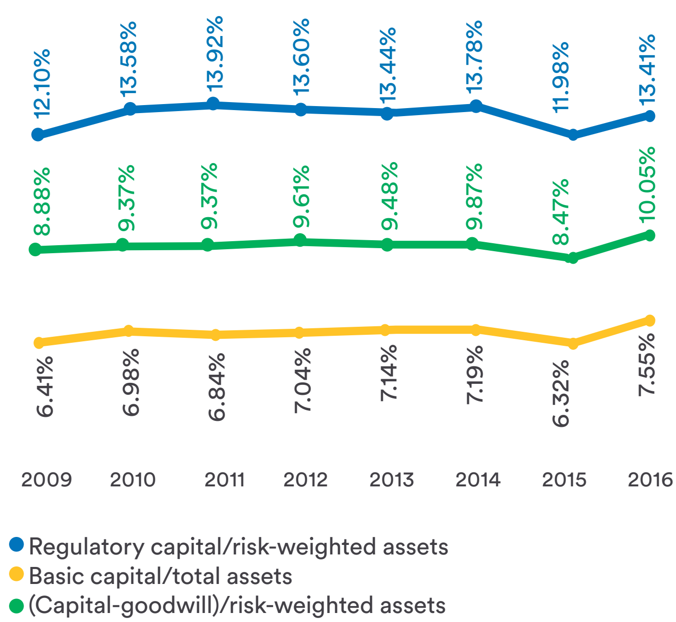
Basel Ratio, Capital Level and Tier 1

The ratios of regulatory capital to risk-weighted assets and basic capital to total assets were 13.41% and 7.55%, respectively, largely due to the capital increase made in the year.

Both ratios not only indicate a positive trend but are above the internal limits set by Bci and well above the minimum regulatory limits established by the Superintendence of Banks and Financial Institutions (SBIF) of 8% and 3%, respectively.

Tier I, which is the ratio of capital to risk-weighted assets, increased 159 basis points on 2015 to 10.05% as of December 2016 and attained the internal limit set by Bci.

Bci: Basel Ratio, Capital Level and Tier I



Note 1. Bci includes City National Bank of Florida

05— Credit rating

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

Feller Rate confirmed Bci's domestic credit risk solvency for 2016 as AA+. It did the same with the time deposit and bond rating, basing this rating on the strength of the Bank's risk management structure and policies with a favorable impact on its portfolio indicators, and on the diversification of its financing sources.

Fitch Ratings rated Bci as AA+ with a "Positive" outlook for long-term deposits, mortgage bills, bank bonds and bond lines, considering Bci's sound domestic franchise and the right management after the acquisition of City National Bank of Florida, which made large progress in 2016.

At international level, Moody's upgraded its A1 long-term foreign currency rating from "negative" to "stable." It based such rating on the good management of the quality of assets, sound profitability growth and low funding cost.

Standard & Poor's (S&P) confirmed its long-term credit rating as A with a "stable" outlook, since Bci has managed to maintain its sound competitive position, healthy risk levels and the right capitalization. Fitch Ratings confirmed the long-term rating as A- with a "positive" outlook.

Domestic credit rating

Feller Rate	2015	2016
Solvency	AA+	AA+
Outlook	Stable	Positive
Time deposits of more than 1 year	AA+	AA+
Bonds	AA+	AA+
Subordinated bonds	AA	AA
Shares	1st class level 1	1st class level 1

Fitch Ratings	2015	2016
Short-term	N1+	N1+
Long-term	AA+	AA+
Bonds	AA+	AA+
Subordinated bonds	AA-	AA-
Shares	1st class level 1	1st class level 1
Outlook	Stable	Positive

International credit rating

Moody's	2015	2016
Long-term rating	A1	A1
Bank financial strength rating	C	C
Short-term issuer level rating	P1	P1
Outlook	Negative	Stable

Standard & Poor's	2015	2016
Long-term foreign issuer credit	A	A
Long-term local issuer credit	A	A
Short-term foreign issuer credit	A1	A1
Short-term local issuer credit	A1	A1
Outlook	Stable	Stable

Fitch Ratings	2015	2016
Foreign currency long-term debt	A-	A-
Local currency long-term debt	A-	A-
Foreign currency short-term debt	F1	F1
Local currency short-term debt	F1	A-
Viability	A-	Positive


GREAT
Bci
¡Un gran lugar para trabajar!

06—
Awards and accolades

In 2016, Bci received numerous awards and accolades for its progress and achievements, business management, financial performance, innovation, corporate reputation, quality of working life and sustainability. Such accolades endorse the Bank's performance and commitment to its stakeholders.

Employee experience

Best Company for Working Parents
Fundación Chile Unido and *El Mercurio* newspaper
2015: 5th place
2016: 3rd place

Great Place To Work
Best Companies to Work For In Chile
2015: 5th place
2016: 5th place

Great Place To Work
Best Companies to Work For In Latin America
2015: 14th place
2016: 18th place

MERCO[1] Talent
Most Attractive Companies to Work For In Chile
2015: 3rd place
2016: 5th place

National Safety Council
Companies with the lowest accident frequency index
2016: Leader in the banking sector

Women's Talent Promotion Award
Companies that promote the work and development of women
2016: Honorable mention for cultural innovation

Best First Jobs Employers
Best companies for professional youngsters in Latin America
2016: 4th place

1 Business Monitor of Corporate Reputation

Customer experience

50 Companies that Are Changing the World

Fortune magazine ranking: Bci was in 32nd place for its enterprise support with the *Nace* program

ProCalidad

National Customer Satisfaction Index

2015: 1st place in the large bank category
Bci Nova: 1st place in the retail banking category
2016: 1st place in the large bank category

Salmon Awards

Best Mutual Funds 2016

1st place in the following categories:
Emerging Asia Stock Fund: Bci Chindia.
Large Cap National Stock Fund: Bci Selección Bursátil.
Moderate Balanced Fund: Bci Gestión Dinámica 50.

2nd place in the following categories:
Emerging Asia Stock Fund: Bci Asia.
Conservative Balanced Fund: Bci Gestión Dinámica 50

Salmon APV Awards

1st place in the following categories:

- → **ASIA:** APV series, Emerging Asia Stock Fund category.
- → **Gestión Global Dinámica 80:** APV series, Aggressive Balanced Fund category.
- → **Gestión Global Dinámica 50:** SAPV series, Moderate Balanced Fund category.
- → **Gestión Global Dinámica 20:** APV series, Conservative Balanced Fund category.
- → **Gran Valor:** APV series, Debt Fund category > 360 days of flexible origin.

Superintendence of Banks and Financial Institutions/University of Chile/ Millennium Institute

Financial Education and Inclusion Awards:

2nd place in the financial inclusion contribution category for the *Bci Accesible* program.

IZO – Universidad de los Andes

Best Customer Experience (BCX Index) in the bank category

2015: Customer experience leader in Chile
2016: Customer experience leader in Chile

Estrategia Financial Newspaper and Alco Consultores

Consumer Loyalty Awards

2015: 1st place in the banking sector
2016: 1st place in the banking sector

Effie Awards Chile/Valora

Ideas that work category

2015: Silver Effie Award for the *Bci Empresarios* campaign
2016: Bronze Effie Award for the Bci OpenSky campaign

Best Digital Media Use

Asociación Chilena de Agencias de Publicidad.

2016: Bronze for the *Bci Accesible* campaign "Speechless Banner"

World Finance Banking Awards

2015: Best Banking Group
Best Private Bank
Chile's Best Equities Investment Manager
2016: Best Banking Group
Best Private Bank
Best Investment Management Company (Bci Asset Management)

Most Outstanding Companies in Chile

Diario Financiero

2016: Recognition of images and advertising for the *Bci Accesible* campaign

Corporate transparency

Inteligencia de Negocios
Most Transparent Company in Chile
2015: 1st place
2016: 1st place

Innovation

ESE Business School
Most Innovative Companies in Chile
2015: 1st place in the banking category
2016: 1st place in the banking category

Universidad Adolfo Ibáñez/GFK Adimark/Imagine Business Lab by Microsoft
Innovation Perception Ranking
2016: 1st place in the action stage of the banking sector

Corporate reputation

MERCO
Company with the Best Corporate Reputation
2015: 1st place
2016: 1st place

Sustainability

PROhumana Foundation:
Most Sustainable Company in Chile
2015: 1st place
2016: 2nd place

World Finance Banking Awards
2015: Most Sustainable Bank Chile
2016: Most Sustainable Bank Chile

Global Compact
Best Sustainable Initiatives
2016: Finalist in the human rights category with *Bci Accesible* and in labor inclusion with *Bci Sin Límites*.

Fundación Pro Bono
Most Outstanding Legal Department of the Year
2016: Distinction for the work and voluntary contribution of professionals of the legal department.

Different business culture

Bci's vision, mission and values shape the management style and relations that have been coherent for 80 years and have enabled it to carry on being a different company.

07— Our culture

Mission, vision and values

Mission

Bci is a financial solutions corporation which operates in all the financial businesses and operations permitted by the General Banking Law, enabling it to offer people products and services with highly efficient operating processes and quality excellence, with ongoing technological innovation, prudent risk management policies and demanding ethical standards that must be upheld by all the people who work in its companies.

In line with this and to achieve its objectives and policies, Bci is committed to making sure such achievements are obtained with special emphasis on what it deems to be its four core pillars:

Shareholders
Business policies and decisions must be targeted at increasing the equity invested by company shareholders. The aim is for the return on their investment to be higher than the average of the banking sector, along with normal risk levels and the maximum transparency possible, in accordance with laws, regulations and the current ethical framework.

Customers and suppliers
The products and services that the Bank **provides its** customers should be of optimum quality, innovative, suitably and timely meet their needs, and at competitive prices; always considering that customers are the basis of the organization's success and relations with them must therefore be maintained with a long-term vision. Supplier relations should be of mutual benefit, with loyalty over time, and high quality, performance and transparency standards.

Employees and their families
Bci strives to ensure that all its employees have a dignified quality of life, stable work and opportunities of personal, professional and family development, properly motivating and rewarding good performance and individual and team effort, while providing development guidelines and regulations for a workplace of excellence and demanding ethical professional conduct. Bci defines itself as a family-focused company, which is committed to achieving that employees work in conditions commensurate with the right personal and family life.

Society
Bci's commitment is to develop business and activities in accordance with current legislation in Chile and in all branches overseas where it operates, fully abiding by the ethical principles that ensure upholding the interests of others, pursuant to the guidelines established and accepted by society. Bci also aims to make an effective contribution to maintain a healthy environment and enhance the country's social, cultural and economic wealth by supporting pertinent initiatives.

Our vision

We aim to be regional leaders in innovation, customer closeness and experience, and to be renowned as the best company to work for and develop.

Aim by 2020

To be the most loved and preferred bank.

Our values

Integrity Excellence Respect

Our common purpose

“To make dreams come true with trusting relations throughout our customers’ lives.”

Experience criteria

Security

Ensure their security
I am trustworthy; I provide continuity in the transaction; I safeguard the equity of the customer and Bank; I act with transparency; I safeguard the security of information.

Closeness

Know and bond emotionally
I know my customers/ employees and take interest in them; I put myself in their place; I take responsibility for their needs; I always act with Bci’s service attitude.

Diligence

Advise and execute immediately
I deliver on my commitments with timely and appropriate action; I have the knowledge I need; I make life easier for customers and keep them constantly informed; I am adept; I anticipate what could happen.

Image

Project Bci’s values in every action
I act with integrity, respect and excellence; I take care of my personal image and that of my team; I maintain an impeccable workplace; I take pride in being part of Bci.

"I work in a place with excellent professionals and very good people. It's the perfect combination and Bci is like this. I have also had the fortune to grow professionally and as a person in this Bank".

—

Elizabeth Salazar
Special Projects Management Secretary

Bci's aim by 2020 is to

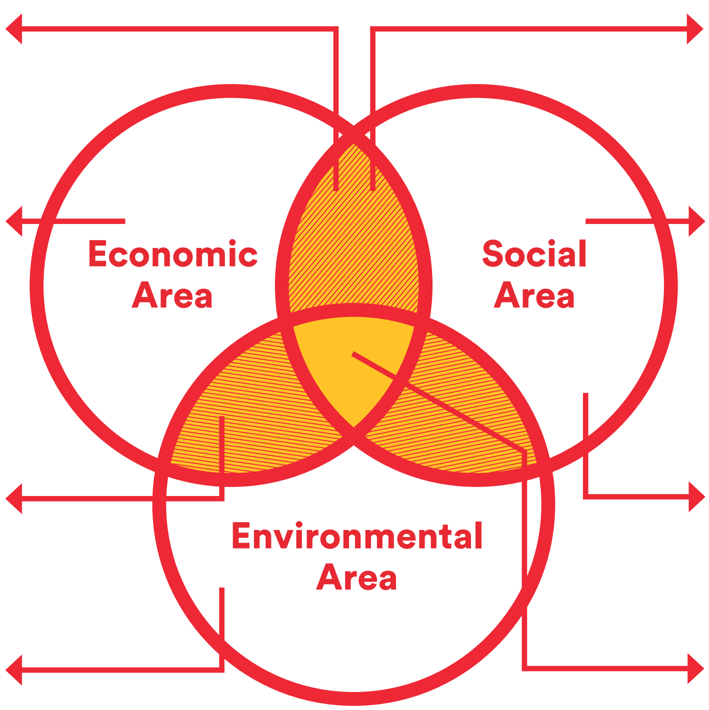
"Be the most loved and preferred Bank"

Sustainability model and approach

Bci seeks to enhance the economic, social and environmental wellbeing of the people and communities related to its business. To such effect, the Bank integrates this triple approach to all the programs and policies it develops to achieve its corporate vision.

Considering the strategic nature they have gained from the business standpoint, the Bank incorporates the economic, social and environmental impacts to its strategic planning and its Balanced Scorecard (BSC).

Bci's sustainability model envisages general targets for relations between the organization and each of its stakeholders, and assessment systems and indicators for continuous follow-up on the corporate performance in these areas.



Suppliers
Mutually beneficial relations and high quality standards.

Shareholders
Growth and a return above the banking sector average with limited risk.

Corporate Governance & Ethics
Transparency, trust and non-negotiable ethical principles.

Environment
Contribute to a healthy environment.

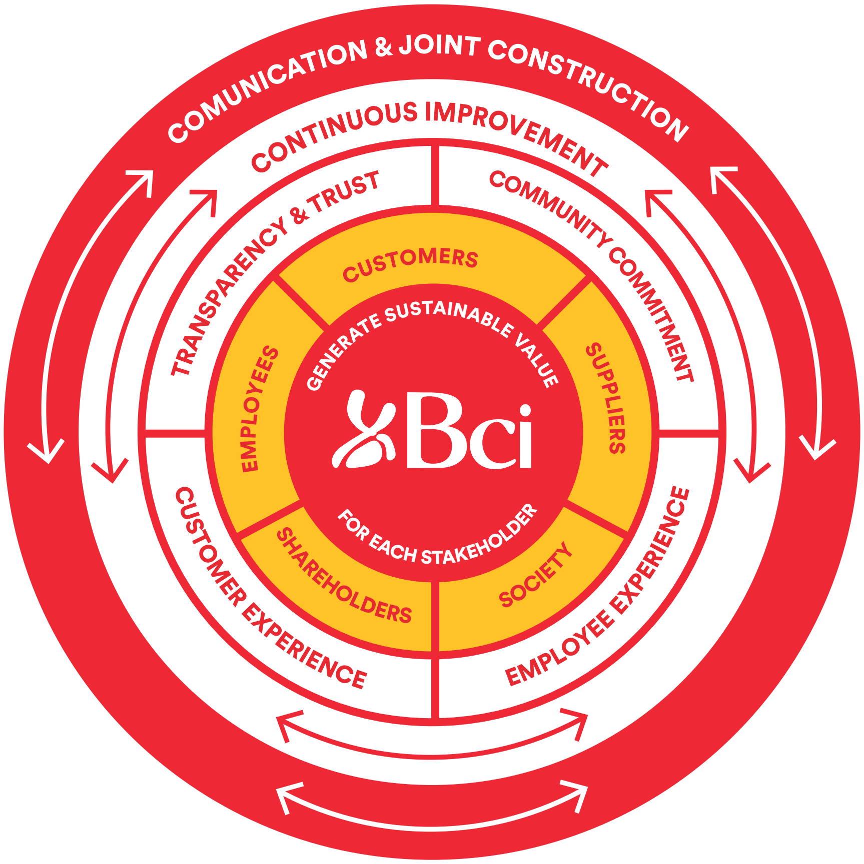
Customers
Add value for the customer and implement processes that create memorable experiences.

Employees & their families
Strive to provide a dignified quality of life, stable work with opportunities of personal, professional and family development that generate memorable experiences.

Society
Increase social, cultural and economic wealth.

Innovation
Innovate with the development of sustainable business and solutions.

The sustainability approach is how Bci seeks to deliver on the specific commitments and challenges it drives to generate value for its stakeholders. It is integrated to the management of all the company's areas, and involves programs and action designed jointly with stakeholders with the focus on the four priority pillars: transparency and trust, sustainable customers, employee experience, and community commitment.



Stakeholder dialogue

Bci seeks to forge sound, trusting and close relations with its stakeholders. To achieve this, it has mass, segmented and participative dialogue channels with its stakeholders, which are outlined on page 35 of the Integrated Annual Report 2015.

Corporate ethics

Since its foundation 80 years ago, Bci has put people at the heart of its business undertakings. In line with this vision, the Bank is committed to a business model that is based on the corporate values of integrity, respect and excellence.

This focus is evident in each of Bci's strategic statements and guides the Bank's work regarding its ethics management system.

Ethics management in 2016

With the aim of developing a sustainable business culture at Bci focused on ethical issues, which generates a sense of employee belonging and pride, in 2016 the Bank defined a transversal work plan for the Corporation, based on the governance pillars of: communication, training, processes and practices, and feedback.

The program also included a vision focused on fraud prevention aspects targeted at leaders and employees in critical areas.

The content was established in connection with the collaborative work by management that is part of the internal fraud prevention desk, i.e., organizational development, operating risk and corporate compliance.

This program was undertaken by means of an ethics and risk culture plan, which was focused on communication, mobilization and knowledge, mainly to disseminate the breach of trust conduct defined by Bci, the action to prevent this and promotion of channels of trust among employees.

Communication

To remind employees what the breach of trust conduct is and the importance of reporting it, in the second half of the year the company distributed a two-monthly online newsletter called "Ethics in Action," with recommendations of ethical conduct for all employees.

Mobilization

In-person talks on the meaning of ethics: In August and September, the company gave four talks on the meaning of ethics. More than 700 employees attended these talks, which were then made available on a video. 96% of the employees who attended or saw the talks qualified the initiative with grades of 6 to 7.

Cases of ethics learning: The new digital newsletter "Ethics in Action" had sections on different cases of ethics learning, which leaders analyzed with their teams.

Knowledge and training

Training via e-learning:
The Bank incorporated training capsules with content on the channels and trust breaking conduct, which were in addition to those already existing on fraud prevention, asset laundering prevention, criminal risk for corporations and information security.

Organizational climate survey:
The company started to apply this new instrument in late 2016 and it includes a section of questions to assess the environment for one of the six key competencies Bci has defined to instill a new digital culture: "committed, ethical and transparent people."

New ethics module for corporate induction:
The corporate induction process addresses the content of the Code of Ethics, and this module ends with a presentation that new employees must give on the issues analyzed.

Module on the profile of ethical conduct and ethical dilemmas in the induction to Phase 1 of the Leader Academy:
The content of this module aims to develop in more depth the scopes involved in the cases of ethics learning. In the year, 122 leaders received this content.

Incorporation of trust breaking conduct and channels of trust in training at the School Branch:
This content was in addition to the four training capsules on issues of compliance (fraud prevention, asset laundering prevention, criminal risk of corporations and information security) that all executives in the commercial areas must complete.

Trust channels

Bci has four trust channels: *Bci te Escucha* (Bci listens to you), *¿Qué Hago?* (What should I do?), criminal risk prevention and free competition, and fraud prevention, whose objective is defined on page 37 of the Integrated Annual Report 2015. These confidential means are available permanently to receive queries, information and whistleblowing reports.

Each channel has a different management area based on the nature of the issues respectively addressed.

Likewise, different areas are in charge of investigating whistleblowing reports received, based on the characteristics of each case.

Overview of the work of these channels in 2016:

Trust channels

Bci te escucha.

This is managed by the human resources department. It received 84 whistleblowing reports in the year, 15% less than in 2015.

¿Qué Hago?

This is managed by the Ethics Committee and received 46 whistleblowing reports in the year, 36% less than in 2015.

Criminal risk prevention and free competition.

This is managed by the operating risk management. It received 107 whistleblowing reports in 2016, 43% less than in 2015.

Fraud prevention.

This is managed by the corporate compliance and prevention management. It was contacted 72 times during the year.

Feedback

The Ethics Committee of the Board validated the outline of the ethics and risk culture plan and it was managed by the internal fraud desk and different working groups that met monthly with this purpose.

To establish its main work focuses, the Bank used the basis of the results of the latest Ethical Value and Business Ethics Pulse survey. Such survey, conducted by Fundación Generación Empresarial, considers the internal perception, which evaluates aspects like communication of values and their presence in defining corporate targets.

The following were the main results of this survey:

92%

said the company applies values and principles in its dealings with employees.

87%

said that the values are present in the setting of the Bank's targets and objectives.

84%

felt represented by Bci's values and ethical conduct.

70%

considered that the values are communicated clearly and directly.


BANCO DE CREDITO

08— Our corporation

Shareholders

Profit, share price and market capitalization

In 2016, Bci had profits of over Ch$340,000 million, a 2.8% YoY increase. This result was in part driven by the Ch$55,900 million profit of City National Bank of Florida.

The Bank gained a leading growth position for all loans, particularly consumer loans. The credit risk highlight was the steady improvement of most of the indicators, beating the average of the banking sector.

Despite the volatility of emerging markets and commodity prices, copper included, the Chilean stock market had a positive year and the selective share price index (IPSA) increased 12.18%. In this context, Bci's share price had outstanding performance in 2016 with growth of 34.9%, beating the 20.7% increase of the banking sector index.

Capital resources

For the year ended December 31, 2016, basic capital comprised:

Paid-in capital (123,564,219 shares)	Ch$2,276,819,760,487
Other equity accounts	Ch$3,365,385,207
Net income in the year	Ch$340,164,514,360
Allowance for dividend payment	Ch$(102,049,354,308)
Basic capital (1)	**Ch$2,518,300,305,746**

Note 1. Basic capital is equivalent to the net amount that must be stated in the financial statements as equity attributable to shareholders, pursuant to what is laid down in the Accounting Standards Compendium of the SBIF.

In turn, regulatory capital, which regulates the various operating limits set forth in the General Banking Law, comprises the following items:

Basic Capital	Ch$2,518,300,305,746
Additions	
Additional allowances	Ch$60,946,058,856
Subordinated bonds	Ch$775,235,068,253
Equity attributable to minority interest	Ch$419,836,082
Deductions	
Goodwill	Ch$10,782,154,586
Regulatory capital	**Ch$3,344,119,114,351**

In 2016, the basic capital to total assets ratio was 7.55%, whereas the regulatory capital to risk-weighted assets ratio was 13.41%. Both values were substantially higher than the minimum ratios required by the General Banking Law of 3% and 8%, respectively.

Tax standing of the dividend

An Ordinary Shareholders' Meeting held on March 22, 2016 approved a dividend distribution of Ch$1,000 per share, charged to the 2015 net profit, which amounted to Ch$110,806,999,000 equivalent to 33.49% of the total net profit.

This amount was distributed and charged to taxable profits subject to first bracket tax of the Income Tax Law. This tax is a credit against the global complementary or additional tax that shareholders must declare each year.

Bank shareholders bound to keep records of the Taxable Profit Fund (FUT) must consider that the dividend distributed in March 2016 comes from tax profits entitled to first bracket tax credit, arising in 2007 and 2008, which have a first bracket tax credit rate of 17%.

Distribution of bonus shares

An Extraordinary Shareholders' Meeting, held on March 22, 2016, agreed to increase the company's capital by Ch$54,604,497,360 by issuing 2,019,920 registered non-par-value bonus shares at a rate of 0.0166187967 bonus shares for each share held on the date the right to receive these shares was acquired.

The Bank's subscribed and paid-in capital was therefore set at Ch$2,310,539,742,087, divided into 123,564,219 non-par-value shares of a single series.

As the distribution of these bonus shares represents an equivalent capitalization, pursuant to what is stipulated in the Income Tax Law, it does not constitute shareholder income and is therefore not taxable.

Main shareholders

The list below shows the 25 main Bci shareholders for the year ended December 31, 2016:

Name	Share	% Shareholding
Empresas Juan Yarur SpA	68,128,157	55.14%
Banco de Chile on behalf of non-resident third third parties (Banco de Chile on behalf of third parties C.A. 4801320.- shares)	4,801,320	3.89%
Yarur Bascuñán Jorge Juan	4,760,582	3.85%
Banco Itau Corpbanca on behalf of foreign investors (DCV has no details of principals and Banco Itau does not provide them)	3,391,456	2.74%
AFP Habitat S.A.	2,939,570	2.38%
AFP Provida S.A.	2,684,859	2.17%
Credicorp LTD.	2,286,328	1.85%
Bci C de B S.A.	2,201,738	1.78%
AFP Capital S.A.	2,143,120	1.73%
AFP Cuprum S.A.	1,932,089	1.56%
IMSA Financiera SpA	1,909,945	1.55%
Banco Santander on behalf of foreign investors	1,876,209	1.52%
Inversiones Cerro Sombrero Financiero SpA	1,762,390	1.43%
Inversiones Tarascona Corporation Agency in Chile	1,659,674	1.34%
Yarur Rey Luis Enrique	1,315,604	1.06%
Banchile C de B S.A.	1,155,815	0.94%
Inversiones Nueva Altamira Limitada	1,121,002	0.91%
Yarur Rey Victoria Inés	858,657	0.69%
Yarur Rey María Eugenia	858,646	0.69%
Empresas JY S.A.	731,667	0.59%
Larrain Vial S.A. Corredora de Bolsa	719,044	0.58%
Inversiones VYR LTDA.	657,595	0.53%
Valores Security S.A. C de B	646,651	0.52%
Inmobiliaria e Invers. Chosica S.A.	539,709	0.44%
Yarur Rey Jorge Alberto	511,367	0.41%
Subtotal	**111,593,194**	**90.31%**
Overview		
Majority Shareholders	111,593,194	90.31%
Other Shareholders	11,971,025	9.69%
Total	**123,564,219**	**100.00%**
Subscribed and paid-up shares	123,564,219	100.00%
Capital stock authorized	123,564,219	
Shares in custody in the central securities depository	32,826,300	26.57%

Shares subscribed by employees			
	Shareholders	Shares	% Shareholding
Compensation Plan 2001	1,484	1,796,993	1.45%
Current Shareholders	165	230,040	0.19%

Shareholders' agreement

Shareholders related to the Yarur family, who for the year ended December 31, 2016 held 63.26% of the duly subscribed and paid-up shares issued by Bci, entered into a new shareholders' agreement on October 7, 2015, terminating that entered into on December 30, 1994.

In such agreement, the signatory shareholders reaffirmed their will to maintain the traditional unity and control of Banco de Crédito e Inversiones. Moreover, they reiterated their intention of preserving the principles on which its management is based.

Pursuant to what is set forth in article 14 of the Law on Corporations, the mentioned shareholders' agreement was recorded in the Bank's Shareholders' Registry and is available to other shareholders and interested third parties.

The Shareholders' Agreement of October 7, 2015 comprises the following natural people and corporations. In the case of companies, the natural people with a major shareholding of the respective companies are identified:

Shareholder	Tax code	Shareholding (direct and/or indirect)*
Empresas Juan Yarur SpA		
Luis Enrique Yarur Rey	5.196.456-K	Controller
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 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%
Inversiones Nueva Altamira Limitada		
Luis Enrique Yarur Rey	5.196.456-K	85.56%
Inversiones VYR Limitada		
Victoria Inés Yarur Rey	4.131.984-4	97.79%
Inmobiliaria e Inversiones Chosica S.A		
María Eugenia Yarur Rey	4.131.983-6	9.72%
Luis Alberto Said Yarur	Domiciled in Peru	20.07%
Andrés Ignacio Said Yarur	Domiciled in Peru	20.07%
Pablo Horacio Said Yarur	Domiciled in Peru	20.07%
María Eugenia Said Yarur	Domiciled in Peru	20.07%
Luanpama Corporation		
Luis Alberto Said Yarur	Domiciled in Peru	25%
Andrés Ignacio Said Yarur	Domiciled in Peru	25%
Pablo Horacio Said Yarur	Domiciled in Peru	25%
María Eugenia Said Yarur	Domiciled in Peru	25%
Jorge Alberto Yarur Rey	4.131.981-K	100%
Juan Carlos Yarur Rey	4.131.982-8	100%
Luis Enrique Yarur Rey	5.196.456-K	100%
María Eugenia Yarur Rey	4.131.983-6	100%
Victoria Inés Yarur Rey	4.131.984-4	100%

*Shareholding of over 15%

Empresas Juan Yarur SpA is the main shareholder of Bci with 68,128,157 shares accounting for 55.14% of the total shares issued.

Considering that Luis Enrique Yarur Rey is the controller of Empresas Juan Yarur SpA, it should therefore be construed that he has the same controlling status of Bci.

Corporate Governance

Board of Directors

The Bci Board shares its mission about the Bank's past, present and future.

"In the next few years, we'll work so Bci continues to make a contribution to our country's development".

Luis Enrique Yarur
Chairman

"For years Bci has been an international benchmark on innovation, comprehensive and sustainable strategic management focused on employees and customers".

Lionel Olavarría
Vice Chairman

"In the last 30 years, the banking sector has helped to finance Chile's development and Bci has been an important part of this process".

José Pablo Arellano
Director

"What I highlight most is the congruence and permanence of the values and principles of shareholders, directors and executives, which have been transferred for generations".

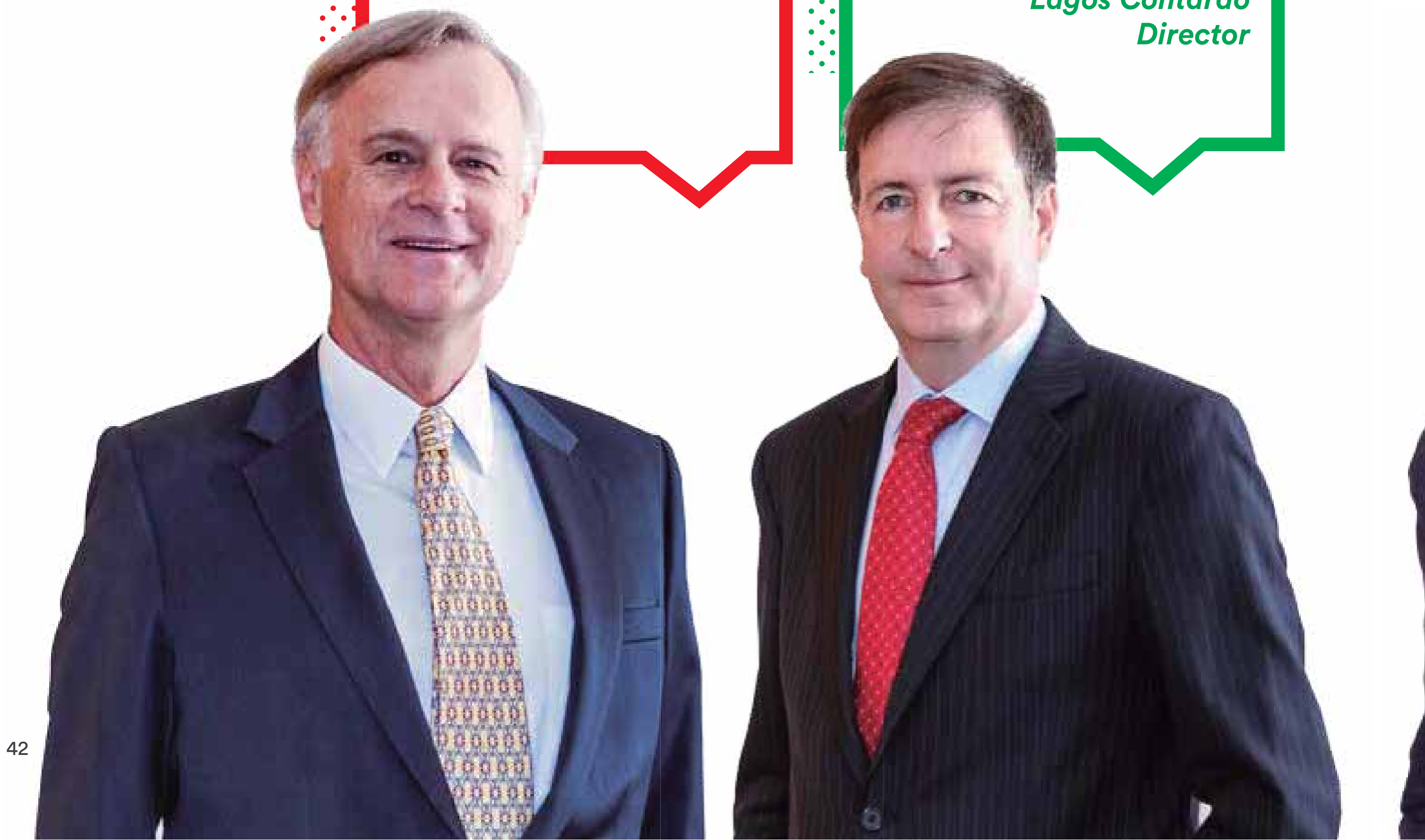
Mario Gómez Dubravcic
Director

"With its fast-track technological transformation, in the next 80 years Bci will be an even better bank for its customers".

Klaus Schmidt-Hebbel Dunker
Independent Director

"It'll be the Bank that with the new generations will help Chile to attain sustainable social and economic development for everybody".

Juan Ignacio Lagos Contardo
Director



“I’m sure that in the next 80 years Bci will carry on supporting the growth of its customers and thereby make a contribution to Chile’s development”.

Dionisio Romero Paoletti
Director

“Bci has been an example in these 80 years of shared value creation, making a contribution to the country’s development and continuous innovation”.

Claudia Manuela Sánchez Muñoz
Director

“Everything we’ve learnt will help us to support our customers even more”.

Máximo Israel López
Independent Director

Bci Director Profile

The Bank's directors are elected by shareholders based on their intellectual, professional and value qualities, and they are also people who have been outstanding in their respective areas of action.

→ Luis Enrique Yarur Rey / *Chairman*

He holds a degree in law from the Universidad de Navarra, Spain, and a master's degree in economics and business administration from Empresas del Instituto de Estudios Superiores de la Empresa (IESE), Spain. He is currently the Chairman of Empresas Juan Yarur SpA, Empresas JY S.A., Empresas Jordan S.A. and Empresas SB S.A.; Vice Chairman of the Asociación de Bancos e Instituciones Financieras A.G., Inversiones Belén S.A. and Empresas Lourdes S.A.; member of the Business Advisory Council of the Centro de Estudios Superiores de la Empresa (ESE) at Universidad de los Andes; advisor to the Centro de Estudios Públicos (Center of Public Studies); and a Director of Banco de Crédito del Perú. Prior to his current position, he was the CEO of Bci for 11 years.

→ Mario Gómez Dubravcic / *Director*

He holds a degree in business administration from the Catholic University of Chile, with postgraduate studies at Universidad de los Andes. He joined Bci in 1981 as an advisor to the head of the finance division and the same year was appointed the chief financial officer. In 1983, he was appointed division head and was responsible for creating subsidiaries and related companies, and in 1998 was the chief commercial officer. He was Chairman of the Board of Fondos Mutuos Bci, Bci Asesoría Financiera, Servipag, Artikos and Transantiago's financial administration. He was a director of Bci Corredora de Bolsa, Depósito Central de Valores (DCV), Bci Factoring, Bci Securitizadora, Bci Seguros Generales, Bci Seguros de Vida, Bci Corredora de Seguros, Bci Administradora General de Fondos, and Financiera Solución Perú. In 1998 he became the commercial manager of corporations and he is currently a director of the Bank, of Empresas JY S.A. and other related companies.

→ Lionel Olavarría Leyton / *Vice Chairman*

He holds a degree in industrial civil engineering from the University of Chile, and a master's degree in economics and business administration from the IESE of the University of Navarra, Spain. He joined Bci in 1981 and became the CEO in 1993 up to March 2015. With over 38 years of experience in the national and international banking sector, he is a director of Sinacofi, and City National Bank of Florida. He was a director of Visa Internacional Latinoamérica, founding chairman of Redbanc S.A., chairman of Transbank S.A., chairman of Servipag S.A., chairman of Artikos Chile S.A., chairman of Bci Factoring S.A., a director of Financiera Solución in Peru, Bancrédito Leasing, AXA-BCI S.A., Bci Corredor de Bolsa S.A., Bci Asesoría Financiera S.A., a director of Bci Seguros Generales S.A. and Bci Seguros Vida S.A., and Empresas Juan Yarur S.A.C., among others. Moreover, he was the chairman of the CEO Committee of the Chilean Association of Banks and Financial Institutions (ABIF) for 15 years.

→Máximo Israel López
Independent Director

He holds a degree in business administration from the Catholic University of Chile. He is a director of Gtd Grupo Teleductos S.A., Telefónica del Sur S.A., CTI S.A. and Fundación Rostros Nuevos. He was the founding partner and president of the board of Atton Hoteles S.A. He was a director of companies like Econssa Chile S.A., Enaex S.A., Abastible S.A., Empresas Lucchetti S.A., VTR S.A., Banco Ripley S.A., Empresa Constructora Delta S.A., Transbank S.A., and Redbanc S.A., among others. At the beginning of his career, he held various executive positions in financial entities, including commercial manager of Banco de Santiago and Banco O`Higgins.

→ José Pablo Arellano Marín / *Director*

He holds a degree in economics from the Catholic University of Chile, and a master's degree and Ph.D in economics from Harvard University. He is a director of companies and senior economist at CIEPLAN and tenured professor at the University of Chile. His curriculum includes being the national budget director at the Treasury 1990 through 1996 and Minister of Education 1996 through 2000. In this last period, he was also president of the National Council of Monuments. He was the CEO of CODELCO in 2006 up to 2010. He has been a consultant for the World Bank, Inter-American Development Bank (IDB), the International Monetary Fund (IMF) and the United Nations. He was also president of Fundación Chile and a director of S.A.C.I. Falabella and Empresas Iansa S.A.

→ Juan Ignacio Lagos Contardo / *Director*

He holds a degree in law and a master's degree in legal and social sciences from the University of Chile. He was a professor of economic law at Universidad de los Andes, founding partner of the law office Yrrazaval, Ruiz-Tagle, Goldenberg, Lagos & Silva Abogados Ltda. He was a director of Bci Corredores de Bolsa S.A. and a director of the subsidiaries of foreign companies in Chile in the financial and industrial areas.

→ Dionisio Romero Paoletti
Director

He is Chairman of Credicorp and Banco de Crédito del Perú - BCP and has been the CEO of Credicorp since 2009. He has been a director of BCP since 2003, and was appointed Vice-Chairman of the Board in 2008 and Chairman in 2009. He is also the Chairman of the Board of Banco de Crédito de Bolivia, El Pacífico Peruano Suiza Cía. de Seguros y Reaseguros S.A., El Pacífico Vida Cía. de Seguros y Reaseguros S.A., Alicorp S.A.A., Palmas del Espino S.A., Agrícola del Chira S.A., among others. He is Vice-Chairman of the Board of Ransa Comercial S.A., Inversiones Centenario S.A.A., and a director of Banco de Crédito e Inversiones – Bci, Cementos Pacasmayo S.A.A. and Sierra Metals Inc., among others. He holds a degree in economics from Brown University, United States, and an MBA from Stanford University, United States.

→ Claudia Manuela Sánchez Muñoz
Director

She holds a degree in business administration from Universidad Adolfo Ibáñez, and was the first chilean woman to get an MBA from Harvard, where she worked as co-president of the IberoAmerican Club. She started her professional career as an analyst at McKinsey & Co. in Buenos Aires, where she worked in strategy, business development productivity projects, mainly in the banking and consumer goods sectors in Argentina, Peru and Chile. While she was doing her MBA, she worked as an associate in the Latin America mergers and acquisitions division of Goldman Sachs & Co. in New York. In 2000, she moved to London, working in numerous projects in Europe, mainly for Amadeus Capital Partners, along with strategic consultancy through Deloitte Strategy, among others. She is part of the advisory council of the Association of MBAs (AMBA) and the Association to Advance Collegiate Schools of Business (AACSB). She is currently a director of Bci and of the Board corporate governance center.

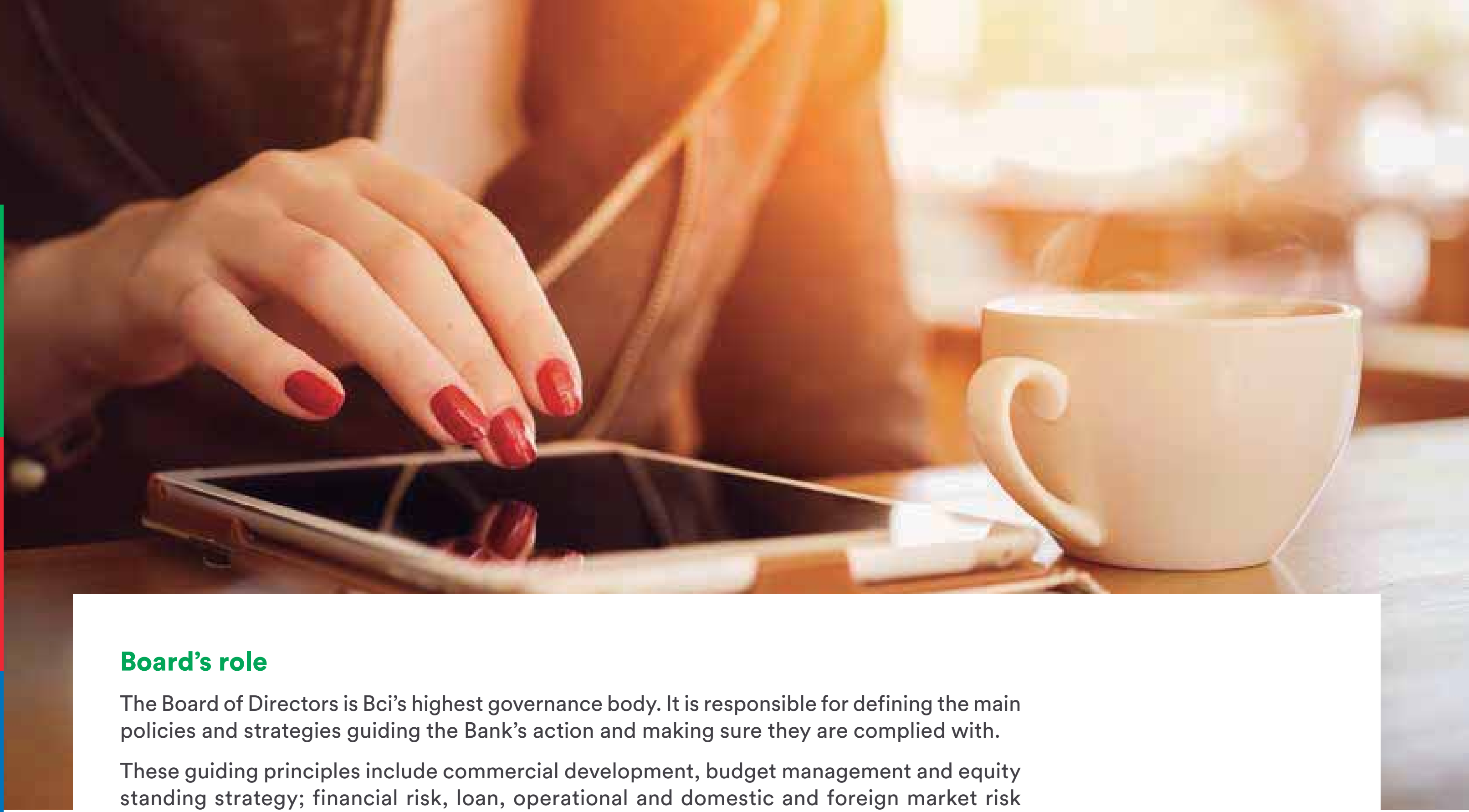
→Klaus Schmidt-Hebbel Dunker
Independent Director

He holds a Ph.D. in economics from the Massachusetts Institute of Technology (MIT), a degree in business administration and a master's degree in economics from the Pontifical Catholic University (PCU) of Chile. He is a full professor at the PCU of Chile. He is a consultant, advisor and director of national and international corporations, associations and organizations. He is a columnist and conference speaker. He was the chief economist of the OECD. Before that, he was the economic research manager of the Chilean Central Bank and senior economist of the World Bank. He was president of Chile's Sovereign Fund Financial Advisory Committee, president of Chile's Fiscal Advisory Council, CEO of the Res Pública Chile Group, president of Sociedad de Economía de Chile and president of Club Monetario.

→ Francisco Rosende Ramírez †

He holds a degree in business administration from the University of Chile, and an MA in economics from the University of Chicago, United States. He was the studies manager of the Chilean Central Bank and member of the Free Competition Tribunal. He is the author of various books and numerous publications in economic magazines. He was a director of the Bank 2010 through 2016 when he died at the age of 60.

*"I'd like to highlight the valuable contribution of our former director Mr. Francisco Rosende Ramírez, distinguished economist and top academic, but also a man with many personal virtues. He was with us March 2010 through August 2016, when he unfortunately passed away at the age of 60. Francisco was driven by issues of national interest and those inherent to Bci. We are most honored to have had his collaboration during that time", **Luis Enrique Yarur.***



Board's role

The Board of Directors is Bci's highest governance body. It is responsible for defining the main policies and strategies guiding the Bank's action and making sure they are complied with.

These guiding principles include commercial development, budget management and equity standing strategy; financial risk, loan, operational and domestic and foreign market risk management; portfolio diversification; profitability, allowance coverage, service quality and customer service; and the policies establishing the work conditions of the Bank's employees.

To perform this work, each month the Board receives a complete report on the Bank's management and results. Moreover, each of the managements that report to the CEO of the Bank and its subsidiaries gives presentations from time to time. Among other matters, the Board is informed of issues analyzed and approved by the different Committees of which Bci directors are members.

Board members are elected by an Ordinary Shareholders' Meeting and remain in office for three years. An Ordinary Shareholders' Meeting held on March 22, 2016 elected the following Board members: Luis Enrique Yarur Rey, Lionel Olavarría Leyton, Mario Gómez Dubravcic, Francisco Rosende Ramírez, José Pablo Arellano Marín, Juan Ignacio Lagos Contardo, Dionisio Romero Paoletti, Máximo Israel López and Claudia Manuela Sánchez Muñoz, who replaced Juan Manuel Casanueva Prendez, who was a director for over 15 years. In November 2016, Klaus Schmidt-Hebbel Dunker joined the Board to replace Francisco Rosende Ramírez, who regrettably died in August 2016.

Name	Position	Date elected
Luis Enrique Yarur Rey	Chairman	October 21, 1991
Lionel Olavarría Leyton	Vice Chairman	March 17, 2015
José Pablo Arellano Marín	Director	March 16, 2011
Mario Gómez Dubravcic	Director	May 24, 2011
Máximo Israel López *	Director	April 2, 2013
Juan Ignacio Lagos Contardo	Director	April 2, 2013
Dionisio Romero Paoletti	Director	March 30, 2010
Claudia Manuela Sánchez Muñoz	Director	March 22, 2016
Klaus Schmidt-Hebbel Dunker *	Director	November 22, 2016

*They are independent directors pursuant to article 50 bis of Law N°18.046 on Corporations.

Board operation

As laid down in the Bank's by-laws available at www.bci.cl, the Board of Directors convenes monthly in ordinary meetings to analyze and decide on the main issues of its competence. It also holds special meetings to review and analyze Bci's management reports and results.

In such meetings it also receives periodic information on matters analyzed and approved by the different Bank Committees, and regarding the results, activities, focus and business of the different managements.

The Board also holds extraordinary meetings when management of the Bank's business or activities so requires. It convened five times of this nature in 2016.

Pursuant to what is set forth in the Law on Corporations and the corporate by-laws, Board meetings are constituted by the absolute majority of its members and agreements are reached in accordance with the absolute majority of the directors attending the meeting. This is except for those cases in which the law or the by-laws require a quorum or special majorities.

Board meeting attendance for the year ended December 31, 2016

Name	Ordinary meetings 12 meetings	Extraordinary meetings 5 meetings
Luis Enrique Yarur Rey	**11**	**5**
Lionel Olavarría Leyton	**12**	**4**
José Pablo Arellano Marín	**12**	**5**
Mario Gómez Dubravcic	**10**	**4**
Máximo Israel López	**12**	**4**
Juan Ignacio Lagos Contardo	**12**	**5**
Dionisio Romero Paoletti	**8**	**1**
Claudia Manuela Sánchez Muñoz*	**9**	**1**
Klaus Schmidt-Hebbel Dunker**	**2**	**0**

* She joined the Board on March 22.
** He joined the Board on November 22.

Board committees

Different Committees comprising a variable number of directors operate under Bci's Board.

The functions and activities of each of these Committees are determined by the Board based on the Bank's needs to comply with regulatory requirements.

At the end of 2016, the following Committees comprising directors operated:

The issues addressed in each of these Committees and the decisions made, with the exception of those analyzed by the Ethics Committee, are reported to the Board for its knowledge and ratification.

For further details about the functions, faculties and composition of each of these Committees, please refer to Bci's Corporate Governance Manual, which is available in the Integrated Annual Report 2015.

Issues addressed by each Board Committee

Executive Committee **81**
Meetings held in the year

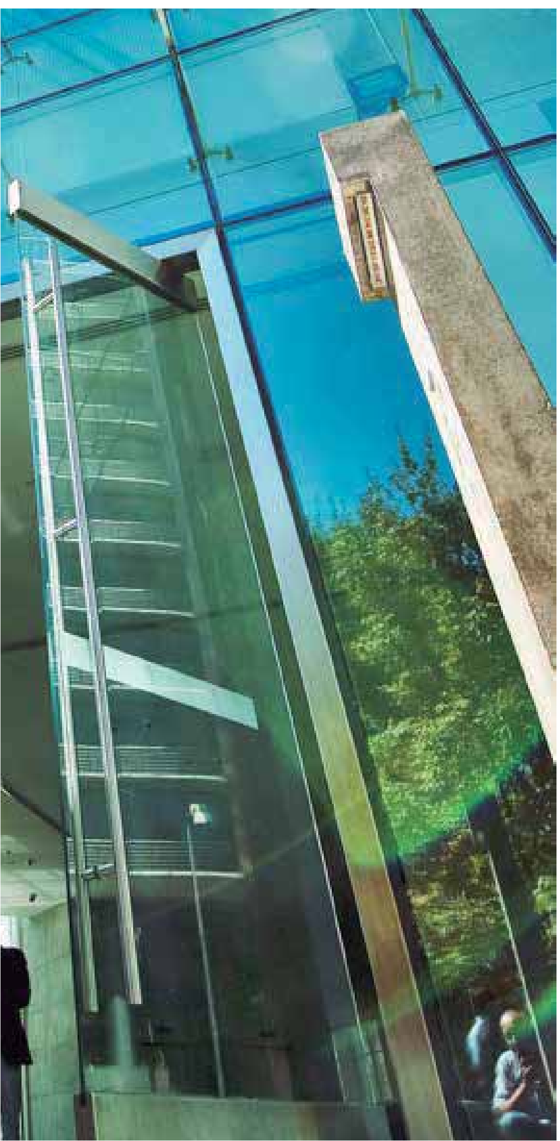
- It examined pertinent financial and loan operations.
- It reviewed necessary action to implement regulatory, legal and administrative changes.
- It analyzed the status and evolution of Chile's economic sectors, and established the loan and financial exposure limits for each of them.
- It examined the letters sent by the Superintendency of Banks and Financial Institutions (SBIF) after the annual visit and the action to comply with the remarks.
- It approved the annual branch plan and the opening, moving and closure of offices.
- It analyzed and preliminarily approved the monthly balance sheet results.
- It vested general and special powers of attorney.
- It approved credit write-offs and non-banking assets and determined the resources to be allocated to allowances and write-offs.
- It reviewed issues, analyzed beforehand by the Directors' Committee, and among these approved transactions with related parties.
- It approved the purchase and sale of real estate.
- It authorized specific donations.
- It analyzed and approved the international financing plan.
- It authorized the issuance of standard, subordinated and international bonds.
- It was informed of and analyzed the reports from the special accounts management on the financial and payment status of customers, natural people and corporations.
- It approved general policies and modifications related to credit, market and operational risks and set limits for these issues.
- It approved risk models.
- It approved the programs to transfer goods received or awarded in payment in 2016.
- It set country risk exposure limits after analysis of the risk rating and other variables affecting external financing.
- It analyzed the status of economic sectors, and of the Bank's corporate customers.
- It reviewed the portfolio diversification reports.
- It acknowledged the scope and impact of the Dodd-Frank Wall Street Reform and Consumer Act (DFA).
- It analyzed the risk rating of countries likely to receive Bci financing.
- It reviewed the results of the risk rating processes in 2016.

Executive Committee meeting attendance in 2016	Nº
Luis Enrique Yarur Rey	64
Lionel Olavarría Leyton	43
Juan Manuel Casanova Préndez[1]	9
José Pablo Arellano	59
Francisco Rosende Ramírez[2]	16
Mario Gómez Dubravcic	70
Máximo Israel López	62
Juan Ignacio Lagos Contardo	59
Dionisio Romero Paoletti	0
Claudia Manuela Sánchez Muñoz[3]	42
Klaus Schmidt-Hebbel Dunker[4]	6

[1] Up to January 29, 2016
[2] Up to August 28, 2016, when Mr. Rosende passed away
[3] Claudia Manuela Sánchez Muñoz joined the Executive Committee as of March 22, 2016
[4] Klaus Schmidt-Hebbel Dunker joined the Executive Committee as of November 22, 2016

Corporate Risk & Finance Committee meeting attendance in 2016	Nº
Luis Enrique Yarur Rey	10
Lionel Olavarría Leyton	9
Mario Gómez Dubravcic	10
Francisco Rosende Ramírez[5]	5
Juan Ignacio Lagos Contardo	10
Klaus Schmidt-Hebbel Dunker[6]	1

[5] Up to August 28, 2016.
[6] He joined the Risk and Finance Committee as of November 22, 2016.



Corporate Risk & Finance Committee 11
Meetings held in the year

In the financial area:

→ It reviewed the commercial exposure and market risks of the money market desks.

→ It was briefed and controlled the strategies of the Assets & Liabilities Committee (ALCO) based on market variables.

→ It reviewed the asset and liability structure of the balance sheet.

→ It analyzed the short- and long-term funding strategy, currency and term gap.

→ It obtained market information and forecasts (inflation, rates and currencies).

→ It reviewed the strategy for interest rates, inflation and currencies, and current trading positions.

→ It revised the portfolio strategy and current position of domestic and foreign investments; the capital budget and Basel capital forecasts.

→ It followed up on the Basel ratios, according to the different models to be put in place.

In the risk area, regarding the Bank, and its national and international subsidiaries and branches abroad, including a consolidated country-by-country analysis, accordingly:

→ It analyzed the evolution of the risk tolerance indicators defined for the Bank and its subsidiaries.

→ It assessed the evolution of the main management indexes for loan, financial, operational and compliance risks.

→ It reviewed the portfolio status, like for example by economic sector, geographical sector, concentrations or another transversal view deemed advisable, along with the status of some segments or groups of specific customers, like main debtors, main impairment, etc.

→ It was briefed on the performance of the regulatory risk models.

→ It reviewed the performance of allowances and write-offs, based on profitability and risk, by product and banking area, and compared it to the competition.

→ It checked compliance with the internal policies and limits and the main variations of financial and loan, compliance and operational risk, and their alignment to the policies defined by the parent company.

→ It assessed the results of the capital and liquidity stress tests, among others, and compliance with the regulatory capital ratios, along with action that can arise from these results.

→ It verified and reviewed compliance with the liquidity policies and levels.

→ It checked and revised compliance with the compliance programs, including anti-money laundering and Bank Secrecy Act (AML/BSA) issues, and financial compliance.

Directors' Committee 28
Meetings held in the year

- It analyzed the annual report issued in January 2016 by the independent auditors, with recommendations to improve the administrative and accounting procedures.
- It examined and proposed to the Board the independent auditors and risk rating agencies, which were submitted to the consideration of the Ordinary Shareholders' Meeting.
- It thoroughly analyzed the 2016 audit plan for the Bank and subsidiaries, with the participation of representatives of the independent auditors.
- It analyzed the internal control report and the audited individual and consolidated financial statements, with the attendance of representatives of the independent auditors.
- It reviewed and approved the annual management report sent to the Bank's Chairman and to be presented in the Ordinary Shareholders' Meeting.
- It analyzed and approved the activities undertaken by the compliance and prevention management.
- It examined and approved the modifications to the Audit Manual.
- It analyzed and approved the annual operation plans of the Controller's Office for 2016 and was kept regularly informed of progress in the year.
- It regularly received and analyzed the Controller's Office reports, particularly those related to risk management concerning the Bank, its subsidiaries and the Miami branch.
- It analyzed operations with related parties, which were submitted for the approval of the Board and/or Executive Committee, to be undertaken in market conditions.
- With the participation of representatives of Fitch Ratings and Feller Rate, it was briefed on how risk ratings are conducted according to international and local rating scales.
- It appraised the legal risks based on the information provided by the Bank's corporate counsel.
- It was briefed on and approved the results of the performance self-evaluation process in 2016.
- It reviewed the hiring conditions of related companies that are usual suppliers of the Bank.
- It thoroughly analyzed the compensation policies, particularly for senior management.
- It appraised the results of the mortgage loan insurance tender, in accordance with the related regulation.
- It reviewed the reply proposal to the letter sent by the SBIF, which contains the remarks about Bci in its annual review.
- Regarding operating risk, it was briefed on the policies, plans and management of technological risk and information security, business continuity, fraud prevention and regulatory risk.

Director's Committee meeting attendance in 2016	Nº
Máximo Israel López	26
Juan Ignacio Lagos Contardo	27
Francisco Rosende Ramírez[7]	16
José Pablo Arellano Marín[8]	6
Klaus Schmidt-Hebbel Dunker[9]	2

[7] Up to August 28, 2016 when Mr. Rosende passed away.
[8] Mr. José Pablo Arellano Marín was appointed to replace Mr. Rosende and performed such work up to November 22, 2016.
[9] Klaus Schmidt-Hebbel Dunker joined the Directors' Committee as an incumbent member on November 22, 2016 to fill the vacancy left by Mr. Rosende.

Compensation Committee 2
Meetings held in the year

- It analyzed and approved the 2016 compensation strategy.
- It assessed the progress with and achievements of specific objectives in 2016.

Compensation Committee meeting attendance in 2016	Nº
Luis Enrique Yarur Rey	2
Lionel Olavarría Leyton	1
Mario Gómez Dubravcic	2
Máximo Israel López	2
Claudia Manuela Sánchez Muñoz[10]	1

[10] As of March 22, 2016.

Sustainability and CSR Committee

Meetings held in the year: **4**

→ It analyzed and reviewed the strategy, sustainability model and related plans for 2016.

→ It analyzed the management of donations and social contributions.

→ It analyzed progress with the various sustainability programs for customers, employees, suppliers, the environment and community commitment.

→ It reviewed the content of the Integrated Annual Report 2015.

→ It analyzed the results of the Business Monitor of Corporate Reputation (MERCO) and PROhumana surveys based on the national corporate sustainability ranking.

Sustainability and CSR Committee meeting attendance in 2016	Nº
Luis Enrique Yarur Rey	3
Lionel Olavarría Leyton	2
Mario Gómez Dubravcic	4
José Pablo Arellano Marín	3
Juan Ignacio Lagos Contardo	4

Innovation and Technology Committee

Meetings held in the year: **4**

→ It reviewed the strategy and technology architecture, and the Bank's master technology plan proposed by general management.

→ It reviewed the strategy and technology security plan.

→ It reviewed the ecosystem and innovation plan proposed by general management.

→ It analyzed and approved the annual investment plan for operations and short- and medium-term technology.

→ It approved the technology investment, above the faculty of general management, in accordance with the company's business vision and technology architecture.

Innovation and Technology Committee meeting attendance in 2016	Nº
Luis Enrique Yarur Rey	4
Lionel Olavarría Leyton	4
Mario Gómez Dubravcic	3
Máximo Israel López	4
Claudia Manuela Sánchez Muñoz [11]	2

[11] As of March 22, 2016.

Ethics Committee

Meetings held in the year: **3**

→ It interpreted the Code of Ethics to define the correct sense, scope and application of its various provisions.

→ It resolved whether the various facts or conduct reported to it, or which it learned of officially, constituted breaches of the Code's provisions.

→ It maintained the due confidentiality of the information and identity of people who reported acts to the Committee that breached or might breach the Code.

→ It authorized the acts of employees for those activities, operations or investments which, in accordance with the Code of Ethics, the Committee must be consulted on.

→ It validated the content of and analyzed the progress with the Ethics Culture Plan undertaken in 2016.

Composition of the Ethics Committee:	
Incumbent Members	
Three Bank directors with a right to speak and vote	Luis Enrique Yarur Rey
	José Pablo Arellano Marín
	Máximo Israel López
Permanent Assistants	
Three managers with a right to speak	Eugenio Von Chrismar Carvajal
	Pablo Jullian Gronhert
	Pedro Balla Friedmann
Juan Yarur Lolas & Jorge Yarur Banna Awards	
They are entitled to speak for one year until the next award ceremony	**Juan Yarur Lolas Award 2016**
	Pamela Campos Méndez
	Jorge Yarur Banna Award 2016
	Pedro Balla Friedmann
Executive Secretary	
	Carlos Andonaegui Elton

Participation of Directors in Management Bodies of the controlling company, Bci Subsidiaries and other companies.

Director	Position	Company
Luis Enrique Yarur Rey	Chairman	Empresas Juan Yarur SpA
	Director	Bci Seguros de Vida S.A.
	Director	Bci Seguros Generales S.A.
Lionel Olavarría Leyton	Director	City National Bank of Florida
Eugenio Von Chrismar Carvajal	Chairman	Bci Factoring S.A
	Chairman	Bci Securitizadora S.A
	Chairman	Bci Asesoría Financiera S.A
	Director	City National Bank of Florida
	Director	Empresas Juan Yarur SpA

Positions held by Board members in the management of other companies other than the controlling company of the Bank and Bci subsidiaries.

Director	Position	Company
Luis Enrique Yarur Rey	Chairman	Empresas JY S.A.
	Chairman	Empresas Jordan S.A.
	Chairman	Empresas SB S.A.
	Vice Chairman	Inversiones Belén S.A.
	Vice Chairman	Empresas Lourdes S.A.
	Director	Banco de Crédito del Perú
	Director	Credicorp
Lionel Olavarría Leyton	Director	Sistema Nacional de Comunicaciones Financieras S.A. (Sinacofi S.A)
	Director	Servicios de Información Avanzada Comercial y Financiera S.A. (Sinacofi Buró de Crédito)
José Pablo Arellano Marín	Director	Plaza S.A.
Mario Gómez Dubravcic	Director	Sociedad de Recaudación y Pago de Servicios Limitada (SERVIPAG)
	Director	Artikos Chile S.A.
	Director	Administrador Financiero del Transantiago S.A.
	Director	Inmobiliaria SB S.A.
	Director	Glaciar SpA
	Director	Depósito Central de Valores
	Director	Empresas JY S.A.
	Director	Matikard S.A.
Máximo Israel López	Director	Fundación Rostros Nuevos
	Director	CTI S.A.
	Director	Telefónica del Sur S.A.
	Director	GTD Grupo Teleductos S.A.
Dionisio Romero Paoletti	Chairman	Banco de Crédito del Perú
	Chairman	Credicorp
	Chairman	Banco de Crédito de Bolivia S.A.
	Chairman	El Pacífico Peruano Suiza Compañía de Seguros y Reaseguros
	Chairman	El Pacífico Vida Compañía de Seguros y Reaseguros
	Chairman	Ransa Comercial S.A.
	Chairman	Palmas del Espino S.A.
	Chairman	Agrícola del Chira S.A.
	Chairman	Alicorp S.A.A.
	Vice Chairman	Inversiones Centenario S.A.A.
	Director	Sierra Metals Inc.
	Director	Cementos Pacasmayo S.A.A.


Bci

Board remuneration

As approved by shareholders in an Ordinary Shareholders' Meeting held on March 22, 2016, as of that date and up to the date of the next ordinary shareholders' meeting the remuneration structure effective for directors considers the following three factors:

Fixed monthly remuneration

150 monthly tax units (UTM) monthly for each member of the Board except the Chairman, who shall receive a fixed remuneration of 850 UTM, according to his functions and complying with the special mandate the Board has vested in him.

Attendance remuneration

5 UTM for director attendance of each Board meeting or Committee.

Variable remuneration

0.3% of the net profit, considering the average profits in 2014, 2015 and 2016. The profit share will be divided by 10 with two tenths going to the Chairman of the Board as Chairman of the Bank and complying with the mandate vested in him by the Board, and one tenth to the other directors.

Fees for special, permanent or transitory services provided by directors should be added to these remunerations.

The total remunerations paid to directors in 2016, considering fixed and variable amounts, amounted to Ch$2,623,549,354.

Board's self-evaluation process

For 12 years and as part of corporate governance good practice and what is established in SBIF Circular Letter N°3.558, each year the Board undertakes a self-evaluation process based on various aspects related to its operation as the Bank's highest governance body, like the degree of information directors have for meetings, the depth with which issues on the agenda are dealt, how the Board's priorities and concerns are reflected in management's action and the directors' commitment to the Bank's management.

The issues evaluated concern Board meetings (formalities and duration of meetings, anticipation, and how directors receive information, time allocated to address different matters, etc.); aspects on corporate governance (institutional principles and values, corporate governance practice, etc.); review and follow-up on the management of issues like strategic planning, major competition, financial, operating, legal and reputational risks, domestic and international market status; offense and asset laundering prevention; the Board's relationship with the Bank's senior management, among other matters.

After analyzing the results of the answers given by directors, the Board agreed to enhance the information delivery format and time; the analysis of medium- and long-term strategic planning; and to analyze trends, rules of law and regulations that might impact the business.

Policy on operations with related parties

A Directors' Committee meeting held on March 5, 2015, agreed to enhance the policy on operations with related parties. Operations with related parties shall be construed as those established in Title XVI of the Law on Corporations[2].

As of the date mentioned, the system applied by Bci for this is as follows:

→ All operations with related people undertaken by the Bank, irrespective of the amount, will require approval from the Directors' Committee or Board, accordingly.

→ The Directors' Committee shall approve all the operations that the Bank undertakes with related people, whatever the amount and approval level.

→ Those operations with related parties of over UF20,000 shall be approved by the Board, after review by the Directors' Committee.

Particular rules applicable to related suppliers

Related suppliers shall be considered those that meet any of the conditions of article 147 of the Law on Corporations, and all those related to Bci's employees having a position of assistant managers or managers, along with directors, forming groups with all the people and companies acting as such and that are related to the same Bci employee or director.

Those cases in which in a 12-month consecutive period the total amount of the different operations with the same supplier exceeds UF20,000, even if that condition arises by forming groups, will require Board approval.

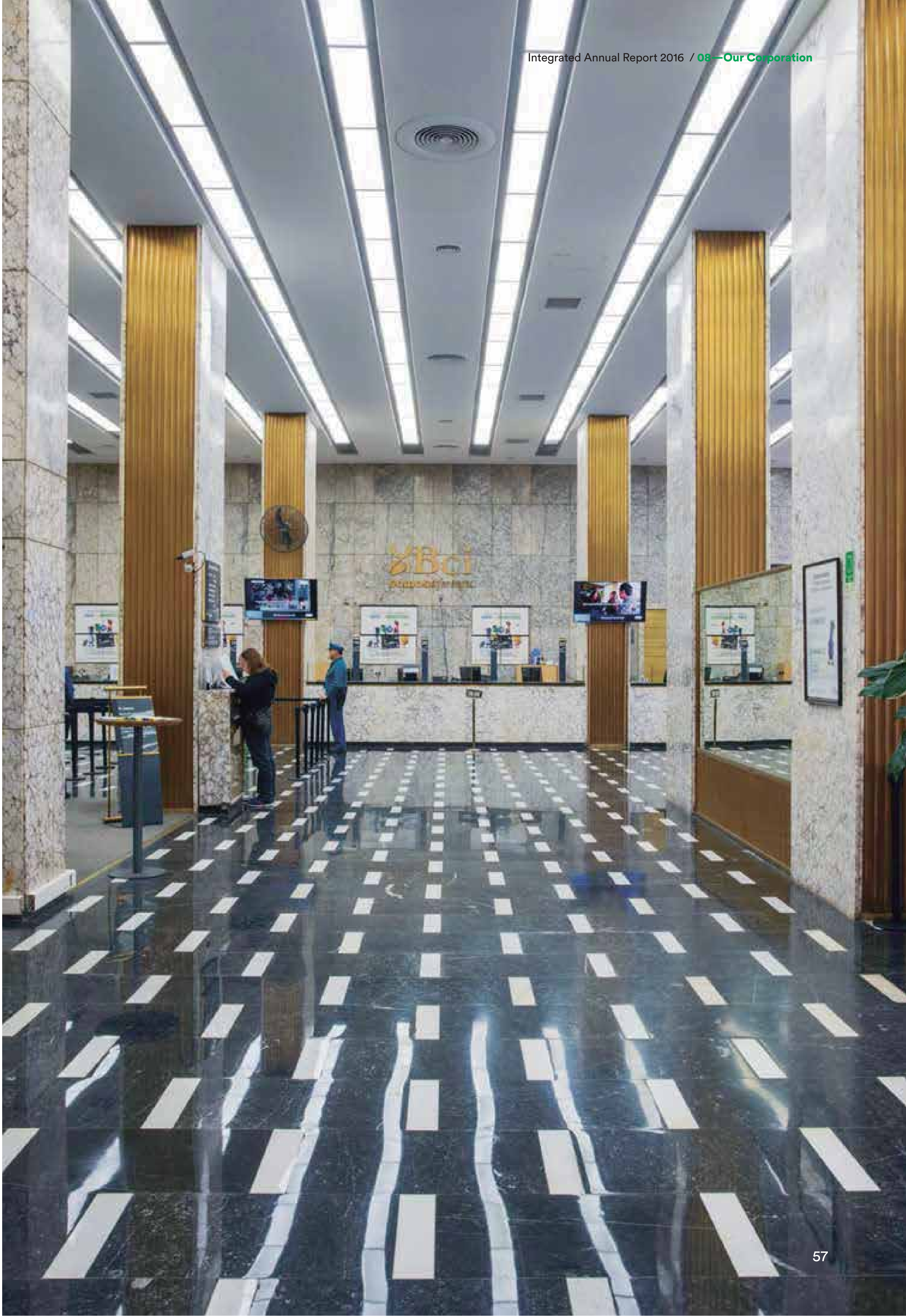
Each presentation that the procurement management makes to the Directors' Committee or Board, as applicable, shall accurately give the nature of the services hired; the amount paid for such contract; the term and form of payment; the contract duration, and the grounds for awarding the respective contact to such supplier in the case of a tender, and if it is a direct deal the reasons for having proceeded as such and for having awarded the contract to such supplier.

Each year the procurement management shall inform the Directors' Committee of the complete status of the portfolio of operations with related suppliers.

The list of operations with related suppliers shall be reported to the accounting management for the pertinent purposes.

[1]ART. 146. Operations with related parties of a corporation are any negotiation, act, contract or operation in which the company must intervene, along with any of the following people:
• One or more people related to the company, pursuant to article 100 of Law N°18.045;
• A director, manager, administrator, senior officer or liquidator of the company for themselves or on behalf of people outside the company, or their spouses or relatives up to the second degree by blood or including affinity;
• Companies or firms in which the people indicated in the previous bullet are the owners, directly or through other natural people or companies, of 10% or more of their capital, or directors, managers, administrators, senior officers;
• Those companies who establish the company's by-laws, or with grounds identify the Directors' Committee, accordingly, even though they are those indicated in the final sub-paragraph of article 147, and
• Those companies in which they acted as director, manger, administrator, senior officer or liquidator, a director, manger, administrator, senior officer or liquidator of the company in the last 18 months.

List of related suppliers at the close of 2016		
Nº	Company name	Line of business
1	REDBANC S.A.	ATM data transmission
2	NEXUS S.A.	Bank card processing
3	Depósito Central de Valores (DCV)	Electronic securities registry
4	DCV Registros S.A.	Bank processing
5	Transbank S.A.	Bank card processing
6	Centro de Compensación Automatizado S.A. (CCA)	Electronic transfers
7	Combanc S.A.	Online payment processing
8	Servipag S.A.	Bank clearing
9	Artikos S.A.	Tender and procurement services
10	Comder Contraparte Central S.A.	Bank processing
11	Bci Compañía de seguros de Vida	Life insurance
12	Bci Compañía de seguros Generales	General insurance
13	Bolsa de Comercio de Santiago	Link rental
14	Sinacofi Buro	Specialized data
15	Sinacofi S.A.	Specialized data
16	Bolsa Electrónica de Chile Bolsa de Valores	Stock market activity software
17	Archivert S.A.	Bank card plastics
18	Empresas Jordan S.A.	Check and banker's check generation
19	Salcobrand S.A.	ATM space rental
20	Viña Morandé S.A.	Vineyard
21	Galería de Arte Patricia Ready Limitada	Institutional marketing
22	Corporación Cultural ARTE +	Advertising signs
23	Automotora Aventura Motors S.A.	Vehicle maintenance
24	Inmobiliaria ANYA S.A.	Real estate projects
25	Imagemaker IT S.A.	Information security
26	Imagemaker S.A.	Digital products
27	Diseño y Desarrollo Computacional Ltda.	Email platform
28	Conexxion SpA	Messaging
29	Digitach Solutions S.A.	Document digitalization
30	Mario Gómez	Advisory and consultancy services
31	Universidad Adolfo Ibáñez	Advisory services
32	GTD Teleductos S.A.	Data link rental
33	Manquehue Net S.A.	Data link rental
34	Telesal Compañía de teléfonos S.A.	Data link rental
35	Comunicaciones Capítulo LTDA.	Data link rental
36	Cía. Nacional de Teléfonos Telefónica del Sur S.A.	Data link rental
37	Cía. de Teléfonos de Coyhaique S.A.	Data link rental
38	Yrrázazval, Ruiz Tagle, Goldenberg	Legal advice
39	Inversiones Centinela	Financial advice
40	Sumo Arquitectura Diseño LTDA.	Architectural design
41	Oliver Wiman	Advisory services
42	PB Soluciones Limitada	Self-service equipment installation
43	MOVINRORD Chile	Furniture
44	IBM Chile S.A.	Computer equipment and solutions
45	OPENPREVIA	Production of events
46	Santo Producciones LTDA.	Production of events
47	Casa de la Paz	Advisory services
48	TU VES S.A.	Advertising signs
49	EMC Chile S.A.	Computer solutions
50	MAS Consultores	Training
51	Instituto de Estudios Bancarios Guillermo Subercaseaux	Training
52	Inversiones TRIPAN S.A.	Warehouses
53	Let's Talk Spa	Electronic messaging
54	Mabel Ilabaca Albornoz	Operational continuity advisory services
55	Engage S.A.	Internal marketing consultancy
56	Consultora Lastra S.A.	Advisory services
57	Cumplimiento y Asesorías Regulatorias Julián Bastías E.I.R.L	Advisory services
58	Carlos Spoerer Urrutia	Advisory services
59	Inversiones MRLW	Advisory services
60	Vigamil S.A.C.E.I	Envelope making



The Organization

Bci is a financial corporation that undertakes its business in accordance with what is established in the General Banking Law. Its headquarters are in Santiago in Chile and its total headcount is 10,473 employees.

Bci develops a product and service offering aimed at meeting the financial needs of people and companies. It channels these services through 365 contact points in Chile and a wide network of remote service platforms, including websites, ATMs, mobile applications and a call center.

It is present worldwide in countries like Brazil, China, Spain, Mexico, Peru, Colombia and the United States. In the latter country it operates through the Bci Miami branch, Bci Securities and City National Bank of Florida, which it acquired in 2015.

In 2016, it carried out an organizational restructuring process that establishes the bases to meet the needs of society today and in the future, focused on the digital transformation the world is now undergoing. The aim of this organizational change is to honor Bci's promise of "being regional leaders of innovation, customer closeness and experience, and be renowned as the best place to work and develop."

This new structure is reflected in three pillars that now underpin execution: the business structure that involves segments, products and channels; digital capacities; and function activators. These clearly established pillars provide an environment of collaboration, eliminating silos, and driving speed and innovation with a customer focus.

CEO profile

Eugenio von Chrismar Carvajal holds a degree in civil engineering from Universidad de Santiago in Chile, majoring in business management at Harvard and the London Business School. He has a vast track record in the national and international financial sector, particularly in investment and corporate banking, where he stood out for leading the development of new business strategies.

His experience includes 15 years working in the Mexican financial market as part of the international staff in charge of investment banking and trading in Latin America of CitiCorp, and then of Bank of America.

He joined Bci in 1999 as the CFO to then run the development of the internationalization strategy by opening the first branch of the Bank in Miami and the representative offices abroad.

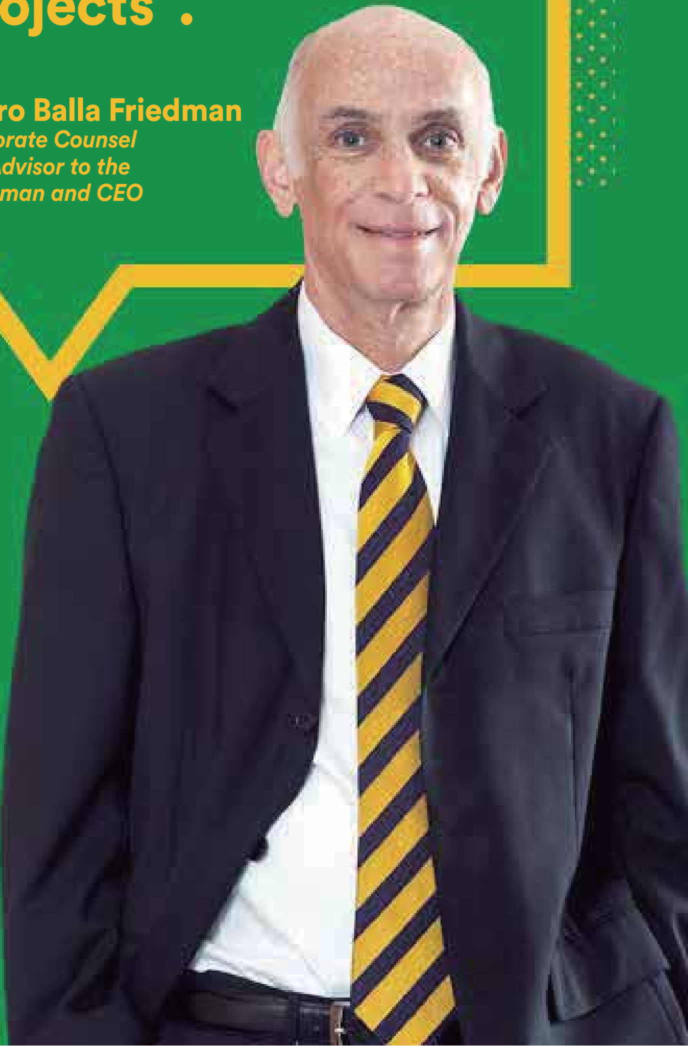
He then developed Bci Securitizadora and led Bci Corredor de Bolsa, Bci Asset Management and Bci Asesoría Financiera, which were then consolidated into the Bci Corporate & Investment Banking division, enabling customers to have comprehensive and coordinated access to all the Bank's products and services.

He became the Bci CEO in March 2015.

“I highlight the constant growth of the company throughout its history, providing development opportunities to its thousands of employees, and to all those who have trusted Bci for personal and family prosperity and to undertake their projects”.

—

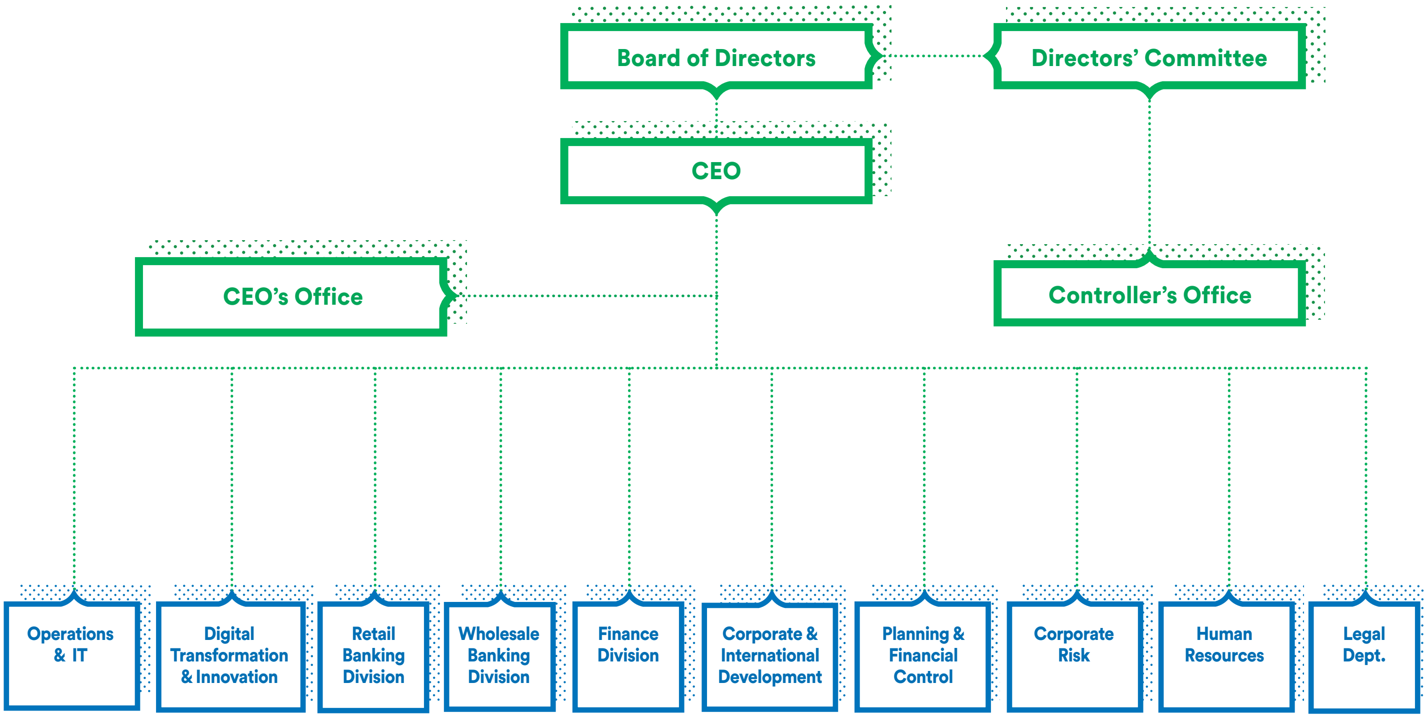
Pedro Balla Friedman
Corporate Counsel and Advisor to the Chairman and CEO



Ch$340,165 million

was Bci's net income in 2016, making it the third bank with the highest profits in the banking sector.

Bci organization chart



(*) The Controller's Office reports directly to and depends on the Directors' Committee.

Management committees

They are executive management bodies that analyze the operation of the business and set action plans to assure the achievement of corporate objectives.

One of their responsibilities is to generate the information needed for analysis by the Board and the different Directors' Committees.

At the close of 2016, the following management committees were operating at Bci:

- Steering Committee
- Assets and Liabilities Committee
- Delinquency Committee
- Strategic Planning Committee
- Operating Risk Committee
- Information Security and Technology Risk Committee
- New Product Committee
- Asset Laundering Prevention Committee
- Commercial Banking and CIB Standardization Committees
- Information Technology Steering Committee (CDI)
- Corporate Loan Committee
- Transparency Council

Senior management

Bci has taken special care so its results are attained always putting people at the heart of everything.

"In the next 80 years I can see the same principles that have molded the Bank and its employees but in line with a new world developing in the digital era".

—

Gerardo Spoerer Hurtado
VP Wholesale Banking

"At Bci we have been working daily for 80 years to fulfil the dreams of our customers, giving them the best products and closeness that has made us a different bank".

—

Rodrigo Corces Barja
VP Retail Banking

"In a competitive environment, we're an admired and respected company, not only for our growth and results but also the consistency and coherency of our principles and values over time".

—

Diego Yarur Arrasate
VP Corporate Development and International Division

“The consistency of Bci’s action over time, maintaining a clear awareness of its role in our society, a unique internal culture based on permanent principles and values. Lastly, consistency with leading the changes our country and the banking sector have undergone with an outstanding culture of innovation and capacity of internal change”.

—

Javier Moraga Klenner
VP Financial Division

“Having completed 80 years with excellent results challenges us to start the next 80 years maintaining our values, commitment and permanent contribution to society”.

—

Ximena Kutscher Taiba
VP Controller’s Officer

"People at Bci are not just a number but the heart of its activities. I hope that in the next 80 years, irrespective of its size or the places where it makes the dreams of its customers come true, people are still always the key to our action".

—

Antonio Le Feuvre Vergara
VP Corporate Risk

"I think Bci's greatest contribution has been excelling over all these years, honoring its principles and values, always anticipating major changes in society to make the dreams of our customers come true".

—

José Luis Ibaibarriaga Martínez
VP Planning and Financial Control

"We're very proud that due to the commitment and collaborative work of the whole Bci team, we're now the best company to work for in Chile with over 10,000 employees".

—

Pablo Julian Grohnert
VP Human Resources

"Bci will be the most loved and preferred bank based on a culture of continuous innovation and collaborative work".

—

Patricio Subiabre Montero
VP Operations and IT

"I feel proud of belonging to a company that has honored the values of its founders and made a large contribution not only to its shareholders but also its employees and their families".

—

Ignacio Yarur Arrasate
VP Digital Transformation and Innovation

"Bci has loyally helped many people and businessmen in Chile to fulfill their dreams, who every day make a contribution to the growth and employment of many families".

—

Fernando Carmash
Corporate Counsel


Sincronizar
Ayuda
Su
BciPass
12328283
Restan 54 segs
Bci móvil

Our business

The objective of the digital transformation plan launched by Bci in 2015 is to make Bci the most loved and preferred bank by 2020 and aims to give it competitive advantages to provide customers unique and highly innovative products with the possibility of self-service from any channel.

In this context, in 2016 the Bank redesigned some aspects of its business and organizational structure to have a much more dynamic and efficient internal order, which is key to generating the strategic skills that Bci is seeking to develop.

It therefore cut the number of banking divisions from five to three, i.e., Retail Banking, Wholesale Banking and the Finance Division. With this change, it aims to enhance the customer focus by driving the function of segments, getting greater synergy capture in the functions and increasing decision-making and execution speed.

Retail Banking

It serves people and SME's.

Wholesale Banking

It serves companies, large companies and the real estate, corporate and private banking areas.

Finance Division

It has responsibility in the financial areas.

The Bank also created two first reporting areas, in charge of driving Bci's two new strategic priorities:

Innovation & digital transformation

It will have the skills to support all the businesses and corporate areas on issues like innovation, data inteligence and digital marketing.

Corporate & international development

It will drive the development of international business and M&A to boost new opportunities in this key area.

Retail Banking

With responsibility for the individual and small- and medium sized enterprise (SME) segments, the aim of this banking division is to drive a unique and customer-focused vision by means of management that not only includes its distribution channels but also strategic steering and product development.

Action areas of this business model

Segments must guarantee a customer focus as an articulating element of the business.

Products must have differentiated value proposals, driving the strategy defined by the segment area.

Channels must execute the strategy of the various segments by offering products and services with shorter cycle times and high quality and efficiency.

The new structure of the Retail Banking area aims to attain greater integration in the short term and more synergies between the former Retail and SME banking divisions to achieve the best version possible in each case. To such effect, it will drive collaborative work and innovation of all its units and areas.

Wholesale Banking

The Wholesale Banking division comprises the Company, Large Company and Real Estate, Corporate and Private Banking areas, along with business strategy management, and three specialist areas, which account for the core services that Bci provides customers, which are part of each of these business lines, like Transactional Banking Cash Management, Bci Asesoría Financiera, Factoring and Leasing.

Based on a greater customer closeness focus for better knowledge of their needs, the Wholesale Banking division delivers its value offering through customer relationship managers and specialist product executives, whose mission is to provide solutions customized for the needs of each company.

The aim of the Wholesale Banking division is to meet the needs of Chilean and international customers, along with the local franchises of international customers, for which it has a strategic plan to increase income and efficiency in the medium term.

Finance Division

The mission of the Finance Division is to support the development of Bci's strategic plan by getting the best financing conditions for customers; help towards the objective of driving the mix of the Bank's assets and liabilities, and giving customers hedging and innovative investment solutions with execution of excellence.

The strategic objective of this area is to become a benchmark in local currency markets, interest rates and asset brokerage, and offer the best regional risk hedging solutions for Chilean customers in Latin America and those abroad that operate in Chile. One of its aims is also to grow in market share in asset brokerage and investment management with regional coverage, and create and embeda culture of innovation of excellence in execution and work among teams.

The highlights and results of the banking areas and Finance Division in 2016 mentioned above are shown in the Customer Experience chapter.

Corporate and international development

Corporate and International Development is considered a key area for driving the Bank's growth strategy, particularly in the United States, the Andean region and Asia-Pacific.

The main objective of this area is to be the designer of the diversification of Bci's income streams. To such effect, it mainly focuses on:

→ Driving the Bank's business through its representative offices, the Bci Miami branch and City National Bank of Florida.

→ Diversifying income streams with acquisitions, partnerships and the development of new business abroad and in the Chilean market.

→ Continuing the development of a regional platform, helping Chilean customers with their international operations and serving Chilean companies that operate in those countries where the Bank is present, and multi-Latin companies.

→ Studying the market to detect and adopt new businesses, products, technologies and partnerships so Bci can continue to maintain a differentiated offering.

→ Driving corporate reputation and sustainability by bolstering relations with critical stakeholders.

Subsidiaries

The Bci Corporation comprises the Bci bank and eight subsidiaries in Chile, which were created to develop complementary activities needed to provide a comprehensive customer service. Considering the specific line of business of each of them, the subsidiaries are regulated by the SBIF and/or Superintendency of Securities and Insurance (SVS).

The Bank also has three international subsidiaries (City National Bank, Miami branch and Bci Securities), which will be covered in the International Presence chapter.

Bci Corredor de Bolsa S.A.

Bci Asset Management Administradora General de Fondos S.A.

Bci Factoring S.A.

Bci Corredora de Seguros S.A.

Bci Securitizadora S.A.

Bci Asesoría Financiera

Servicios de Normalización y Cobranza S.A.

Bci Corredora de Bolsa de Productos S.A.

—
Jorge González Echazabal
CEO
City National Bank of Florida

—
Eric Recart Balze
CEO Bci
Corredores de Seguros S.A.

—
Patricio Romero Leiva
CEO Bci
Asset Management Administradora de Fondos S.A.

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

Bci Corredor de Bolsa S.A.

With 29 years in the market, Bci Corredor de Bolsa has become one of the leading stock brokers in Chile, standing out for its reputation and service excellence. It has over 120 professionals, offers its more than 25,000 customers financial brokerage advisory services for a wide range of segments, including pension fund administrators, mutual funds, investment funds, foreign agents, local family offices and natural people.

It has offices in Santiago, Viña del Mar and Concepción.

In 2016, Bci Corredor de Bolsa made progress with its consolidation plan in the market of Chilean and foreign institutional customers, strengthening its team of professionals, and providing greater value to Bci's product and service offering with top quality execution and consultancy, supported by the equity research and strategy team. As in previous years, its recommendations attained returns exceeding the reference indexes, and is renowned as one of the three stock brokers with the highest profitability in the year.

During the year, this stock broker excelled with good results. Despite the fact that the financial environment was unfavorable, net income increased 57% in the year, with higher income in all the business areas compared to 2015. These results were mainly due to a higher business flow with all customer segments, the focus on new products and good execution of the fixed and variable income strategy.

In 2016, the Santiago Stock Market and Chilean Electronic Stock Exchange distinguished Bci Corredor de Bolsa for the fifth year running for attaining the highest amounts traded in simultaneous operations in 2015.

The major achievements of this area in 2016 were the participation in placing six corporate bond issues with other units of the Bank, and as co-book runners in Bci's capital increase; it was also elected the top liquidity provider in the selective share price index (IPSA) derivative market on the Santiago Stock Market; it put a new service model in place in the Retail Banking division and consolidated the institutional segment by increasing the number of customers by over 40%.

40%

increase in the number of Bci Corredor de Bolsa customers in the institutional segment in 2016.

Bci Asset Management Administradora General de Fondos S.A.

The aim of Bci Asset Management Administradora General de Fondos S.A. is to advise on the management of the equity of individuals, companies and institutions. This is undertaken by managing mutual funds, investment funds, voluntary pension fund savings, portfolio management (ADC), funds in Luxemburg, and complementarily the distribution of their funds and that of global agents.

It currently has 52 mutual funds that provide access to a wide range of investment alternatives in debt and capitalization instruments in the domestic and foreign market.

In 2016, it added five new mutual funds to its offering: fondo mutuo Bci estructurado 103, Bci de negocios dólar Latam IG, Bci Europa estructurado 108 IV, Bci activo dólar and Bci ahorro dólar. Bci Asset Management has 195 employees and a management team that on average has over 20 years' experience in the financial system. The products it offers are based on a disciplined and sound investment process and the right risk diversification. Products are tailored to customers, considering the needs of each investor in terms of risk, return and investment timeline.

Over US$ 7,900

of assets managed by Bci Asset Management

With over US$7,900 million of managed assets and growth of US$48 million of public investment funds, 2016 was an excellent year in terms of results with record figures. Mutual funds grew by over 8% compared to those managed in 2015. During the year, the Bank also created the Latin American debt strategy through Bci's Latam IG business fund with the aim of providing a value offering to customers in the institutional and Private Banking segments. At the close of the year, this area had attained US$178 million with pension fund administrator (AFP) customers, family offices and high net worth customers. In December, it also started to manage investments with the same strategy through a fund in Luxemburg.

“A Bank that takes care of its employees, supporting them constantly, particularly in tough times. Bci is my home and family”.

—

Eduardo Moltedo Fuentes
Senior Risk Analyst - Factoring
Wholesale Banking Management

Bci Corredores de Seguros attained third place in the Insurance Banking segment in 2016, increasing its market share to

16%

At the close of 2016, Bci Asset Management was in first place of profits of the fund management industry with a 13.50% market share of the managed mutual fund volume, increasing its market share 0.41% and capturing around 20% of the new flows entering the sector. This subsidiary thereby maintains third place in the fund management industry. Excluding the money market fund segment, market share rose to 13.62% at year end, with very good growth compared to the banking sector.

In the context of a tough year due to market volatility, its customer satisfaction ratings were high (97% for service quality), which gives the company great satisfaction and confirms this subsidiary as the one that provides the best customer experience for investment management.

Lastly, for the second year running, Fitch Ratings rated Bci Asset Management as Highest Standard, the highest international risk rating for an asset manager, particularly recognizing the control structure, the investment management and processes, and the operation management of the subsidiary.

Coverage in over

90 countries

Bci Factoring S.A.

Created in late 1994 and with over 22 years market experience, Bci Factoring provides a specialized service in Chile through expert professionals. This Bci subsidiary is part of the international factoring chain Factors Chain International (FCI), which enables it to provide coverage in over 90 countries.

Its team of 286 professionals has large factoring experience to offer Bci's customers the best factoring services in Chile, meeting the financial requirements of companies that need to improve liquidity in the short term.

In 2016, Bci Factoring maintained its leadership in the banking sector, with a marked focus on SMEs, and this strategy revealed a sound portfolio of active customers in the segment with solutions leveraging the commercial networks of Bci's customers and debtors. This leadership is due to providing service excellence, incorporating technological innovation and permanent support of the company's development as core pillars, and provides a different experience for customers and their needs.

The excellent ratings in the service quality survey, along with the constant development of business innovation, enabled the Bank to consolidate e-factoring and its mobile application in 2016, which extends the service excellence strategy and business model through this channel.

A highlight of the innovation strategy in the year was also the development of digital factoring, a new business concept to process operations and for customers to manage their factoring portfolio online. This system envisages improvements to the process due to the adaptation of the back office to the new business scenario of mass use of electronic billing for companies. This provides more streamlined and faster liquidity with an excellent service experience.

Bci Corredores de Seguros S.A.

Bci Corredores de Seguros was incorporated in 1998 to give protection solutions for customers, advising and guiding them at all times, exceeding their expectations in each contact to forge long-term relations and making this subsidiary the market leader.

The role of Bci Corredores de Seguros is to be a general and life insurance broker for underwriters that operate in the market in Chile and which are selected based on their experience, solvency and service quality. For this it has a human team of over 130 employees, who are insurance experts and specialists and take care to get to know the needs of each customer. This enables this subsidiary to be a renowned company in the market and society due to its closeness, commitment and transparency whenever it gives protection advice.

The highlights in 2016 were the launch of the 2x plan to double profits by 2018 and which resulted in the growth of auto insurance sales in all the segments of the Bank; the development of new sales channels like telemarketing and digital channels, and creation of the *Aló Seguro* call center, and retention channels guaranteeing a top notch customer service experience.

In 2016, Bci Corredores de Seguros attained third place in the Insurance Banking segment, increasing its market share to 16% and very close to a bank in second place in such segment.

Bci Asesoría Financiera S.A.

Since 1992, Bci Asesoría Financiera S.A. has offered its customers different advisory services in the corporate finance area.

Such advisory services are provided with various services, such as the structuring of bank financing in which the Bank gives guidance on the structuring and implementation of financing in the financial market according to the specific needs of each customer; debt and capital operations in the financial market with advice on the structuring and placement of bonds and commercial papers, capital increases, sale of shares and stock market listings; advice on mergers, the purchase and sale of companies and search for partners (M&A); and lastly financial advice, providing different advisory services, valuations and fairness opinions, enabling customers to make the right financial and strategic decisions.

In 2016, this area executed 21 customer orders, including advice on bond structuring and placement for leading companies in their respective markets and financing of the infrastructure and energy projects currently being undertaken in Chile.

Bci Securitizadora S.A.

As of 2001, this subsidiary has provided financial solutions to companies by structuring and issuing securitized bonds backed up in financial assets, like consumer loan portfolios, invoices, promissory notes, contracts and forward flows.

By applying advanced financing engineering, extensive knowledge of the financial market and its investors, and rigorous management of the assets under its administration, this enables companies to gain access to the financial market, diversifying their financing streams.

In over 15 years in operation, Bci Securitizadora has structured and placed in the market 24 securitized bonds from financial assets such as mortgage loans, consumer loans, revolving loans related to credit cards and accounts receivable (invoices), mainly for large financial, retail and agricultural supply distribution companies, and these bonds have attained high credit ratings and enable these companies to gain access to financial markets in very advantageous conditions.

Bci Securitizadora has maintained its market leadership.

Servicios de Normalización y Cobranza Normaliza S.A.

Servicios de Normalización y Cobranza Normaliza S.A. was incorporated in 1998 and specializes in maximizing the recovery of non-performing loans of the retail banking area through its judicial and extrajudicial collection services, complying with Bci's budgeted loan standardization and collection standards.

For this, it has a highly qualified team of professionals committed to Bci's values and culture and a cutting-edge structure, which includes a call center and negotiation areas that cover the whole of Chile.

This enables it to safeguard the Bank's interests and give customers a solution tailored to their financial standing.

Normaliza is part of the Bank's comprehensive risk management process, adhering to the loan risk, operational risk and risk tolerance policies approved by the Bci Board. It is organized based on the business areas it serves, so it has a retail commercial management that manages the personal banking business, a Nova commercial division that safeguards the mass business and a SME standardization division that provides a comprehensive service to the SME Banking area.

In 2016, this subsidiary focused on four large areas:

→ Enhancement of the commercial effectiveness model in all the business areas.

→ Automation and improvement of the operational processes supporting collection management, incorporation of new technological and metric tools focused on digital banking.

→ Assessment of a new world-class collection system fully integrated to risk management.

→ Migration of traditional collection to one supported by statistical data models to improve the value capture of the collection portfolio commissioned and a better rationalization of resources.

Regarding court claims for collection, Normaliza has a legal area with in-house attorneys and a network of legal advisors throughout Chile, who are in charge of guaranteeing the Bank's interests in the courts of justice.

In 2016, synergy was established between the commercial and legal areas to generate a better negotiation process, and the area worked hard to prepare the entire organization to successfully join the new legal digital processing process.

Bci Corredora de Bolsa de Productos S.A.

Bci Corredora de Bolsa de Productos is the first traditional bank subsidiary to enter the Product Stock Market in Chile, whose aim is to provide a regulated public auction platform for the trading of products contracts, invoices and their by-products.

This subsidiary was incorporated in 2015 and authorized by the SVS in November of the same year. It started up normal operations on the Product Stock Market in 2016.

In its first year of operation, it positioned itself as the number two broker with the highest volume traded on the Product Stock Market in the year and has made the banking sector more dynamic.

An important aspect of Bci's decision to venture into this market are the objectives of incorporating SMEs to the financial market; optimizing the marketing of products and pricing; and generating new investment alternatives.

Net Income of Bci's (National and International) Subsidiaries

Company			Share of Bci's consolidated net income	
	2015 Ch$ million	2016 Ch$ million	2015 %	2016 %
Bci Asesoría Financiera S.A.	3,948	4,179	1.19	1.23
Bci Asset Management Administradora General de Fondos S.A.	28,325	28,920	8.56	8.50
Bci Corredor de Bolsa S.A.	5,948	9,317	1.80	2.74
Bci Corredores de Seguros S.A.	23,002	26,477	6.95	7.78
Bci Factoring S.A.	13,553	14,296	4.10	4.20
Bci Securitizadora S.A.	374	367	0.11	0.11
Servicios de Normalización y Cobranza - Normaliza S.A.	354	-264	0.11	-0.08
Miami Branch	8,638	19,944	2.61	5.86
City National Bank of Florida	9,945	55,926	3.01	16.44
Bci Securities	-1,101	-1,744	-0.33	-0.51
Bci Corredores Bolsa de Productos S.A.	0	-4	0.00	0.00
Total income of subsidiaries	**92,986**	**157,414**	**28.11**	**46.28**
Bci's net income	**330,823**	**340,165**		

Transversal areas

Digital Transformation and Innovation

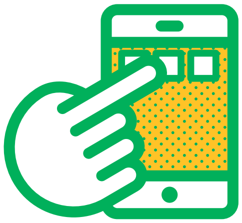
The Digital Transformation and Innovation area arose from identifying new trends, such as changes in digital customer expectations, the strategic value of the data and the mobile preference as an interaction channel, among others.

This area is a driver of the Bank's corporate strategy, seeking to generate different value proposals quickly with the aim of making Bci a national and regional benchmark on this.

Operations and Technology Management

The role of this management is to define and implement the technological and process architecture needed for the execution and sustainability of the corporate plans and projects. It is also in charge of the Bank's daily operation, guaranteeing its operational and technological continuity in accordance with the security and control standards defined at centralized and branch level. One of its functions is also to manage the corporate operation projects or systems, propose key process transformations for the business and manage the Bank's offices and units.

The aim of the operations and technology management is to be renowned for co-leading the corporate strategy, providing secure, efficient and predictable services, and generating differentiating value to make Bci the most loved and preferred bank. It seeks to become a benchmark in the banking sector and be distinguished internally for its professional excellence and collaborative work model, based on innovative and committed teams.



In 2016, the new IT security management joined the area, whose mission is to protect the systems and corporate and customer data from the vulnerabilities of digital operations. The functions of this new management are focused on developing control and monitoring systems applicable in areas like security architecture and technological risks, among others. The aim is to become the Bank's first line of defense for IT security.

Controller's Office

This unit reports to the Directors' Committee of the Bank and its aim is to provide an independent opinion on the quality and efficiency of the main internal control systems and compliance with current internal and external standards, policies and procedures.

It improves and bolsters the internal control systems, and identifies the potential risks; it drives agreements with the executives in charge of each unit so the recommendations made by external bodies, the independent auditors and this unit itself are carried out in Chile and abroad.

Employees in this area have ongoing training that enables them to be up-to-date on the continuous regulatory changes in Chile and countries where Bci operates, and the requirements of new businesses, plans and strategic objectives pursued by the Bci Corporation.

The area received a certificate that it had satisfactorily passed the quality evaluation from The Institute of Auditors of Spain, a member of The Institute of Internal Auditors Global. This evaluation manifests and vouches for the commitment of Bci's Controller's Office to continuously improve its quality performance, professionalism and use of best practice, along with complying with international standards on the professional practice of internal auditing.

Legal Department

This department is responsible for giving Bci different timely and reliable legal services that are focused on the business result. Guided by principles of legality, professional ethics, proactivity and morals, it makes sure that the Bank's policies and management are commensurate with the legal provisions and the regulations governing its business.

Its main responsibilities are to help Bci's Board and CEO with the senior management work that has a legal bearing, deal with all the legal requirements of Bci's senior management and different managements, commercial executives, suppliers and customers concerning banking operations, products and services.

Moreover, it must give an opinion on the feasibility and suitability of doing business pursuant to current regulations, and participate in the various Bci Committees and in external and trade association instances or others that are inherent to the banking sector and in which the Bank must state its legal standpoint on various contingencies.

It must also co-ordinate and defend the Bank's interests in any lawsuits, litigation and legal action filed by third parties against Bci, representing it and actively exercising the admissible legal and administrative remedies, safeguarding the equity interest of the Bank and its subsidiaries and its reputational prestige.

Financial Planning and Control

The purpose of the financial planning and control management is to define, manage and control Bci's strategic planning process in the short, medium and long term. It also has the role of strategic advisor to general management, making sure of the enhancement of the management control process of each of the banks and corporate units, and assuring there is added value based on the comprehension of the business and the delivery of proposals that facilitate management decision-making.

In 2016, it improved processes and internal institutionalism, based on the optimization of management tools and methodologies, which have led to large expense and investment savings and synergies, and enabled follow-up and strategic alignment improvements.

Human Resources

The aim of this area is to make a contribution to Bci's growth by developing talent and empowering the skills of the organization's employees. It is in charge of putting a comprehensive human resources strategy in place that is focused on the personal and professional development of employees, and developing the strategic organizational capacities of the Bank, like customer and employee experience, leadership, collaboration, innovation, and continuous improvement.

Its main responsibilities are to strengthen an organizational culture underpinned by values of integrity, respect and excellence. It therefore strives to attain a working environment and conditions that promote creativity and collaboration, and attract, retain and develop diverse employee talent.

This management permanently renews its value offering, making it more attractive and assuring it meets the needs of employees and their families to improve their quality of life and enhance their professional and personal development. It thereby undertakes the permanent challenge of turning the Bank's leaders into the main competitive advantage for the development of the business, embedding and strengthening in them the Bci culture and attributes.

It also makes sure there is a fair and competitive compensation strategy, and supports the strategic transformation processes, managing the change with comprehensive advice and timely meeting the human resource needs.

Corporate Risk

The risk management is in charge of appraising and controlling the Bank's risk, be it loan, operational, market, liquidity or compliance, to help optimize the risk-return ratio of operations. It is also in charge of taking care of and guaranteeing the health of the portfolio and regulatory compliance of local and foreign regulations, planning, managing and controlling such regulations at Bci and subsidiaries in Chile and abroad. This is executed by means of a corporate structure that covers all the risks, all the businesses and subsidiaries, including those domiciled abroad.

This management seeks to make a contribution to a sound risk culture throughout the organization, and therefore proposes and monitors the risk tolerance, with the aim of defining the risk levels and types the Bank is willing to assume; proposing and monitoring the risk policies and procedures that constitute the regulatory framework regulating the risk activities and processes; managing the design, independent validation and approval of statistical models that support business and risk management, and supporting the execution of a risk follow-up and control system that continually checks adherence to the risk policies and limits established.

Regarding this, Bci has the challenge of continuing to make progress with the different risk areas to thereby attain best practice and in turn increase the risk-adjusted profitability and protect the Bank's financial health (further information on risk management can be found in the Bci Risk Governance section).

National presence



“In the professional area, Bci has allowed me to develop over time, learn, grow and be closer to my peers, and I’ve taken care to provide the best service to our customers, who are the core pillar of our Bank”.

—

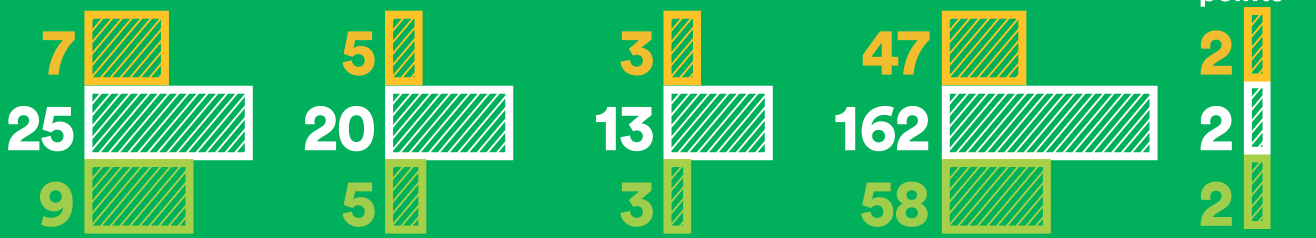
David Castillo
Office Head
Ojo Bueno BP,
Punta Arenas

Bci was the first bank to open a branch in the Antarctic in

1985

Total branches by zone

Commercial platforms | **Private & preferential banking** | **Points of sale** | **Multiservice branches** | **Auxiliary access points**



Multiservice branches

267

These branches provide a comprehensive service, attended by service staff and specialist executives for loans, investments, factoring and entrepreneur support, among other services.

Commercial platforms

41

They are service platforms attended with the personalized and exclusive service of specialist executives, who meet the needs of certain customer segments.

Points of sale

19

They are contact points which mainly handle Personal Banking customers. They have sales and after-sales services.

Auxiliary access points

6

They are contact points whose objective is to solve transactional and treasury matters. They have ATMs and automated customer query services.

Private and preferential banking

30

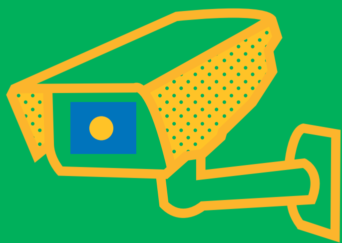
These are branches for high net worth customers.

Remote service center

2

1,062

ATMS throughout Chile



Bci monitoring center

The Bci Monitoring Center (CEMCO) was inaugurated in 2014 with the aim of providing a secure and excellent service to all customers using these ATMs.

Security monitoring operators currently manage over 7,000 cameras on the ATMs, whether they are located at Bci branches, in buildings, public areas and retail sites in general, enabling Bci to have centralized control of the operation of these ATMs, reduce the possibility of theft and speed up assistance with operative issues.

Bci's greatest bank security achievements in 2016 were:

→ **Compliance with the ATM replacement rate:** Bci complied with the 20% replacement rate of ATMs laid down for the third year by Supreme Decree N°222, which imposes new ATM security measures. For the last execution years of 2017 and 2018, this regulation establishes replacement rates of 20% and 10%, respectively.

→ **In 2016, Bci had no armed robberies at its branch network in Chile.** This was due to the work by the monitoring center, the preventive work of office guards and the fact that employees have assumed the first Bci experience criterion of security.

→ **No ATM heists:** In late 2016, Bci completed 30 months without any ATM heists. This was achieved due to the physical security measures the Bank implemented at its 1,062 ATMs in Chile and the work of the Bank's central monitoring operators.

International presence

City National Bank of Florida

In 2015, Bci acquired City National Bank of Florida, the fifth largest bank for assets based in the state of Florida, United States. This operation was a milestone in the Bank's internationalization plan and made Bci the first Chilean bank to buy a bank in the United States.

From the strategic standpoint, City National Bank will enable Bci to participate in a market like that in Florida. It has a GDP three times higher than Chile's, greater economic growth, a lower risk than Chile, and is also the inflow and outflow investment platform between the United States and Latin America.

After completing the purchase of City National Bank in October 2015, the Bank started the work to integrate both entities. To lead this task it created a dedicated area to mobilize and support joint interaction. Its mission was to safeguard the correct integration of the operations and capture the potential value of the asset. Such unit was also in charge of coordinating and supporting the appraisal and execution of the business and strategic plans defined for the bank.

One of the objectives proposed by Bci is to improve the profitability of City National Bank by developing strategic initiatives, like leasing and commercial effectiveness, among others; raising its return on average equity (ROAE) to market levels and continue with the large growth of net income.

City National Bank
Bci Financial Group

At the close of 2016, City National Bank under generally accepted accounting principles in the United States (US GAAP) had total assets of US$8,237 million, net loans of US$5,324 million, deposits of US$5,574 million and tangible equity (Tier 1) of US$914 million. Its net income was US$69.5 million, equivalent to growth of 48.1% YoY. It should also be highlighted that along with having good performance with the generation of interest income, there was growth of fee income generation.

Financial highlights of City National Bank (US$ million)	2014	2015	2016
Total assets	5,365	6,490	**8,237**
Net loans	3,311	4,041	**5,324**
Deposits	4,157	4,482	**5,574**
Tangible equity	614	862	**914**
Net income[1]	43	47[2]	**70**

[1] The figures correspond to Bci Financial Group, Inc. and subsidiaries, the parent company of City National Bank of Florida.
[2] Net income in 2015 regularized to reflect the net income of the complete year (twelve months) and not just that generated from taking control (October 17, 2015), which would amount to US$10.4 million.

48.1%

City National Bank's growth YoY

At the close of the year, these figures accounted for around 18% of the assets, 16% of the loans and 16% of the net income of Bci (according to generally accepted accounting principles in Chile).

Impact of the acquisition of City National Bank on Bci's Income

Comparative Income Statement	2016			2015			Change in Ch$ million			% Change		
Ch$ million	Bci + Subsidiaries	CNB	Consolidated	Bci + Subsidiaries	CNB	Consolidated	Bci + Subsidiaries	CNB	Consolidated	Bci + Subsidiaries	CNB	Consolidated
Net interest and monetary correction income	768,347	136,703	905,053	774,634	25,872	800,506	-6,287	110,834	104,547	-0.8%	428.4%	13.1%
Net fee income	253,195	18,434	271,629	232,150	2,120	234,270	21,045	16,314	37,359	9.1%	769.5%	15.9%
Net profit (loss) from financial operations	140,146	5,727	145,873	111,174	104	111,278	28,972	5,623	34,595	26.1%	5,406.7%	31.1%
Net profit (loss) from foreign exchange	-65,609	-	-65,609	-19,378	-	-19,378	-46,231	-	-46,231	238.6%	-	238.6%
Other operating income	23,069	5,307	28,376	29,546	1,824	31,370	-6,477	3,483	-2,994	-21.9%	191.0%	-9.5%
Total operating income	1,119,148	166,174	1,285,322	1,128,126	29,920	1,158,046	-8,978	136,254	127,276	-0.8%	455.4%	11.0%
Loan risk allowances	-178,518	-4,894	-183,412	-188,510	-696	-189,206	9,992	-4,198	5,794	-5.3%	602.2%	-3.1%
Net operating income	**940,630**	**161,280**	**1,101,910**	**939,616**	**29,224**	**968,840**	**1,014**	**132,056**	**133,070**	**0.1%**	**451.9%**	**13.7%**
Operating expenses	-576,465	-76,763	-653,228	-519,898	-17,605	-537,503	-56,567	-59,158	-115,725	10,9%	336.0%	21.5%
Other operating expenses	-41,076	-1,853	-42,929	-43,100	-1,020	-44,120	-2,024	-833	-1,191	-4.7%	81.7%	-2.7%
Total operating expenses	**-617,541**	**-78,616**	**-696,157**	**-562,998**	**-18,627**	**-581,623**	**-54,543**	**-59,991**	**-114,534**	**9.7%**	**322.1%**	**19.7%**
Operating income	**323,089**	**82,664**	**405,753**	**375,186**	**10,599**	**385,785**	**52,097**	**72,065**	**19,968**	**-13.9%**	**679.9%**	**5.2%**
Income from investment in companies	16,077	3,059	19,136	14,512	415	14,927	1,565	2,644	4,209	10.8%	637.1%	28.2%
Income before income tax	339,166	85,723	424,889	389,698	11,014	400,712	-50,532	74,709	24,177	-13.0%	678.3%	6.0%
Income tax	-54,927	-29,797	-84,724	-67,388	-2,501	-69,889	12,461	-27,296	-14,835	-18.5%	1,091.4%	21.2%
Consolidated net income in the year	**284,239**	**55,926**	**340,165**	**322,310**	**8,513**	**330,823**	**-38,071**	**47,413**	**9,342**	**-11.8%**	**556.9%**	**2.8%**

[1] The figures correspond to Bci Financial Group, Inc. and subsidiaries, the parent company of City National Bank of Florida, according to generally accepted accounting principles in Chile.

To analyze Bci's consolidated income in 2016 it should be borne in mind that the comparative base considers the acquisition of City National Bank of Florida completed on October 17, 2015, so 2015 considers consolidation of two and half months whereas 2016 considers the full year.

Bci's accrued net income in 2016 was Ch$340,165 million, increasing Ch$9,342 million (+2.8%) YoY, mainly due to the good financial margin income, which rose +Ch$104,547 million (+13.1%) YoY on account of the +Ch$110,834 million of City National Bank. Total loans grew Ch$2,189 million (+10.9%), with City National Bank accounting for Ch$723 million and Bci and its other subsidiaries for Ch$1,455 million (+8.5%).

Consolidated net fees increased Ch$37,359 million (+15.9%) YoY, due to the good results of subsidiaries with growth of +9.1%. That is explained by +Ch$16,314 million from City National Bank and +Ch$21,045 million from Bci and its subsidiaries.

Operating expenses rose Ch$114,534 million (+19.7%), with City National Bank accounting for Ch$59,991 million and Bci and its subsidiaries Ch$54,543 million (+9.7%), the latter mainly due to higher employee and technology expenses related to the Bank's digital transformation plan, and the update of the employee benefits manual.

The tax expenditure rose Ch$14,835 million, largely because of the incorporation of the annual tax of City National Bank compared to just two and a half months in 2015.

The US tax rates did not change but the tax rate in Chile rose from 22.5% to 24%.

+31.7%

net loan growth of City National Bank of Florida

Bci Miami Branch

This branch was established in 1999 to provide services to Chilean and Latin American customers, individuals and corporations, who invest or trade abroad and particularly focused on the United States.

It provides customary bank services, including deposits and transactional accounts in the world's main currencies, cash transactions, online banking, credit lines, foreign trade services, factoring and forfaiting.

With a headcount of over 50 employees, its successful experience in nearly 18 years of operation in Florida was key to Bci deciding to buy City National Bank of Florida.

In 2016, the Bci Miami branch continued its focus, based on the growing flow of Chilean investors to the US market and that of Florida in particular, in which several real estate projects should be highlighted. Moreover, it continued to expand financing of foreign trade between Chilean, Latin American and North American companies.

In the medium and long term, Bci's objective is to keep up the branch's growth strategy in the last few years with the aim of doubling the loan portfolio volume by 2020 and thereby attain a portfolio of over US$2 billion.

To make progress with these challenges, the aim is to base this growth in the market of the large US and Latin American corporations that are managed through the Bank's Miami office and network of representative offices and complement them with an increase in the intake of deposits and strengthening of the treasury platform in line with the corporate strategy.

In the management area, in 2016 the branch executed the first phase of its digital transformation plan. Aligned with the strategy and vision of the corporate plan, among other aspects this initiative considers the development of a fast customer relationship management (CRM) platform focused on customer service to get closer to the customer and offer a better experience. This progress is in addition to the growth in the number of accounts related to investment products and services in the US market jointly with Bci Securities.

+15.9%

growth of consolidated net fees due to the good results of CNB and Bci's subsidiaries

Representative Offices and Global Network

Besides City National Bank and its Miami branch, Bci has a global network comprising five representative offices in Brazil, Mexico, Peru, Colombia and Shanghai in China. It also has a broad platform of partnerships, co-operation agreements and correspondent banks abroad.

These agencies and delegations seek to give Bci's customers the support they need to develop their business in the countries they have chosen for their investments or counterparts of their foreign trade, and to help to get closer to foreign clients interested in investing or doing business in Chile.

Besides helping to develop the investments and business of Bci's Chilean customers in such countries, ever since they opened these offices have provided a local risk portfolio, whose geographical dispersion helps the Bank's business portfolio diversification and have facilitated the structuring of customized solutions for large companies.

Bci Securities

In 2016, besides City National Bank starting its operations under Bci's wing, a customer service was launched by Bci Securities Inc., a stockbroker authorized to operate in the US stock market, which offers tradable products in that branch for natural, corporate and institutional customers.

Bci Securities focuses on creating sound long-term relations with customers of high net worth, who can benefit from the wide range of personalized financial products offered, staying constantly informed of the latest market trends.

Network of Correspondent Banks

Bci has trade relations with over 1,000 correspondent banks worldwide. This network spanning the five continents enables it to provide customers with the financial services they need for commercial operations in the different markets.

Co-operation Agreement with Banco de Crédito del Perú: By means of this agreement Bci refers Chilean companies that invest in Peru so they have a local bank in that country to develop their operations. This referral process is also used for Peruvian companies that invest in Chile.

Co-operation Agreement with Intesa San Paolo, Italy: The objective of this agreement is joint collaboration by both entities to best support Intesa's customers in Chile and those of Bci in Italy.

Customer referral agreement with Wells Fargo Bank in the USA: This agreement enables the Bank to offer Wells Fargo customers starting up operations in Chile the whole range of financial services available at Bci and vice versa. This agreement is particularly beneficial for customers who have just entered Chile who still do not have a commercial or local credit record. The agreement provides support to the eventual credit decisions regarding the references of the sponsoring bank in regard to the root account.

Co-operation Agreement with Banco Internacional de Costa Rica: This agreement seeks to promote Chile's foreign trade in Central America and reciprocal investment, raising business opportunities for Chilean companies in such area. It also helps to make Bci the benchmark bank for companies in the region.

Co-operation Agreement with Banco Credicoop in Argentina: It aims to drive trade between Chile and Argentina by supporting Chilean companies that decide to set up in Argentina and Argentine companies seeking to do business in Chile.

Agreement with Banco Popular of Spain: Bci has a mutual customer referral agreement with Banco Popular of Spain with the aim of supporting Chilean customers seeking to start up or develop commercial operations in Spain, and serve customers of Banco Popular of Spain starting up operations in Chile. This provides a service desk for Spanish customers in Chile and an exclusive service model for Chilean customers.

Agreements with Chinese financial institutions:

- →The aim of the agreement with the China Construction Bank is to enhance foreign trade operations of Bci's customers in China and promote payments in renminbi and checking accounts in this currency. Furthermore, the Bank's customers that set up offices in China and need credit lines may establish them by Bci issuing a standby letter of credit (SBLC) in Chile guaranteeing the credits granted by the China Construction Bank.
- →Bci signed an agreement with The Export-Import Bank of China, whose aim is to promote co-operation between Chinese and Chilean companies on the development of foreign trade and investments. To support co-operation with these projects, the China Exim Bank has approved Bci a portfolio of US$700 million.
- →An agreement with the China Export and Credit Insurance Corporation (SINOSURE) offers credit insurance for financing operations needed by Chinese companies that are undertaking investment projects in Chile. The aim of this agreement is also to assure exports of Chinese companies to Chilean companies.

Risk Management

The core aim of Bci's risk management is to help maximize the return/risk ratio and this work is aligned to the best international practice and considers the Bank's comprehensive control.

A structure headed by the Board, and in which a set of senior management committees and different areas of the Bank also participate, is in charge of the work undertaken in this area.

The main risk management work by the Bank in 2016 was as follows:

→ It continued to carry out the risk management transformation plan, whose main progress was the incorporation of operating risk as a special focus of this program. This work considers bolstering the organization's operational culture with training courses for all employees in areas like operating risk, compliance and business continuity.

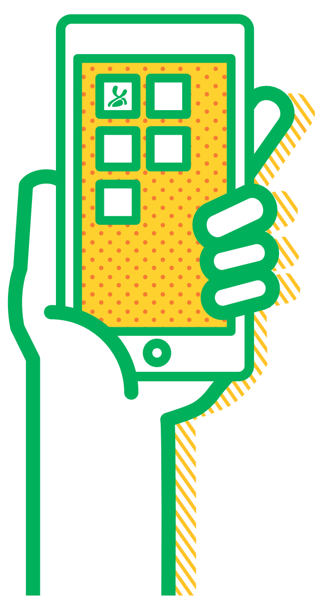
→ It placed more importance on the Bank's consolidated risk monitoring, considering the growth of subsidiaries and the importance of operations in the United States. On the same lines and to monitor in more detail the operation of City National Bank of Florida, the Board decided to merge the Finance and Risk Committee with the Risk Committee in the United States, and add special follow-up faculties to the Credit Committee and credit executive.

It supports the digital transformation strategy by:

→ Enhancing the risk management and culture in areas like information security, cyber security, operating risk and business continuity.

→ Reviewing the risk tolerance in specific areas, like operating risk.

→ Updating the risk management transformation plan to help execute the digital transformation strategy.



Bci's Risk Governance

Instances in which the Board participates

Board: It defines the overall risk management framework and follows up on the risks. It also comprehensively analyzes the risks to which the Bank is exposed, and establishes sufficient allowance, additional allowance and Basel ratio levels.

Executive Committee: By Board delegation, it defines and approves the tolerance and risk policies and decides on loans of high amounts depending on their complexity.

Directors' Committee: It is responsible for the Audit Committee functions in accordance with the Law on Corporations and the regulations of the SBIF. It directly oversees the activities of the controller's office and the corporate compliance and prevention management.

Corporate Finance and Risk Committee: It monitors the loan, market and operating risk management, making periodic follow-up of their main indicators and analyzing the quality of the loan portfolio and the related risk rates. In 2016, this Committee added oversight of the US operations to its current business vision.

Instances in which senior management participates

Assets & Liabilities Committee (ALCO): It is responsible for the framework of financial risk policies and for the decisions on the management of assets and liabilities, market risks and liquidity, and follows up on such risks.

Operating Risk Committee: It is responsible for defining the operating risk strategy, the continuous review of policies for operating risk management, technological and information security risk, business continuity, prevention of fraud and regulatory risk. It is also responsible for monitoring the risk levels and follow-up of the improvement plans to maintain risks within the tolerable risk levels.

Asset Laundering Prevention Committee: It establishes and follows up on policies to prevent asset laundering and the financing of terrorism.

Strategic Risk Committee: Its main function is to generate high level debate on key and strategic risk issues, which steer the business towards the desired portfolio within the risk tolerance limits defined by the Board.

Corporate Risk Management: It manages the loan, operating and financial risk units, those of prevention of asset laundering and financing of terrorism.

Types of Risk Managed by Bci

Credit Risk: This is the potential loss borne by the Bank when giving a loan, as a result of the debtor failing to comply with the obligations undertaken by it. Credit risk management includes policies and procedures with which Bci assesses, undertakes, qualifies, controls and covers credit risk. This work not only involves allowances but also granting loans and the follow-up of debtors.

The credit acceptance and follow-up processes are structured based on the best international practice and the use of statistical models in the different segments of the group portfolio for the commercial and retail areas. For the individual portfolio, Bci has structured its acceptance and follow-up processes based on case-by-case analysis and according to their complexity to improve the analysis and approval quality.

In 2016, based on the information provided by the portfolio and to anticipate possible credit risks, the Bank established more restrictive policies for some products, sectors and zones. In other cases, this same information was used to define more expansionary strategies with the aim of providing higher margins to the business.

The risk management area of Retail, SME and that of Wholesale Banking are in charge of managing Bci's credit risk. The former is responsible for the mass risks of the individual and SME segments, and the latter for managing the credit risk of companies in the Private, Company, Large Company, Real Estate and Corporate Banking segments.

The credit risk function is in turn split into credit policies, origin, follow-up and collection:

→ **Policy areas** in charge of designing, implementing and controlling the internal policy framework to execute at any time the business strategy by providing general and specific guidelines for the business and the teams of origin, assuring that the execution of the strategy maximizes the net risk income.

→ **Origin areas** responsible for executing the credit origin process and thereby assure efficient and the right use of capital by identifying and duly balancing up the risks of the portfolio. This is under the risk tolerance framework, the internal policy framework, current regulations and sound risk culture.

→ **The follow-up area** is in charge of periodically controlling the portfolio quality, identifying early impairment alerts and generating the action needed to prevent the Bank and its subsidiaries from incurring undesired losses.

→ **The collection area** is in charge of maximizing recovery of the delinquent portfolio by direct negotiation with customers and/or legal collection.

Financial Risk: Financial risk is the likelihood of making losses from a drop in the value of investment portfolios, or a decrease in the value of the funds or equity managed by the Bank, as a result of changes in the price of financial instruments invested in.

Financial risk management is widely supervised by Bci through different organs including the following. The Assets and Liabilities Committee (ALCO) approves and monitors the hedging, liquidity and interest rate strategies, defining structures of limits in line with the risk tolerance declaration. The Finance and Risk Committee conducts a monthly follow-up of the strategies and compliance with the internal regulation and that established by regulators.

To manage financial risks, Bci uses a set of follow-up and internal control policies, assessment methodologies and mechanisms to identify, assess, manage and control possible losses caused by decreases in the value of assets and liabilities.

In 2016, the financial risk management work was focused on:

→ Incorporating for prevention the new regulatory ratios with which the SBIF has started to measure liquid assets against disbursements in line with the Basel guidelines.

→ Updating the technological platform to monitor financial risk, defined as the first line of defense for financial risk to facilitate its use.

Liquidity Risk: This arises from a lack of liquid assets available to comply with the obligations undertaken and/or the need of bearing unusual costs of the financing sources. Liquidity risk management identifies, measures and controls the contingency of not being able to fully and timely meet payment obligations on the dates established.

In accordance with the guidelines of the Chilean Central Bank on controlling the liquidity standing, Bci applies econometric and statistical models to assets and liabilities to calculate liquidity needs, bearing in mind the historical performance of customer obligations and debts. This work also considers the Board setting internal limits, the use of early warning indicators and a contingency plan. This enables the Bank to anticipate periods of illiquidity and take the required action.

Financial risk management in 2016 was, among other aspects, focused on the objective of reducing the participation of majority funds in the funding sources. Regarding this, the policy was aimed at diversifying the portfolio giving priority to the incorporation of minority funds.

The Bank also made progress in the year with the corporate definition of a liquidity limit awaiting the authority to establish the formal ratios as part of the Basel guidelines.

Operating Risk: Operating risk can cause losses due to human errors, unsuitable or faulty internal processes, and system failures on account of external events.

Operating risk is inherent to all activities, products, systems and processes, and its origins are very varied ranging from fraud or commercial practice to technological faults, human errors or natural disasters.

Bci's operating risk management is the responsibility of the operating risk committees for processes, suppliers, technology, business continuity and finance. These committees periodically review the losses that have been incurred, draw up action plans to rectify the causes and manage mitigation action.

To perform this work, Bci has operating risk specialists in the areas of processes, technology, business continuity and operating risk management. These professionals are duly trained in risk assessment and management workshops and their job is to prevent process losses and gain theoretical and practical knowledge to anticipate, whenever possible, unexpected contingencies in those areas.

Some of the priority areas of Bci's operating risk management in 2016 were:

→ More critical processes were added to the operating risk monitoring platform control.

→ As part of the execution of the risk management transformation plan with incentives, training and adherence to policies, the Bank enhanced the risk culture in areas like information security, cyber security and business continuity.

→ The operating risk management trained the areas related to these processes for them to evaluate themselves on operating risk management. The objective of this work is to make them the Bank's first line of defense for this by giving them the tools to lift the risks and propose control systems.

→ The internal fraud policies were reviewed to identify potential risks and work to anticipate them. In this area, the execution of a corporate ethics and risk culture plan should be highlighted, in which transversal areas of the Bank participated and whose action was aimed at disseminating the breach of trust conduct defined by Bci.

Regarding external fraud, work was focused on preventing situations like the cloning of credit and debit cards in ATMs, with initiatives like armored ATMs and incorporating chips to such payment cards.

Information security and cyber security were addressed by reviewing the monitoring systems and analyzing the gaps in internal equipment. A new information security management was also added to the operations and technology management as a first line of defense. This unit will centralize all the monitoring and prevention work in the information security area.

Lastly, and as part of the operational continuity focus, it was decided to transfer the business operations to a new larger data center with cutting-edge technology.

Extra-Financial Risks: The management of these risks is undertaken as part of the risk transformation plan. This program established a risk tolerance definition to know the reasonable and prudent limits in which the Bank's strategy can be developed.

The Bank considers qualitative and quantitative indicators of reputational tolerance, outsourcing of services and suppliers, and labor relations to manage extra-financial risks.

In the case of reputational risk, this monitoring envisages areas like the number of total complaints divided by 10,000 customers with checking accounts and NIBDs; the number of civil lawsuits a month and customer evaluation of the services by means of the experience survey.

Corporate compliance and prevention

Bci's regulatory compliance and prevention management is in charge of detecting, overseeing and reporting unusual or suspicious operations that might be related to possible money laundering, financing of terrorism and bribery. This area is part of the Bank's risk management, reports directly to the Directors' and Asset Laundering Prevention Committees and performs its work according to the Bank's values and principles. With the focus mainly on prevention, this management is also in charge of safeguarding compliance with the Foreign Account Tax Compliance Act (FATCA) at holding level, and applying the free competition compliance, promotion and defense program. The corporate compliance manager is also the "person in charge of prevention," leading Bci's offense prevention and detection model under Law 20.393 on the Criminal Liability of Corporations.

As part of these responsibilities, the regulatory compliance and prevention management seeks to permanently enhance technological procedures and tools to follow up on the Bank's transactions, products and services, along with analyzing the high-risk geographical zones, customers with risky activities and corporate banking activities.

In 2016, the work of this unit was mainly focused on the following areas:

→ **Co-ordination of activities with the United States:** The start-up of City National Bank's operations as part of Bci has led to a large increase in the degree of regulatory requirements and compliance with new standards. To make progress with this objective, the official in charge of compliance at the Miami branch was appointed the regional compliance official, and she will safeguard compliance activities of the Bank's three business units in the United States. Likewise, the Bank started to execute an integration plan with City National Bank on compliance.

→ **Greater responsibilities and closer relationship with the business banks as part of the management's adaptation to the new Bci structure:** Regarding this, the unit started to work on prevention and promotion of free competition. This work is headed by the Consultative Free Competition Council, an organ of the Bank chaired by the corporate counsel and served on by a director and the compliance manager. The Board created this Committee as part of the free competition compliance program embraced by the Bank following the recommendations of the National Economic Affairs Investigation Bureau (FNE) and it is mainly focused on training.

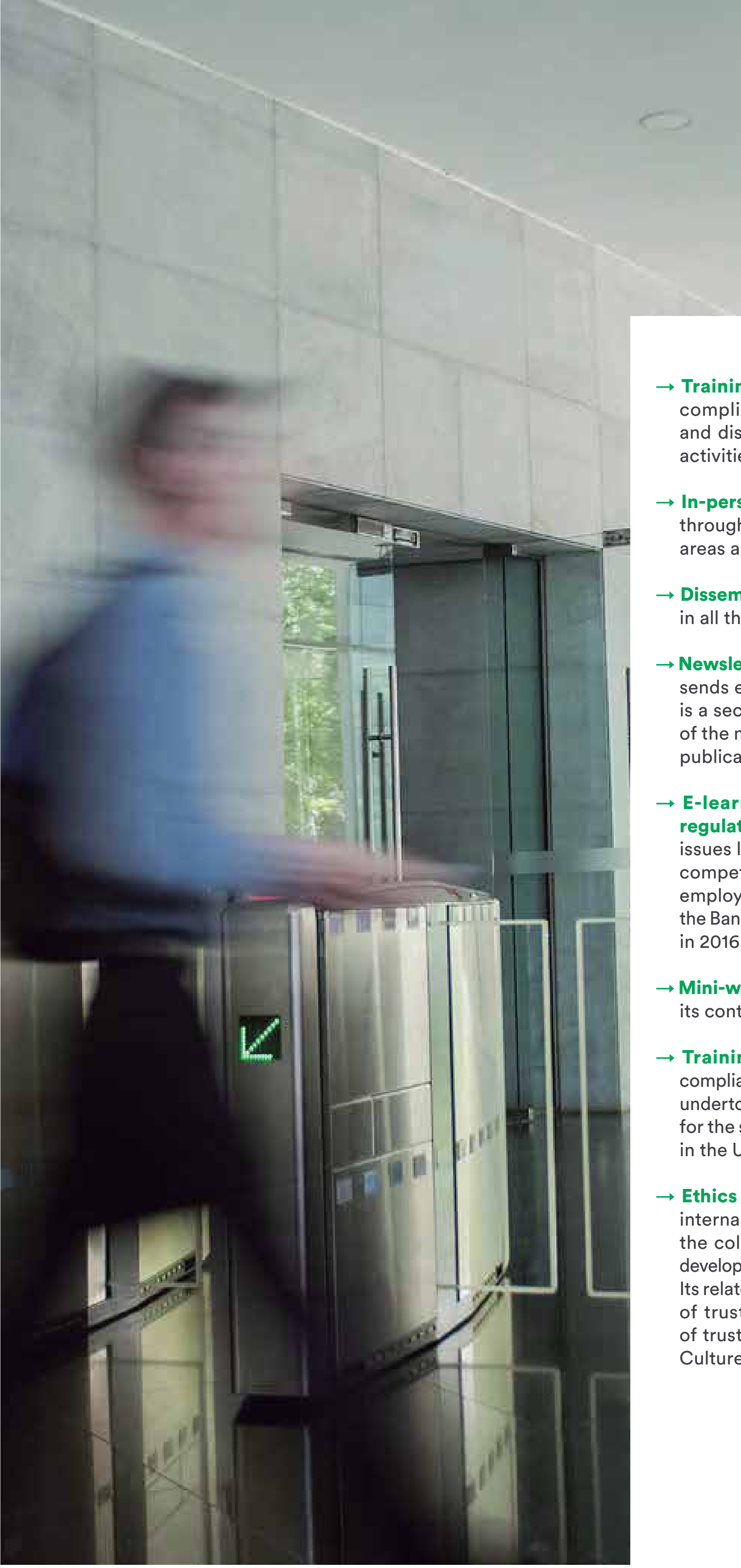
→ **Incorporation of a new financial compliance assistant management:** This is charge of continually analyzing from the risk perspective the activities of the finance area and particularly those of the money market desk. This responsibility arises from compliance with the US regulations and also includes the subsidiaries Bci Corredora de Bolsa and Bci Asset Management.

→ **Management of corporate governance with a comprehensive vision that addresses the operation and interrelation of decision-making organs of the Bank and its subsidiaries in Chile and the United States:** This includes the periodic presentation to the Directors', Finance and Risk Committees of information on risk in general and compliance of the three business units operating in the United States in particular.

→ **New regulations:** In 2016 this management worked on adopting the modifications of the FATCA and started the process of adapting to the Common Reporter Standard (CRS) regulation, which will come into force in 2018 and compels Chile as a member country of this agreement to share tax information with another 100 countries on foreigners resident in the territory and Chileans with commercial activities abroad. National companies will channel the obligations in this regulation, signed by Chile as a member of the OECD, through the Chilean Internal Revenue Service (IRS). Waiting for the authority to publish the respective regulations of these standards, Bci is working to have the systems needed to capture and manage that flow of information by mid-July 2017.

→ **Portfolio review:** To rule out Bci's customers being linked to cases of financial scandals that came to light in 2016 called the "pyramid scam.' This work confirmed the good operation of the Bank's internal controls as no people were detected with active operations in the Bank and who had anything to do with these situations.

→ **Financing of political parties:** Regarding this, the Bank acts strictly according to current law, including the modifications made in 2016 to the political party donation law, which prohibit donations by corporations. In regard to donations to third parties, in 2016 the Bank also updated its donations policy to systemize and align this management area to the corporate strategy (further details are available in the Corporate Citizenship chapter).



- **Training, dissemination and awareness:** In 2016, the compliance management executed its annual training and dissemination plan, which considered the following activities and initiatives:

- **In-person courses on compliance:** They are organized throughout the year according to a schedule prepared by areas and specific requirements.

- **Dissemination of compliance and ethical management** in all the Bank's induction courses.

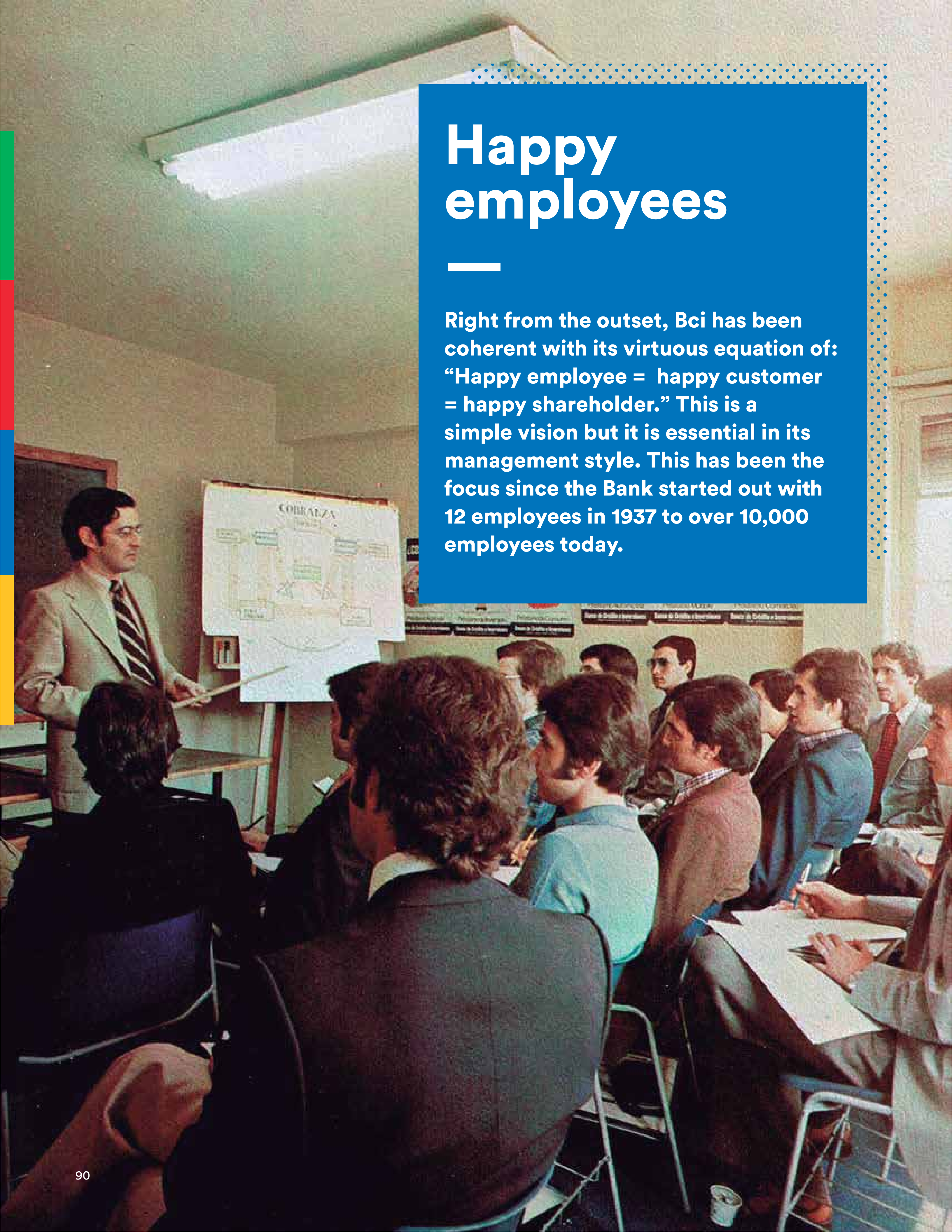
- **Newsletters on compliance issues:** Every month the Bank sends employees newsletters and related content. There is a section called "The Washing Machine," which is part of the monthly Ethics in Action newsletter, and a periodic publication called Compliance News.

- **E-learning training system on operating risks and regulatory compliance.** These are training modules on issues like asset laundering, criminal risk prevention, free competition, FATCA and financial regulations, which all employees should attend once a year and based on which the Bank undertakes follow-up. To facilitate comprehension, in 2016 such modules were synthesized.

- **Mini-website on the Intranet:** In 2016, the Bank enhanced its content by adding new sections.

- **Training for executives in Miami:** In early 2016, the compliance manager and secretary of the Ethics Committee undertook a course on compliance and ethical management for the senior management of the business units operating in the United States.

- **Ethics and Risk Prevention Plan:** This awareness and internal mobilization program was developed as part of the collaborative work between areas of organizational development, operating risk and the compliance management. Its related initiatives mainly aimed to disseminate the breach of trust conduct defined by Bci and promote channels of trust among employees (see further details in the Our Culture chapter, "Corporate Ethics" section).



Happy employees

Right from the outset, Bci has been coherent with its virtuous equation of: "Happy employee = happy customer = happy shareholder." This is a simple vision but it is essential in its management style. This has been the focus since the Bank started out with 12 employees in 1937 to over 10,000 employees today.

09— Employee experience

Management focus

Part of Bci's mission is to "offer a dignified quality of life and stable work with possibilities of personal, professional and family development." To fulfil this, the Bank has set itself the goal of giving its employees a unique, memorable and different work experience.

This focus is underpinned by the Bank's virtuous equation, which puts employee wellbeing as the initial condition to achieve a positive impact on customers, society and shareholders. This is undertaken by means of the employee experience strategy, which is a set of programs aimed at meeting the diverse interests and needs of people and is also conceived to support and facilitate the Bank's strategic objectives and transformations.

In 2016, in the context of the corporate digital transformation plan and Bci's aim of becoming the most loved and preferred bank by 2020, the human resources area focused on using the culture as a tool to drive changes.

In this area, with the aim of giving Bci the organizational capacities required by the new corporate strategies, like collaboration, speed and innovation, 12 working groups were constituted in the human resources area. These teams had the mission of reviewing the internal processes, setting goals and benefits to generate from those diagnoses the transversal plans to turn the Bank into a digital company and benchmark on regional innovation.

This challenge not only involves rearticulating the internal work and leadership models to make them more collaborative but also to create selection systems and a value proposal to attract and retain young, digital and diverse talent needed for the Bank's transformation, a universe of professionals with work development expectations and different personnel from that of previous generations.

2016 headcount by gender and job position

Job Position	Men	%	Women	%	Total
Administrative and services staff	966	54	832	46	1,798
Cashiers	304	29	749	71	1,053
Commercial executives	1,488	34	2,838	66	4,326
Non-commercial executives	975	54	838	46	1,813
Heads	662	59	465	41	1,127
Assistant managers	93	69	42	31	135
Managers	178	86	30	14	208
Corporate managers	12	92	1	8	13
Total	**4,676**	**45**	**5,795**	**55**	**10,473**

Headcount by type of contract and gender

Type of contract	Men	%	Woman	%	% of the total
Indefinite	4,601	45	5,659	55	98
Fixed-term	77	36	136	64	2
Total	**4,678**	**45**	**5,795**	**55**	**100**

Average age of employees by job position and gender

Job Position	Men (Age)	Women (Age)	Bank average (age)
Administrative and services staff	45	41	41
Cashiers	34	33	33
Commercial executives	37	38	38
Non-commercial executives	39	38	38
Heads	45	44	44
Assistant managers	45	45	45
Managers	47	47	47
Total (average)	**41**	**38**	**39**

Employee turnover by job position*

Job Position	Headcount at 31-12-2016	Real average	Hiring 2016	Leavers 2016	Turnover index 2016	Hiring index
Administrative and services staff	1,798	7.8%	153	126	14.3%	8.5%
Cashiers	1,053	12.9%	148	124	8.5%	14.1%
Commercial executives	4,326	20.4%	809	953	4.5%	18.7%
Non-commercial executives	1,813	11.0%	250	149	12.2%	13.8%
Heads	1,127	4.9%	40	71	15.9%	3.5%
Assistant managers	135	4.8%	8	5	27.0%	5.9%
Managers	208	3.8%	6	10	20.8%	2.9%
Total	**10,473**	**13.6%**	**1,414**	**1,438**	**7.3%**	**13.5%**

* This indicator is calculated as follows: ((hiring + leavers) /2) / real average.

Employees by geographical zone and gender

Region	Women	Men	Total
Arica y Parinacota	26	24	50
Tarapacá	106	80	186
Antofagasta	236	107	343
Atacama	77	48	125
Coquimbo	129	81	210
Valparaíso	294	234	526
Metropolitana	4,222	3,443	7,665
O'Higgins	91	82	173
Maule	96	102	198
Bío-Bío	224	157	361
La Araucanía	89	70	159
Los Ríos	30	39	69
Los Lagos	122	133	255
Aysén	16	29	45
Magallanes	37	49	86
Total	**5,795**	**4,678**	**10,473**

39

Average age of Bci employees

7.3%

Bci employee turnover rate

1,414

Number of employees joining Bci

10,473

Total Bci employees

5,795

Number of women who work at Bci

Bci minimum wage compared to the current minimum wage			
Year	Bci minimum wage	Legal minimum wage	Ratio
2016	$ 600,000	$ 257,000	2.3 times

Profile of front line managers by gender and age		
Age range	Women	Men
Less than 30 years		
30 to 40 years		1
41 to 50 years		4
51 to 60 years	1	5
61 to 70 years		2
Over 70 years		
Nationality		
Chilean	1	12
Foreigner		
Years of service at Bci		
Less than 3 years		2
From 3 to 6 years		1
From 6 to 9 years		1
From 9 to 12 years		2
Over 12 years	1	6

Headcount profile by age range, years of service in the company and gender (for thy year ended December 31, 2016)		
Age range	Women	Men
Less than 30 years	1,183	771
30 to 40 years	2,626	1,795
41 to 50 years	1,513	1,227
51 to 60 years	456	725
61 to 70 years	17	157
Over 70 years	0	3
Years of service at Bci		
Less than 3 years	2,182	1,721
From 3 to 6 years	1,098	648
From 6 to 9 years	837	510
From 9 to 12 years	596	418
Over 12 years	1,082	1,381

Headcount profile by nationality		
Gender	Chilean	Foreigners*
Women	5,761	81
Men	4,612	66
Subtotal	10,326	147
Total	**10,473**	

*Excludes City National Bank, representative offices and Bci Miami

Change management

With the aim of being the most loved and preferred bank by 2020, Bci is aware that it is imperative to enhance the collaboration capacity in the different work areas.

To achieve this objective, in 2016 the human resources area worked on various mechanisms, audiences and processes to enhance an increasingly more collaborative culture.

The main initiatives put in place were:

→ **Organizational structure change:** To make collaboration a competitive advantage and create a leaner organization, the Bank carried out structural changes, shifting from a model of five banking areas to a more simplified one of three, along with the creation of two new areas: the innovation and digital transformation management and the corporate development and internationalization management.

→ **Alignment of the human resources processes:** The highlights of this process are the integration of collaborative work competence to the new organizational competence model; the new climate survey, which among other aspects analyzes employee insight; and the renewal of recognition practices and attributes that promote recognition and interaction between areas and teams.

→ **Leadership and communications:** The Bank launched the leadership website and consolidated the strategic "Leader Contact" medium, which are aligned to the Leader Academy to enable leaders to manage teams more effectively. It also carried out a communication strategy to disseminate the meaning and sense of collaboration at Bci through internal communiqués, videos and banners. Lastly, it implemented Google and drew up a plan to enhance this platform, which will be an important consolidation factor in the collaboration and innovation of teams.

→ **Incentives and targets:** Collaboration started to be driven with a more systematic incentive process. For this, the Bank implemented collaborative targets among first and second line managers, which were established in the strategic plans based on functional collaboration networks. It also launched the collaboration incentive plan, which entails an area of formal and systematic feedback on the collaboration skill between managers of different areas, associated with incentives and concrete consequences.

With these initiatives, Bci is striving to tap all the benefits of really collaborative work, understanding this value as our ability to commit ourselves to transversal initiatives, inspire others to be part of a common project and provide honest feedback timely.

The training management also drove a series of actions to give people the skills required by the digital transformation process Bci is developing, highlighting the following:

→ **Support of the roll-out of customer travel:** An e-learning program was designed to provide access to content by means of digital devices and innovative formats, like Scribe videos and focused training modules, and it considers a co-creation model with students.

→ **New agile methodology:** To become the benchmark Bank on agility and collaborative work, training programs were designed based on this development model.

Google implementation

Aligned to the digital transformation plan and the challenge of making the work culture more collaborative, efficient and leaner, Bci has embarked on an ambitious project of integrating Google's technological solutions to its operations.

This is a set of tools grouped under the G-Suite concept, whose focuses were:

→ Communication with services like email, chat, videoconferences, calendar and own social network.

→ Collaboration with office automation solutions to generate, for example, documents collaboratively.

To attain the correct implementation without affecting operating continuity or the customer experience, the Bank developed a plan based on a Google implementation model and which an interdisciplinary team transversal to the Bank's areas helped design and execute.

"For me working at Bci has been a concrete opportunity to make a contribution to the country's development. When banks do a good job, they have that opportunity and I think Bci has done this throughout its history. I'm proud of that!"

—

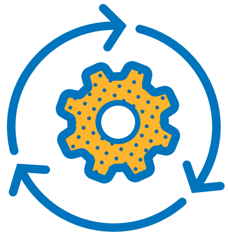
Nicolás Jaramillo
Senior Innovation Product Owner
Special Projects of the Digital Transformation and Innovation Management

99.5%

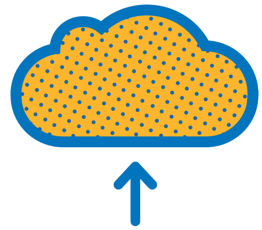
Income parity of men and women for the same job position.

Objective of the Google implementation

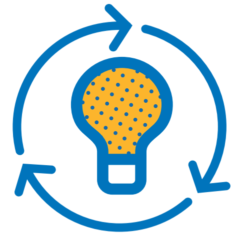
Empower the culture of collaboration and digital work



Raise the productivity of teams with cost, time and optimization savings



Make progress towards a cloud world



Promote internal innovation and enterprise

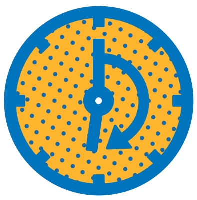
Value offering

In 2016, Bci's value offering was focused on the continuous improvement of the programs incorporated in the eighth update of the benefits manual. This work is the result of continually listening to employees, surveys and interviews of them about their satisfaction when using the new benefits and their own recommendations of changes and enhancements. There is also a constant search for the best national and international practice on this to maintain the Bank as a pioneer with a different value offering for each segment of employees.

The following was some of the main progress made with this work driven in the year:

→ **Consolidation of the flexible working (TAM) program:** In 2016, the number of employees on this program increased from 240 to 400. The Bank launched a mass dissemination campaign and a personalized awareness plan with leaders. The latter was aimed at overcoming possible resistance to this way of working, showing the productivity advantages of its use and addressing the challenge for the Bank of attracting and retaining young talent which consider flexible working as very important.

TAM Program modalities



Flexible time

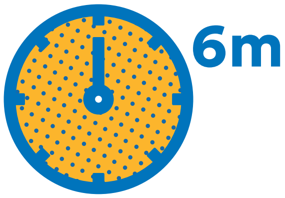
This allows employees to adjust their working time by modifying the time they enter and leave work

Mixed working

This gives employees the possibility of working part of the working day at their home

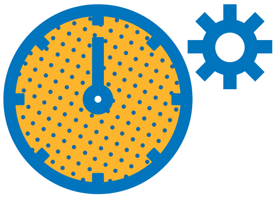
Working from home

The work station is transferred to the employee's home



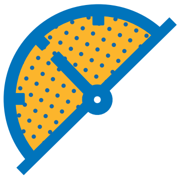
Flexible working time for six months

This allows employees to adjust their working time by modifying the time **they enter and leave work for six months**



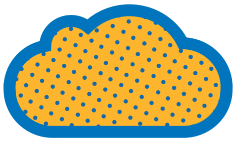
Flexible summer time

This allows employees to adjust their working time by modifying the time they enter and leave work December through February



Part-time work

This entails working up to 14:00 or 15:00 hours



Time for your dreams

It grants 3 months off without payment to fulfil a dream

→ **Flexible day program:** This program gives the employee the possibility of having days or hours free at any time in the year using a cashable point system and based on a portfolio of pre-established categories of activities and general interests. In the original scheme, this plan did not allow the four days available to be used for one single type of activity and required enrolment for certain dates, necessarily early in the year. Both aspects were made more flexible in 2016 with the aim of expanding the choice of employees. Further to these improvements and consolidation of the program, 78% of Bci employees used their flexible days in 2016.

→ **Social enterprise funds:** By means of this initiative, the Bank co-finances projects submitted by its own team and aimed at developing sports, cultural and social activities. Bci places great importance on this program as it promotes self-management and bolsters internal leadership. In 2016, the amount made available to develop these projects increased from UF3,480 to UF4,000. Likewise, the number of projects selected rose from 98 to 208 with the number of employees participating growing from 1,107 to 1,874.

→ **Family integration:** In 2016, the Bank placed special emphasis on developing different initiatives to include employee families in its activities. These included celebrating the Mini Employee's Day, in which employees' children were invited to get to know the offices of their parents; the social enterprise funds mentioned above, in which families also participate; the end-of-year party at Fantasilandia and the development of sports activities, some of which are exclusive to employees' children. Such initiatives also included programs like painting and photography competitions for employees' children, walks and cycle rides organized by the Quality of Life Committees and giving Christmas gifts.

→ **Discount Agreements:** The main progress in this area in 2016 was the development on the Intranet of a platform with around 1,100 discount agreements for employees.

Bci is not only interested in adapting its value offering to the requirements and expectations of the new generations of professionals but it also seeks an attractive proposal for other employee segments it deems strategic to boost diversity, like women, foreigners, people with some kind of disability and talent in the regions.

Olympic Games in the North

In 2016, and after virtually 40 years, Bci once again organized some Olympic Games in the north, which was a large aspiration of the bank and a challenge raised by the labor relations management after the end of the last national Olympic Games in 2012.

The activity took place in La Serena on the last weekend of June and was attended by nearly 500 employees from the Arica and Parinacota, Tarapacá, Antofagasta, Atacama, Coquimbo and Valparaíso regions, 350 of whom the Bank transported and accommodated in four hotels in the city.

The event, which the Red Alliance won, a team representing the host region, envisaged competitions in 12 sports disciplines with the main event in the La Portada stadium in La Serena.

The Bank's objective is to design a program in five years, which includes holding the national Olympic Games and those of the south and north.

Diversity as a source of talent

For Bci, diversity in the organization is a source of access to innovative talent and a competitive advantage in the market. For this reason, it constituted the inclusion panel discussion in 2016. This panel discussion will, from the human resources vision, centralize the work of all the internal inclusion-related instances to make the Bank a leader of regional inclusion issues and internally develop a culture facilitating the development of all people, irrespective of their religion, race, gender, age or disability.

One of the first aims of this instance is to expand the work currently done by Bci on inclusion, and which covers issues of age, women's development and job possibilities for people with disability, to other areas of diversity like the integration of foreigners and sexual orientation. The Bank took its first steps in this latter area in 2016 by granting benefits like complementary health insurance, days' leave and a marriage allowance for employees with a civil union agreement.

Bci Women's Network

The Bci Network was born in 2014 due to the Bank's interest in driving action to promote and boost diversity within the organization as a source of access to innovative talent.

This initiative has the mission of driving leadership, participation, visibility and internal networking among Bank managers, and to assure the attraction, retention and development of women's talent, for which it promotes activities in the following areas: enterprise culture, communication, training and visibility.

In its two years of operation, the Bci Network has consolidated internally as a benchmark on the creation and enhancement of networks, exchange of experiences and good practice, detection of opportunities and generation of plans to drive women filling leadership positions at Bci.

In 2016, the Bank entered into a partnership with the women's organization Makers, led by the consultant PricewaterhouseCoopers (PwC). As part of such partnership, networking forums were developed on issues related to women's leadership.

Likewise, in 2016 four women managers of Bci attended an integrating leadership course, and they were invited by the Bank to Miami where the event was held. The course was developed by Universidad Adolfo Ibáñez and afterwards considered a presentation by the attendees on the topics addressed in the course. In this same training area, the bank continued to enhance women's presence in the mentoring plans it drives to support the development of high performing and potential employees.

In 2016, Bci received an honorable mention in the Impulsa Award, given by PwC, *El Pulso* newspaper and Asociación Chile Mujeres, for the flexible working (TAM) initiative in the culture and innovation category.

Overview of Bci Network activities in 2016

Culture	Communication	Visibility	Training
→ Testimonial cycle with stories of Bci's women → Assurance of women in vacancies of the mentoring plan	→ Show use of TAM programs and flexible days by women → New content in the Leader Contact news	→ More women trainers in the Leader Academy and corporate induction → Meetings with the CEO and human resources manager	→ Extended invitation to seminars → Women's leadership diploma of UAI / Women ESE

Bci Sin Límites and Senior Cashiers – Inclusion of people with disability and senior citizens

In 2016, Bci continued to enhance its main inclusion programs of senior citizen cashiers and *Bci Sin Límites* (Bci Without Limits), which it has been developing in the last few years.

→ **Senior citizen cashiers:** This program was created in 2012 and aims to hire senior citizens of 50 to 70 years as cashiers in the Bank. To facilitate integration, those participating in this initiative receive prior training and the support of a tutor who introduces them to the work for those who are hired. By late 2016, 40 senior citizen cashiers were working at Bci.

→ ***Bci Sin Límites:*** With this initiative the Bank seeks to promote new labor and professional development possibilities for people with some degree of physical, visual or hearing disability, who can apply for different job positions and responsibilities in the company according to their skills and talents. At the close of 2016, 22 employees were on this program with different roles in the organization. To enhance it, the Bank worked on the development of the internal culture and adapting the processes and infrastructure to facilitate the inclusion of more people to the program. The achievements of this initiative are:

→ A training module was established for all leaders who must hold interviews with job applicants with disability. These capsules envisage different recommendations according to the person's type of disability. Moreover, the Bank implemented new entry test models and systems adapted to the requirements of people with physical, visual or hearing disability.

→ The program's contact network was extended to private and government entities to generate new recruitment sources like the safety associations and official bodies that work with people with disability. Partnerships were entered into with organizations like Red Incluye, which helps Bci to find applicants; and the work safety institute (IST), a safety organization that, besides designing training plans, analyzed the infrastructure conditions needed for an employee with physical disability. This included a study of the accessible branches, which will facilitate the incorporation of people with disability to a certain facility.

→ To get to know and expand the applicant database, the Bank developed an internal referral campaign which included dissemination of the program internally by testimonial videos of some of the employees participating. Due to this initiative, over 60 new candidates applied to the program.

→ The Bank redesigned the *Bci Sin Límites* manual, which is a document that supports heads and teams on how to address new employee disability by giving tips and recommendations.

One of the reasons for the success of this inclusion program is the good work performance of those employees participating: 88% of them have a good or higher mark in their performance evaluations, and 85% are in the same range for achieving targets.

The Global Compact Chile network recognized Bci as one of the five companies with the best labor relations practice out of a universe of 43 participant companies. This recognition is based on the declaration of the International Labor Organization (ILO) on companies respecting freedom of association, the right of collective bargaining and non-discrimination, among others.

Attracting talent

This year work was done on adapting the recruitment and selection systems to the new set of individual competencies defined by the Bank as part of the corporate strategy. This entailed an overhaul of all the models of the talent attraction process from the way of communicating an advertisement to the format of interviews, the execution of tests and the application procedures. The objective of this work is to make sure that Bci can have the professionals it needs to attain its aims and goals.

To such effect, the Bank made large progress, particularly regarding the digitalization of its procedures and the redesign of its messages, including the following:

→ **Detection of basic digital competencies:** The new recruitment system, considering the active participation of applicants, operates like an initial screening to detect technological skills.

→ **Innovation of the recruitment and selection platform:** An omnichannel system is used that allows for interaction with the applicant, provides more information to the selection executives and enables heads to follow up on its processes. The highlights of the changes made in 2016 were the modification of the final shortlist presentation process, including applicants with a technical and competence pre-evaluation, which facilitates the head's decision and reduces the time to fill the vacancy.

→ **Attraction of young talent:** The aim was to identify the most efficient way of getting Bci's message across to the new generation of professionals. To such end, the Bank redesigned communication; worked in a segmented way with advertisements targeted at the social networks and based on data analytics; it redefined the type of labor fairs in which it will participate and the kind of corporate sponsorship it will undertake. To make specific progress with recruitment of technological talent, with the support of an external consultant it established a prior evaluation system to measure programming skills.

This young talent attraction strategy also envisaged innovation of the Bank's professional practice and trainee programs:

a) **Professional Practice:** To guarantee access to the best candidates, agreements were made with the leading universities in Chile so the Bank can publish all the information on its vacancies on its labor website. 134 university students did their professional practice at the Bank in 2016.

b) **Corporate Trainee:** In 2016, the Bank launched a campaign on the social networks and over 7,000 young professionals applied for the six places available for this program. Bci made an initial selection of 120 of the total applicants, who then formed part of its database as potential applicants for new internal processes.

Another important achievement of the talent attraction management in 2016 was the development of predictive statistical models that, based on the same information provided by the candidate, establish a forecast of his or her performance and time in the Bank. This system was designed with the risk management and aims to pre-screen people applying for a job at Bci.

There was also the incorporation of the referral system to the online application platform, which plays a more proactive role for the interested party, and the launch of a pilot pre-evaluation plan for internal vacancies. This system enables the Bank to pre-select candidates if there are new vacancies and is fed by the data provided by employees when joining the organization, like their willingness to relocate in Chile or interest in other areas of development.

“Working at Bci has been an amazing experience. In March I’ll complete 7 years and I feel at home. I started working here just after graduating from university, so everything I’ve achieved has been due to this institution, which is now part of my life. I’m definitely a Bci lover”.

—

Catalina Díaz
Digital Transformation and Innovation Management

Over 7,000

young professionals applied for the
6 corporate trainee places

Performance and professional development management

All employees at Bci with over six months in the organization must undergo a performance evaluation. This is annual and its aim is to align people's performance to the corporate strategy. The execution of this process starts when the corporate targets are defined and ends with the performance evaluation as such. In this stage, the head gives the employee his feedback and a compliance category, a mark that will later serve as information for different human resources sub-processes, like salary increases for merit, training, internal searches and development opportunities.

Bci's performance system depends on two elements: the corporate targets and competencies, and with these attributes an organization mobilizes people to achieve the strategic objectives. Considering that in 2016 Bci's strategy was focused on digital transformation, most of the work in the development area was on redefining the corporate competencies. Another focus was on seeking a leaner and more efficient performance process. Based on this, some of the progress driven in this area was:

→ **Corporate competencies:** Collaborative work, open innovation and leanness were incorporated as corporate competencies, and the planning area started work to design new targets aligned to them.

→ **Performance management process:** Changes were made to the current electronic platform to execute an additional mid-year evaluation process, which will assure employees have more periodic feedback.

→ **90° survey:** This survey was added to the performance management and incorporates the vision of employees about the management of leaders and which up to then was applied outside this process.

Performance evaluation process at the close of 2016

Status	Number of employees	Percentage of the total
Employees with a completed performance evaluation	8,875	97.9%
Employees with a performance evaluation in process	160	1.8%
Employees not evaluated	33	0.4%
Total	**9,068**	**100%**

Development programs

To promote the work and professional growth of those employees who have constantly had good or higher results in the performance evaluations, Bci drives a series of development initiatives and programs, which include:

→ **Further development scholarships:** 140 employees were awarded these scholarships in 2016, which finance up to 70% of the cost of postgraduate programs. Bci also awards scholarships to those interested in completing undergraduate studies, and 260 employees received this support in 2016.

→ **Future office head plan:** This supports high potential employees to become commercial office heads in the Retail and SME Banking areas, thereby assuring a pool of successors for leadership positions in the commercial line.

→ **Young professionals program:** By means of this program, young executives of the Bank can undertake a diploma at Universidad Adolfo Ibáñez. In 2016, 30 employees did different courses focused on innovation.

Besides these initiatives, there are also new support lines that were created in 2016, like the development of a master's degree at Universidad Adolfo Ibáñez targeted at future regional managers, and the national and international internships the Bank started to drive as part of its internationalization plan and interested in adapting the offering to the interests of new professionals.

To promote young talent, Bci has two other initiatives:

→ **Corporate trainee:** This initiative includes two months' induction, during which trainees learn the technical competencies and skills needed for their work, and a further eight months in which they must do internships in different areas of the Bank before entering their definitive positions.

→ **Corporate mentoring:** This aims to project and enhance the exposure of employees to boost the exposure of employees identified to fill senior positions at Bci. During the program, an executive with a track record and experience in the Bank mentors the high performing employee in the projects or functions assigned. 54 employees were on this program in 2016.

390,174

hours of training

70%

funding of postgraduate programs

Training

The main objective of Bci's training module is to give employees the knowledge and skills they need so with their respective functions they can help the Bank achieve its strategy and objectives.

To make progress with this, the focus was on developing innovative learning methodologies that are right for the needs and realities of each business. In 2016, the Bank bet on increasingly more digital and omnichannel training, enabling employees to gain new knowledge and skills from any device, anytime and anywhere.

The innovative methodology training includes more modules with games, challenges and interactive questionnaires, complemented by collaborative dynamics and learning forums, in which participants share best practice and the knowledge gained in the training.

Last year the Bank developed the concept of a "virtual classroom," which entails in-person classes via streaming, i.e., training is conducted live through the corporate channel, so employees can connect to different talks from their work station. These classes were held in a two-way communication format, in which it is possible to interact with the facilitator and in turn share comments with the rest of the participants by means of chat, and all this from the comfort of the work station and without wasting time on travel.

The content of the Bank's training offering is focused on three large areas:

1. Banking Standards and Regulations:

→ **Ongoing training on compliance and ethics:** Given digitally, this cycle provided basic knowledge on the regulation with analysis of practical cases. These courses were taken by 67% of the employees, which was an increase of over 25 percentage points on the attendance in 2015.

2. Technical and Business Knowledge:

→ **Generation of a training ecosystem for the finance area:** This includes a platform accessed by mobile phone and which makes available to executives in the area talks of internal and external presenters and an updated training program on financial markets.

→ **New learning and support tools:** Among other resources there are tablets for students, on which they can do exercises, review material and prepare for knowledge certification.

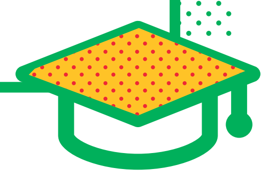
→ **Design of the Risk School:** The first Risk School is a transversal initiative, whose aim is to provide employees with knowledge on risk with different degrees of depth, according to their respective functions.

General training indicators		
Item	2015	2016
Total training hours	339,446	390,174
Number of people trained	9,743	9,917
In-person training hours	242,718	237,297
Training activities	3,198	3,263

Annual average training hours by job position and gender		
Job Position	Men	Women
Administrative staff	37.8	30.4
Cashiers	36.0	39.2
Commercial executives	44.9	37.7
Non-commercial executives	43.1	37.0
Heads	41.8	45.4
Assistant managers	45.6	44.7
Managers	46.2	55.1
Total average hours by gender	42.2	41.39
Total average training hours per employee	**41.7**	

67%

of employees had ongoing training on compliance and ethics



3. Culture and Leadership

Leader Academy

Through the Leader Academy Bci promotes the culture and attributes of leaders in the organization. This program was designed internally and includes training workshops aligned to the needs of leaders in their different development stages in the Bank.

The objective of the Leader Academy is to embed, by means of sharpening daily practice, a different leadership model which is a competitive advantage for the Bank and becomes a key element in the growth of the business.

In the year, the following were some of the innovations and initiatives Bci developed to continue driving leadership:

Leader Support Plan: This program envisaged two core elements:

Stage 1 Initial

0 to 6 months

Leader Academy:
Induction on Leadership

Stage 2 Growth

6 to 18 months

Leader Academy Phase 1:
Leadership and personal transformation

Stage 3 Maturity

18 months to 3 years

Leader Academy Phase 2:
Leading Experience

→ **Launch of the new Leader Contact website:** This platform aims to give leaders all the information they need to perform their work. It contains a historical record of all the news they receive through the Leader Contact news for analysis with their teams; tools, tips and recommendations for their daily work and a leader calendar with all the important events they must comply with monthly, like the performance evaluation.

→ **Leader Contact Mailing:** This is the official new Bci channel for providing information to leaders. It circulates every week and contains the most important issues that leaders must download for the weekly meetings with their teams.

Collaboration workshop with first report managers: The aim of this activity was to diagnose and boost the ability to collaborate, one of the essential attributes defined to meet the corporate strategy in senior management. It started in August with a working day in which the attendees had to work together and complement a 360° feedback survey, and continued with group meetings to review the progress with the improvement plans.

Change leader workshop: This workshop involved heads who are witnessing the transformation in the Bank and was part of the strategic changes being driven by it. It was developed with the change management area and was aimed at giving leaders the tools they need to lead their teams during a transformation.

Update of the plenary downloads: The plenary download is the reflection instance that guides the facilitator after each Academy activity. To align it to the requirements of the Bank's strategic change, in 2016 this model was refocused on collaboration with a special emphasis on dialogue and teamwork.

Participation of leaders in the different Academy phases in 2016

	Induction on Leadership	Academy Phase 1	Academy Phase 2
Number of participants	159	122	198
Evaluation of the program	99.1%	98%	99%

Bci 2.0

Inspired by the Lean Management methodology, Bci started to roll out Bci 2.0 in 2014. The objective of this program is to embed continuous improvement as a local skill in teams by means of collaborative problem shooting and a set of integrated practices. Besides this, it aims to bolster employee empowerment to drive innovation and support leaders to unharness the talent in teams with systemized practices of feedback, coaching, site presence, among others.

The Bci 2.0 implementation process in an area starts with the training of the leader and involves a three-month leader support stage, during which there is an evaluation and the subsequent action plans.

In 2016, coverage of this program was extended to the Private Banking, Insurance Broker, Factoring, Risk Management, Asset Management and Planning Management areas.

Two years after its launch, and simultaneously with the implementation in the pending areas, the large challenge has been to develop a continuous improvement system that enhances the knowledge and practice acquired by leaders who are already operating with the methodology.

To such effect, the Bank created a new continuous improvement management, whose mission is to make this initiative sustainable over time with shorter interventions and management systems customized for the more specific contexts of each leader. The continuous improvement work also includes training on the system for leaders who are joining the organization and over time this team will make sure it incorporates adjustments to the organization related to the strategic changes the Bank is driving, like the digital transformation plan.

Organizational climate

In 2016, Bci redesigned the organizational study model, due to the corporate strategy and the need of simplifying the organization's gauges and making them more practical and predictive. This new model was underpinned by the creation of the new Bci competencies which provide support to carry on growing as a company and to achieve the Bank's aim.

The six organizational competencies are:

→ Customer-focused strategy
→ Open innovation
→ Committed, ethical and transparent people
→ Collaborative work
→ Lean execution
→ Integrated leadership

Organizational competencies for a digital culture

Based on this model, the Bank created the new organizational climate and competencies survey, whose objective is to get employee insight on the climate at Bci. The instrument comprises five areas which, along with the collaboration and leadership evaluation, represent the critical organizational competencies that will help achieve the strategic objectives and the aim of a digital culture.

This new instrument will enable the Bank to understand and manage the organizational climate with a greater focus and depth, identifying correlations, root causes and concrete drivers to address them.

In 2016, the overall result of the survey was 87.2%, construed as the average result of the five areas assessed.

Every year and in parallel, Bci applies the Great Place To Work (GPTW) survey to the organization with the aim of complementing the internal diagnosis with an external vision that serves as a benchmark for comparing the performance of the Bci work environment with other companies in the market. This time, Bci attained 5th place in the GPTW ranking and first position of participant companies with over 1,500 employees.

"For me working at Bci means feeling the pride of being in the best place to work. This is because of the deep respect and admiration I have for our leaders, due to the bonds of friendship and companionship connecting me to many employees, with whom I've had the privilege of working in my 18 years at Bci. This is because I'm inspired by the same values of integrity, respect and excellence that make this a great company".

Isabel Prado
Organizational Culture Administrator
Human Resources

5th place in the GPTW ranking,

and first place of participant companies with over 1,500 employees.

Bci Reconoce

By means of an integrated human resources strategy, the aim of *Bci Reconoce* (Bci Recognizes) is to promote and bolster conduct that enhances the organizational culture and helps to achieve the business objectives.

As of 2016, the recognition program was more targeted at certain attributes of the corporate culture that are key to the digital transformation. The first step in this direction was adding collaborative work as a new area of recognition in the different instances of the model, such as internal ceremonies and breakfast with the CEO.

The model of the *Bci Reconoce* program is therefore structured as follows:

Instance or type of recognition	Description	Recognitions given in 2016
Online or daily recognition	On the online platform, employees can not only recognize the peers or leaders of their teams but also those of other areas. As of 2016, these recognitions include the collaborative work area and are added to the recognition noticeboard by Bci 2.0 leaders.	2,015
Recognition kit	Leaders give this, and the aim is to recognize outstanding action or that worthy of merit that employees consistently show in their daily work.	1,424
Award ceremonies by area	This is formal management-level recognition to distinguish in a context of greater visibility conduct related to the employee profile that is consistent over time. As of 2016, collaborative work is now also considered as an area of recognition.	532
Annual award ceremony	This is the most important and very formal recognition ceremony at Bci, which is held once a year and whose aim is to recognize those employees or teams that consistently have conduct aligned to the Bank's value framework and help achieve its objectives.	222

In 2016, Bci organized the third version of the 'recognition week' to promote positive feedback among employees, customers and leaders. With the motto "Recognizing each other for a common objective,' the initiative was focused on collaboration. During this activity, over 3,000 general recognitions entered the platform, and 1,164 pennants were delivered to make collaborative work visible. Those employees who received the most mentions during the recognition week were invited to participate in a special way in a breakfast with the CEO.

Integration and Internationalization

To integrate over 500 employees of City National Bank of Florida and the headcounts of the Miami branch and Bci Securities to Bci's human resources processes, in 2016 the Bank worked collaboratively on a plan to assure the right integration of all of them to the Bci culture. That was done by designing and executing initiatives to embed the organizational capacities deemed critical.

This plan is developed in four large work areas:

Organization and Culture: Organization and Culture: After a first induction given to the whole headcount of City National Bank of Florida by managers in Chile and which covered the Bank's history, its values and main features of its customer experience model, a study was conducted in 2016 to thoroughly understand the City National Bank culture. This study included surveys of the entire organization and senior management and ended with a workshop with the management team, which defined the main work focuses in the cultural area, and some of the first progress was to define:

→ **Leadership:** Promote and bolster a leadership style aligned to Bci's values and principles. This is partly developed through the execution of the Leader Academy.

→ Implement a **recognition model** that helps to motivate employees and sharpen conduct related to the employee's profile.

→ Develop **organizational tools and studies** that help to assess the degree of presence and knowledge of the conduct of the employee's profile, with a special focus on leaders.

→ **Identify and develop with concrete plans** critical talent which the organization has and needs by designing and executing Human Resource Committees with the Bci methodology.

Talent Management: As a first initiative, processes were assessed to generate synergies between City National Bank, Bci Miami and Bci Securities, for which the Bank drove action such as:

→ **In-house internships:** Three people from the Miami branch visited City National Bank to find out more about its processes and products.

→ **Application for job** positions in any of the three business units, which will raise employee career possibilities.

→ **Training:** Employees of the Miami branch and Bci Securities may participate in training cycles of City National Bank.

Compensation and benefits: The Bank analyzed the health and retirement plans of the three business units to comply with the regulation and labor standards; it extended the bank benefits that City National Bank offers its headcount to employees of the Miami branch, such as preferential rates for mortgage loans and for opening checking accounts; and it decided to extend to City National Bank employees the benefits of the Bci culture, such as allowances per child, for death and for the purchase of a first house, among others.

Business support: To support the integration, promote the culture and facilitate compliance with Chilean regulations, three important Bci managers moved to City National Bank.

Safety and occupational health

Safety and occupational health management at Bci is firstly developed through a set of actions and programs the Bank carries out in partnership with the Work Safety Institute (IST) to improve the conditions in which employees work. This body is in charge of evaluating the Bank's workplaces by means of regular visits and adopting the standards required by the Bank, along with preparing the Quality of Life Committees for their work of detecting risks and complying with the Accident Law.

With a more comprehensive vision, Bci seeks to promote a healthy lifestyle of employees and their families by means of memorable experiences, good practice and self-care habits. To such effect, it is supported by the Quality of Life Committees, which are in charge of dealing with matters that are beyond safety prevention and which include areas like the wellbeing of the workforce and families, the dissemination of benefits and management of psychosocial risks.

These Quality of Life Committees comprise members of the joint management-worker committee plus five employees elected by their peers, among whom there could be sports representatives, volunteers or trade union leaders. Their main role is to listen to employee concerns in these areas and then define action plans with the labor relations management.

At the close of 2016, 65 Quality of Life Committees were operating at Bci at 112 corporate facilities from Arica to Punta Arenas, covering 78% of the headcount.

To make progress with this general area of employee quality of life, in 2016 the Bank developed a set of actions with four main focuses: health, operating continuity, integration of the family and service quality.

Health

In 2016, Bci increased the scope and improved the closeness of services, enhancing the professional teams to deal with occupational and comprehensive health issues:

→ To deal with occupational health issues, Bci has a doctor, paramedics, a psychologist and nurses.

→ In the comprehensive health area, it has the same professionals along with a phonoaudiologist, kinesiologist, nutritionist and physical education teacher.

The systemized and focused work of these teams enabled the Bank to reduce the number of days of absenteeism in the workplace by over 2,000 in 2016. The highlights of this work were:

→ **Food counseling:** The new Food Labeling Law 20.606 came into force as of June 27, 2016, for which the Bank prepared a workshop and organized educational visits attended by 336 employees.

→ **Workshops on the use and care of the voice:** These activities were undertaken for the first time in 2016, covering 100% of the Call Center headcount.

→ **Healthy employee program:** This initiative with voluntary participation aimed to find out the cardiovascular risk of a person. In 2016, it was mainly undertaken at facilities with higher levels of sedentarism detected. On this occasion, besides cardiovascular diagnosis, activities were undertaken with the participation of the physical education teacher and the nutritionist.

Besides this progress in the health area, in 2016 a room called the Medical Specialty Center (CEM) was implemented in the Call Center building, where the comprehensive health team performs preliminary medical checkups for people with minor problems like muscular pain. This CEM will reinforce the five first aid rooms Bci has in Santiago.

A highlight in the year was also the efficiency of the medical plan carried out March through August. This program was executed with the support of the Bank's doctor, nurse and nutritionist in its most critical areas and led to a large reduction in the number of sick leaves.

Operational continuity

This work focus aims to prepare the organization to address natural, social or combined events or contingencies to prevent losses and assure the continuity of the business.

In the context of this work, various actions were undertaken, highlighting the following:

- → The emergency brigades of the downtown buildings received training.
- → Emergency drills were carried out at Bci's 15 facilities in downtown Santiago, all of which now have emergency brigades and leaders trained to guide employees to safe areas in cases of contingency.
- → The emergency plan was updated and includes floodable areas due to tidal waves.

The highlights of these activities were the training course on fire protection given to the members of the emergency brigades of the downtown buildings in Santiago. This activity was undertaken with a virtual disaster simulator, an innovative system that recreates an emergency of this kind on a high definition screen and teaches firefighting techniques.

Family integration and the environment

In 2016, jointly with the Quality of Life Committees, Bci organized a series of activities to promote wellbeing and care of the environment focused on the participation of employees and their families. These initiatives were undertaken from Arica to Punta Arenas and included walks on the hills and in national parks, cultural outings and bicycle rides, some of which were even open to the community. Besides these initiatives, there were also the story, drawing and selfie competitions for employee's children on health, safety and environmental issues, with greater participation this year compared to previous versions.

Service quality

With this aim, Bci started to review its management programs and models to align them to the principles of leanness, efficiency and digitalization of the corporate strategy. The objective is for activities to be more efficient at reducing the accident rate and making a contribution to productivity and innovation. To such extent, the area in charge started a round of talks at corporate and external level to gather the information needed to create a prevention model that becomes a benchmark in Chile.

Accident Rate 2014-2016		
2014	2015	**2016**
1.19	1.02	**0.75**

Loss Rate 2014-2016		
2014	2015	**2016**
21.08	25.19	**15.60**

Frequency Rate 2014-2016		
2014	2015	**2016**
4.52	3.94	**3.47**

Occupational disease and fatal accidents			
Item	2014	2015	**2016**
Occupational disease	8	4	**20**
Fatal accidents	0	0	**0**

	2016		
Breakdown	Men	Women	Total
Day lost due to travel accidents	483 days (33 men)	1,352 days (109 women)	**1,835 days (142 employees)**
Days lost due to work accidents	347 days (18 men)	589 days (63 women)	**936 days (81 employees)**
Days lost due to occupational disease	192 days (7 men)	522 days (13 women)	**744 days (20 employees)**
Days lost due to common disease	1,814	3,424	**5,238 people**
Total days lost	**34,932**	**123,086**	**158,018 days**

Retirement counseling

Bci offers all employees who are about to retire a social security counseling program which, with specialized counseling, provides comprehensive guidance on all the factors involved in the transition from working life to retirement.

This initiative, whose participation is voluntary, envisages two counseling lines: one of a psychological nature and the other focused on economic advice.

→ **Psychological counseling:** The aim is to help the employee generate an appropriate attitude and action plan to embark on this new state positively with the family. A psychologist will refer the employee to a specialist on the issue consulted so he or she can attend four in-person sessions.

→ **Economic advice:** This seeks to help the person define an individual strategy to optimize the pension and future financing. This advice contemplates recommendations on the social security saving management alternatives, along with the pension modalities and their implications. To gain access to this service, the employee must call a toll-free and confidential phone number.

Labor relations

Bci has transparent relations of permanent communication with its trade unions. This work model is inspired by the Bank's mission and values and is materialized through channels like monthly meetings and daily contact by email, telephone or personal visits.

In 2016, Bci held collective bargaining processes with the following unions:

a) Bci National Union: in April.

b) National Union N°1 of Bci Bank Workers: in April.

c) Bci Financial Services Corporation Union: September through November.

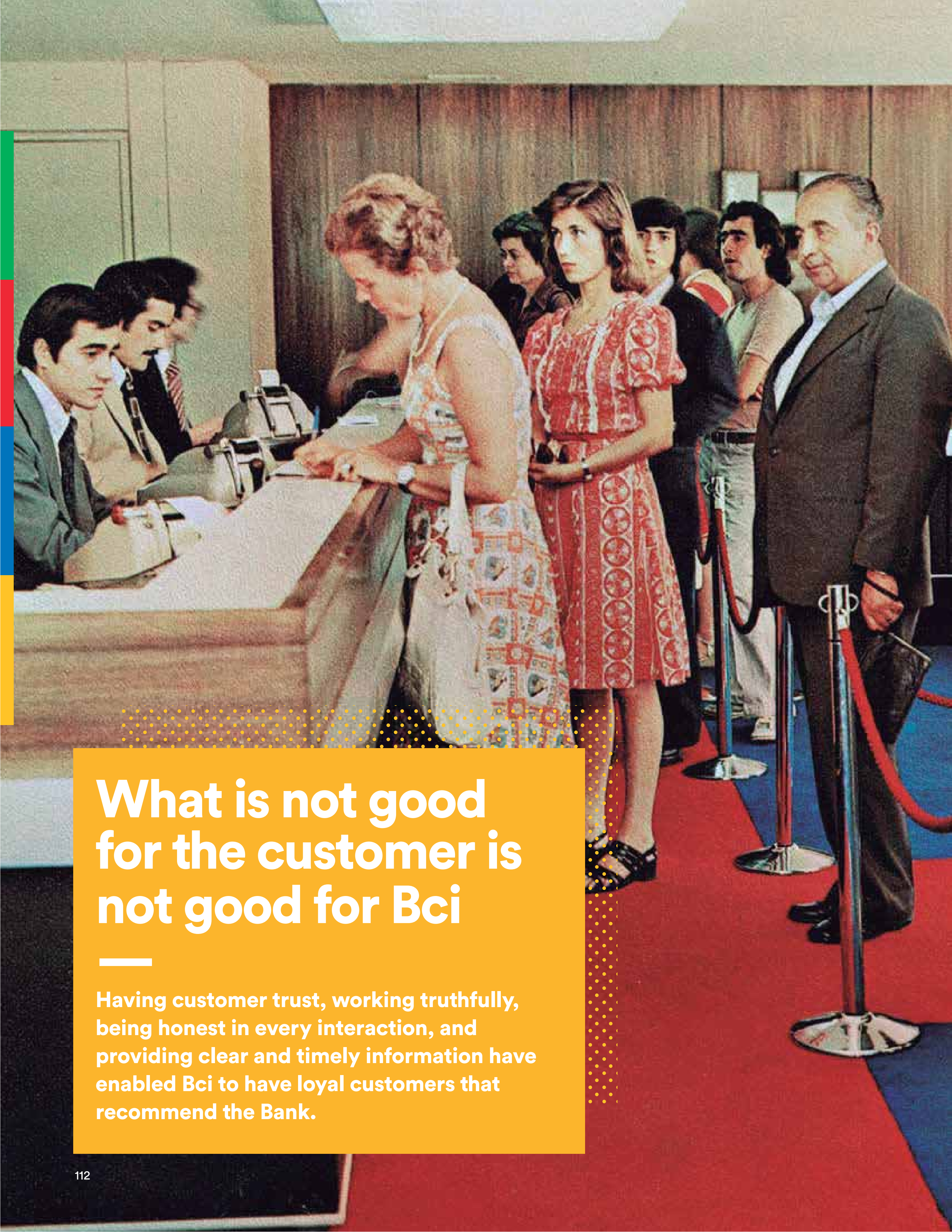
In the former two cases, no agreement was reached in the initial negotiations, so the process reached a strike. However, the bargaining process with the Bci Financial Services Corporation Union was held before the expiry of the collective contract which was in force up to December 2016 and it ended successfully without the need of going on strike.

2016 ended with the signing of the three respective collective instruments. Bci's next collective bargaining process is scheduled for August 2018 and the two others will be held in 2019.

Trade unions

	Dec-2015	Dec-2016
Headcount	10,560	10,473
Unionized employees	887	791
% unionization	8.3%	7.53%
Number of trade unions	3	3

Trade Union Name	Unionized employees		
	2014	2015	2016
Bci Financial Services Corporation Union	191	312	273
Bci National Union	-	421	341
National Union N°1 of Bci Bank Workers	-	154	177



What is not good for the customer is not good for Bci

Having customer trust, working truthfully, being honest in every interaction, and providing clear and timely information have enabled Bci to have loyal customers that recommend the Bank.

10— Customer Experience

Bci has the vision of becoming a regional leader in innovation, closeness and customer experience, and to be renowned as the best company to work for and develop. It also aims to be the most loved and preferred bank in the market by 2020.

This objective implies the need of constantly adapting the experience strategy so it supports the behavior and needs of current customers, who are increasingly more informed, demanding and digitalized.

In response to these new challenges, Bci has created the new digital transformation and innovation management, whose main work is focused on innovation, digital marketing, social networks and digital IT to provide the best Bank customer experience.

The Bank attained large progress in 2016, reflected by the following milestones:

Bci Labs: This is an accelerator whose purpose is to facilitate the integration of startups as company suppliers and help them to be successful. Three Demodays were held in 2016, attended by startups from 10 countries. At the end of the year, 16 enterprises were working under Bci Labs.

New digital marketing tools and social networks: The changes in customer paradigms and behavior make it necessary to generate new forms of interaction with them. Due to this, the Bank has implemented new tools that seek to achieve more effective and bonding customer communication, which becomes a source of added value for the commercial areas.

Data analytics: The customer relationship management (CRM) developments put in place help to improve the commercial effectiveness of campaigns in the Retail, SME and Nova Banking segments.

Operations and IT: Besides the milestones mentioned, there was large progress with organizational and IT issues, mainly in the areas of organizational design, digital talent and new ways of working.

This same management also integrated the new social networks management, which arose with the strategic objective of boosting the Bank's involvement, listening and interaction in the digital communities with which current and potentially new customers engage and communicate.

For Bci, participation in communities not only has to involve a digital marketing approach but also help to take care of the brand, provide the best customer experience, attract new customers and detect issues and trends that timely meet the needs of the audiences. From that standpoint, the social networks are a key element in the development of the digital transformation plan and a tool that can make a large contribution to corporate reputation.

The social network management has set itself the challenge of being a benchmark on this new way of banking by developing initiatives that enable the Bank to live with and be renowned by the virtual communities for its endeavors to promote a collaborative economy and provide an emotional experience, an identity and differentiating digital relationship.

With this aim, its main strategic focuses are to:

- → Develop close relations with people based on the best experience.
- → Support the development of products and services, providing the business areas with information gathered from interactions on the social networks.
- → Develop initiatives aligned to the business objectives, like financial education and social commitment.
- → Support the design and execution of customer trips with proposals in social network format.
- → Support the marketing model with social CRM, which provides market information, the audiences and product and service trends.
- → Extend corporate campaigns with attractive and innovative proposals in social network format, like competitions and promotions.
- → Boost the online monitoring processes with panels and alerts that safeguard the reputation, service continuity and the tapping of business opportunities.

Customer satisfaction and complaint management

Since the implementation of the customer experience strategy in 2014, Bci's customer satisfaction indicators have improved constantly, reflected by internal gauges and the benchmarks made with large competitors.

In 2016, the net experience satisfaction index measured by the Bank continued at an excellent level of 87% and in the year the Net Promoter Score (NPS), which is an index that enables companies to distinguish between their promoter and detractor customers based on their willingness to recommend their service to others, increased to 54%.

This progress enabled Bci once gain to receive the ProCalidad Award as the financial institution with the best customer experience in the large bank category.

In line with this trend, the number of complaints received by the Bank has dropped on the rates in 2014, and the average complaint-solving time continues to improve.

Average net service quality satisfaction		
2014	2015	**2016**
87%	87%	**87%**

Complaint rate per 10,000 customers	
2015	**2016**
15%	**14.6%**

Customer experience by segment

Retail Banking

The business development strategy in the Retail Banking area is built on three key pillars:

→ **Segments:** A specific strategy is established for each segment, leveraging resources of products, prices, channels, innovation and digital transformation. This strategy has a unique and consistent vision of the customer, with a specific value proposal for each segment of people and SMEs.

→ **Products:** This is the area responsible for designing and developing the whole lifecycle of products and services, which must constitute a unique offering, transversal to the banking areas. The wide range of products meets the financing and service needs and administration of liability and asset products. In turn, it plays a key role in the design and implementation of the digital strategy.

→ **Channels:** These are the means by which the strategy is executed by segment, using marketing and distribution of products and services offered by the Bank. Here there are the means with which a customer can operate its bank products, like branches and online channels.

Retail banking segments

Personal segment

Its purpose is to meet the financial needs of natural people by delivering a unique and innovative value proposal and the best customer experience.

It has a human team of over 4,000 employees and an extensive network of branches in Chile from Arica to Punta Arenas. Bci is also the only bank with a branch in the Antarctic. It has a wide variety of remote service platforms, like the Internet, a Call Center, mobile applications and ATMs.

The personal segment is split into three banking areas:

→ **Personal Banking:** In 2016, its focus was on offering products and services to customers by means of the permanent development of consumer campaigns.

→ **Preferential Banking:** It serves the affluent segment of the population with high quality and service standards. In 2016, it enhanced its personalized service model, which has led to the Bank attaining customer satisfaction rates of around 89%. The objective is carry on growing to make Bci a benchmark in the market for service of this segment.

→ **Nova Bank:** The service of this segment had a large recovery in 2016, due to a customer-focused growth strategy with discount agreements. Due to this, Nova has become the consumer division with the highest rates of growth in the banking sector.

SME segment

The aim of this segment is to support financial solutions for three business sub-segments with different needs: micro-, small- and medium-sized enterprise. They account for around 90% of the total companies and provide more than 60% of the employment in Chile.

The segments served by the SME Banking segment and its value offering are:

Nace

With less than 18 months' activity

This program supports customers in an early enterprise stage, even when there is no billing for projects. The program ended 2016 with 2,700 entrepreneurs served at its Enterprise Center in Santiago, total loans of around US$10 million and a portfolio satisfaction rate of 80%.

Microenterprise

Annual sales of lower than UF2,400

With a redesigned value proposal, in 2016 this segment was strengthened with the launch of products, such as the *Bci Microempresarios* NIBD. Due to these efforts, the overall customer satisfaction evaluation rose to 91%, and the executive service evaluation increased to 96%.

Small Business

Annual sales of UF2,400 to UF80,000

Its value offering is based on the distribution of products and services in keeping with the needs of SME customers. Its differentiation strategy is characterized by offering a better service experience and aims to generate a long-term relation with customers and their companies so they feel permanently supported in their operation and the growth of their enterprises.

Products and services

Product management is responsible for the process and design of the product lifecycle, working with the innovation area to define and undertake the digital experience of the Bank's customers.

The products and services offered by the Personal Banking segment and Nova for people and companies include: checking accounts; savings accounts; credit and debit cards; consumer, mortgage and commercial loans; insurance and investments, etc.

The small business segment offers products tailored to the needs of customers. These include commercial, mortgage and working capital loans, foreign trade, credit cards, payment solutions, leasing and insurance.

Regarding innovation, for the personal segment the digital checking account and consumer loans were developed; and for the small business segment the online commercial loans and factoring.

Channels

Bci, Bci Nova and the SME centers are the main customer service channels, where customers have the specific service of the commercial platforms. Moreover, the customer can get service through the remote channels the Bank offers them, like online, a Call Center, mobile applications and ATMs, which enable them to operate their accounts from anywhere in the world.

Online and mobile

These seek to be the Bank's main distribution, service and advisory channels. 33 public sites and over 100 projects were implemented in 2016.

The digital channels are currently the Bank's largest branch, providing service 24 hours a day seven days a week. More than 5.5 million people visit these channels a month and 40% of the consumer sales are now made via the virtual branch, either the website or the mobile applications.

Call Center

In 2016, the focus was on designing a new interactive voice response (IVR) technology to improve the customer service levels, their traceability and the service quality provided.

ATMs

Bci's extensive ATM network plays an important role for customers by making cash available when needed. Bci has the challenge of continuing to make progress with the technological implementation of these ATMs, to make them more secure and add other products and services to its offering.

Sales force

This is the unit that captures new customers with a specialized team, whose principles are security, closeness, diligence and image.

Agreements

The aim is to enter into strategic partnerships with companies and institutions to generate new customers and enhance current customer relations with the cross-selling of products and services.

Bci Accesible

This is a service and infrastructure model aimed at facilitating the provision of financial services to people with visual, hearing and reduced mobility disability.

The Bank created this in 2015 making it the first in Latin America to have a program specially designed to help people with disability gain access to financial products and solutions.

For its start-up, Bci designed a training plan for employees and a development program of new services protocols, service channels and technological solutions tailored to the needs of target customers.

As part of this program, in 2015 the first three accessible branches started to operate in the Metropolitan region, and a further two in Concepción and Antofagasta. By late 2016, 67 offices were operating throughout Chile, i.e., 25% of the total Bci branches.

Moreover, to make progress with increasing coverage, in 2016 the Bank worked on developing new digital channels with the aim of enabling increasingly more customers to operate online and use the mobile application adjusted to the specific needs of each type of disability covered by the program. The highlight was the incorporation to the *Con Letra Grande* (In Uppercase) platform of over 60 programs and 75 series with financial education content, with subtitles and translated into sign language for people with hearing disability.

Lastly, in 2016 this program was runner-up in the financial inclusion category in the first financial education competition organized by the SBIF.

Hearing disability

This envisages specialized guidance, a service in sign language by videoconference and an expert virtual executive in sign language on the website.

Physical disability

Branches have ramps and cleared circulation areas, preferential tills, counters, ATMs at a special height, automatic doors, elevators, and preferential parking lots.

Visual disability

There are trained employees in the branches, transfers and payments by phone, mobile multipass with an audible password, embossed checks and card markers, website and mobile site with text reading systems and ATMs with transactions explained by audio.

Wholesale Banking

Company Banking

The Commercial Banking division supports the commercial development and growth of companies with annual sales of UF80,000 to UF350,000, providing a broad offering of financial solutions, which includes various banking products, a money market desk service, factoring, treasury and leasing, among others.

With a specialized service focus, this division operates based on the expert knowledge of the customer, which enables it to develop a specially tailored value offering and close, personalized and unique service model in the financial market.

In that context, it is renowned in the market for offering services that facilitate interaction between the customer and the Bank through platforms like cell phones and online. These development and innovations, which include mobile applications, an online currency purchase and sale system, and mobile factoring, have now enabled a growing percentage of its operations to be undertaken digitally.

In 2016, the customers of the Commercial Banking division faced a tough economic scenario with a drop in income and lower working capital line movements. Due to this, this division focused on supporting its customers with long-term investments and specialized medium-term working capital solutions. The latter was undertaken by purchasing the customer's debt in the market.

For foreign trade, customers had a comprehensive team with a specialized service comprising foreign trade executives and those of the Sales & Trading desk, with value offerings tailored to their needs. This strategy improved the asset volume across all the business lines and reduced the portfolio risk.

In 2016, this division gave economic contingency talks throughout Chile and specialized talks on issues like the adaptation capacity of organizations, leadership for innovation and the implications of the labor reform in Chile.

Large Company, Real Estate and Institutional Banking

The aim of the Large Company, Real Estate and Institutional Banking area is to become the leader in providing comprehensive, innovative, profitable financial solutions with a corporate vision, which not only enable companies to meet their needs but also to access solutions with a 360° perspective, including their workers, suppliers and customers.

With that objective and based on a model of closeness and knowledge, it seeks to forge long-term relations, providing an optimal service experience, and permanently support the growth process of its customer businesses.

This banking division is made up of three commercial areas:

→ **Large Company Banking:** It serves companies that have billing of UF350,000 to UF1,500,000 a year with 21 commercial platforms in place from Iquique to Punta Arenas.

→ **Real Estate Banking:** This is specialized in the customer service of the construction, real estate and concession sectors. It is the market leader for business volume, operating in Santiago with three commercial platforms and in the regions by means of the branch network of Large Companies.

“I have witnessed how Bci participates actively in the training and growth of its employees. I feel valued at Bci. They believe in me”.

—

Baggie Cuchacovich
Transactional Banking Advisor
Wholesale Banking Division

The Company Banking Division supports the commercial development and growth of companies with annual sales of

UF 80,000 to 350,000

The Energy and Infrastructure Platform assistant management also operates under the wing of this area, which is a unit firstly in charge of the concession projects of Public Works. This is an area where mainly multinational companies work in which in the last two years, due to a business plan based on customer closeness, Bci has attained steady growth of its portfolio and financial margins. Its management area also includes the financing of medium-sized non-conventional renewable energy (NCRE) projects, with initiatives of three to 60 MW and including run-of-river-hydroelectric power plants and wind farms. This is an area that Bci wants to boost in the future, as it is a strategic country decision and in line with the Bank's environmental commitment.

→ **Institutional Banking:** This unit serves state bodies and institutions, like the different branches of the Armed Forces, universities and municipalities, along with non-profit institutions. In this segment the Bank mainly develops treasury services and solutions, which are mostly awarded by means of public tenders.

In 2016, the management of the large Company, Real Estate and Institutional Banking division was focused on portfolio growth, its profitability by increasing products per customer, attaining most of the treasury service, portfolio risk management excellence and improving the commercial effectiveness of first line teams. As part of this work, some of the main achievements of this banking area were:

→ Annual closing with positive financial results.

→ Steady growth of the financial participation of the Bank's customers.

→ Consolidation of the risk rates of Large Company, Real Estate and Institutional Banking as the lowest in the market.

→ Participation in businesses in the agricultural and agroindustrial sectors, with a large growth outlook.

21

commercial platforms in place from Iquique to Punta Arenas

Corporate Banking

With a comprehensive service model that meets all the highly complex financial and banking service needs, the Corporate Banking area offers products and solutions to national and international companies, which are tailored to their needs and available in Chile and offshore.

For this, it has a structure of customer relationship managers, who are specialists in advice and in charge of customer relations, who work according to a model of trust and to forge long-term relations, a core principle of the Bci culture. This model is underpinned by a personalized and specialist, multisector and multiproduct service team.

With the aim of becoming the best financial partner of its customers and the number one in this segment in Chile, this area supports large corporations and financial institutions with their growth and business development processes at local and global level.

Its offering of efficient and fast services includes technologically secure products of the highest quality, the financing of projects, lead bank services and guarantees, financial risk hedging strategies, acquisition financing, treasury solutions, debt issue and restructuring, working with corporate finance which has enabled it to attain the top positions in debt issue in Chile.

As the treasury bank of large corporations and financial institutions in the country, Corporate Banking is the leader of the cash management business with its Enterprise Resource Planning (ERP) services of supplier payments, agreements and payment of remunerations, electronic collection, social security payments, cash pooling, foreign trade and checking account services. Its product range also includes agreements and partnerships which enable customers to have a better relationship with their employees and suppliers.

To continue to provide service excellence, in 2016 the Corporate Banking area started the second implementation phase of its cash management service to position it at a world-class level. This process included enhancing the service model, cutting-edge products and global solutions, multi-currencies and multi-tax codes, besides boosting the technological and digital customer service channels.

Regarding innovation, in the year the area continued to make improvements to support the transactional and payment efficiency of large corporations, with the development of customized solutions.

In 2016, Corporate Banking financed projects and acquisitions in the energy, infrastructure, retail and financial services sectors, with a focus on businesses with positive social impacts and which take care of the environment.

Transactional Banking

The aim of the Transactional Banking area is to be the preferred cash management provider of companies in Chile and a benchmark in Latin America by providing solutions (products, services and advice) to meet the working capital management needs of the different segments of companies.

To make progress with this aim, Transactional Banking participates actively in Bci's digital transformation plan to develop technological solutions that meet customer needs regarding simplicity of use and the purchase of products and services.

To such effect and based on the results of a complete diagnosis of the current situation of Transactional Banking, in 2016 this area started to execute a three-year plan that envisages a series of changes in the business areas, operational processes and technology. The aim of this work is to boost its technological platforms to be able to offer products and provide fast and innovative services to customers, and develop the capacities to detect, anticipate and mitigate the risks of fraud and cyber security in the use and operation of banking products. Besides these challenges, there is also the redesign and automation of key processes of the business for development, sale and after-sales.

In the information area, the focus will be on generating capacities to boost commercial management to provide proactive solution proposals adjusted to the optimization of customers' working capital.

Private Banking

The Private Banking area is a business model aimed at providing a comprehensive service to families of high net worth. Its fundamental mission is to manage the assets and liabilities of its customers. This work is supported by other areas and subsidiaries of the Bank, like Sales & Trading, Bci Asset Management Administradora General de Fondos and Bci Corredora de Bolsa, and other banking areas that include Corporate Banking and Large Company and Real Estate Banking. Based on a relationship model of trust and confidentiality, the purpose of Private Banking management is to help customers to look after, preserve and increase their equity.

It offers a wide range of investments and solutions of excellence for the specific needs of each customer, be this through investment companies, real estate or private funds, single or multifamily offices or any other instrument.

By means of the private banker team, customers of this banking area can access different business areas and products of Bci, like leasing, insurance, real estate and topic funds. They can also hire structured financing services, general financing, mutual funds, portfolio management, currency, derivatives, stocks and foreign accounts, among others.

In 2016, one of the work focuses of this banking area was on enhancing the training of its executives, highlighting the training these teams received from the SBIF and workshops on credit risk issues. Moreover, the Private Banking area drew up jointly with continuous improvement a manual for commercial executives, whose aim is to facilitate their incorporation to the area.

Other progress in the year was the over 10% increase in loans as a result of its risk management, with which the global changes envisaged in the corporate risk transformation plan were integrated, due to which the area could close the year for the first time with a negative allowance rate; the consolidation of the area growth plan, focused on the loyalty of the more than 200 new customers in 2015, and the pilot plan to show the Bank's operation to some customers, which included visits to different business areas. This latter activity was of interest to the Private Banking division to increase the crossing with customers regarding the use of financial products.

Lastly, concerning customer services and experience, the highlight was the launch of a special account with which Private Banking customers can safekeep their international assets from Chile. This service stems from an agreement between Bci and Depósito Central de Valores (DCV), which in 2016 signed a worldwide agreement on this, and it will also provide the possibility of pledging securities in custody with a simpler and faster process. Besides this, there was progress with the automation of the global credit line renewal approval system for customers who use traditional bank products, like credit lines, credit cards and consumer loans.

For the fifth year running, all these advances led to Bci's Private Banking division being distinguished as the best in Chile by *World Finance Banking*.

In the medium term, the challenges will be to develop an international value proposal, in which Bci Securities will play a complementary role, and design a differentiated digital offering for the different kinds of equity agents, which meets the expectations of the new generations of customers.

Corporate Finance

Corporate Finance advises customers on the design and implementation of solutions to meet their financing requirements, both via debt and capital. It has vast experience with the structuring of syndicated loans, restructuring of liabilities, and financing of projects and acquisitions, among others.

Its financial services include financing structuring in the financial market by issuing corporate and securitized bonds, along with shares by means of capital increases and secondary share sales. It also gives advice on mergers and acquisitions (M&A), valuations and fairness opinions.

Corporate Finance is one of the leaders in the bond placement market, and for project finance structuring in the energy and infrastructure areas.

In 2016, it structured over 20 transactions in the different areas of its expertise for customers in the most diverse industrial sectors.

It has a team comprising business managers renowned for their domestic and international market experience with the different products it offers.

Finance Division

Despite the challenging global and domestic conditions prevailing in 2016, which included unforeseeable international events with a large impact on markets, it was a favorable year for this Division, which achieved a large increase in the business volume with customers in all the businesses and segments. That was the result of the consistency of a customer closeness model, which considers permanent support of the decision-making processes and risk assessments, and the development of value-added proposals.

Further progress attained by Corporate Finance in the year was:

→ It made considerable progress with the diversification of financing sources, attaining large growth in the retail segment. Furthermore, the area increased its presence in foreign markets by inaugurating a new debt issue program, which leverages the financing opportunities in foreign markets more flexibly and faster.

→ The number of operations made through the online platform for direct retail deposits increased 35%.

→ Sales and Corredora de Bolsa had large increases in the business volumes with customers, despite the low growth of the Chilean economy and a drop in investment by companies and their hedging needs.

→ It made large corporate bond transactions for Chilean companies like Cencosud, ILC, Caja Los Andes and Telefónica, which consolidated the area's leading position of the domestic market.

→ In March, and after the respective approvals, Bci Securities formally started to operate, which is the Bank's broker dealer in Miami, executing its commercial plan and providing a financial product offering of international standard.

Treasury

The main tasks of the Treasury area are to manage the Bank's balance sheet and mismatches and it must handle liquidity and the risks of prices, terms, currency and rates inherent to its operations and market variables.

Comprising a team of specialists with renowned experience, this area is in charge of financing the growth of Bci's loans with short- and long-term debt instruments in the domestic and international market.

In 2016, the area read the market correctly, as it anticipated a drop in the long-term debt issue rates, which hit record lows. Likewise, it made the right analysis of inflation, forecasting the drop that occurred in the second half of the year.

For the Treasury area, financial innovation is a core pillar of its operations, so its specialized area continued to work on products and innovative initiatives and solutions for its customers.

Besides this, due to regulatory changes in 2015 (Basel III), in 2016 the area managed to greatly increase the financing diversification via time deposits with a collaborative work process with various areas of the Bank, optimizing the company's profitability and attaining a healthy liquidity financing structure.

Bci Research Department

The Bci Research Department meets various internal and external needs, focused on analysis of the status of the economy and its impact on major financial variables. In general terms, it identifies the main macroeconomic trends, anticipating their most likely evolution in the medium and long term.

Regarding Bank customers, its main objective is to provide fast and specialized advice on economic issues, in an environment that has become more challenging and difficult to forecast. In this context, the Bank's chief economist disseminates the vision of the performance of the economy by means of regular and special reports, and meetings to which he invites customers to analyze the economic scenario and assess the impacts of events on development, highlighting possible new regulations, changes in the international economic scenario or shocks in international financial markets.

In the domestic area, the chief economist's main work is to establish a framework of official forecasts, which is key to the process of establishing certain strategies adopted by the Bank, particularly in the financial market.

In this context, he participates in committees, including the Assets & Liabilities Committee (ALCO). He also provides support to the organization for work involving bond issue roadshows and other public offering instruments offshore, and the organization of Bci's Annual Conference.

Sales & Trading

The Sales & Trading area provides a different and varied product offering to corporate, company and financial institution customers to meet their financial risk hedging and investment needs.

The Sales management defines itself as a provider of financial solutions, meeting the risk hedging and investment needs of customers, with a business model focused on generating long-term relations of trust. To achieve this, it has a renowned team of professionals with wide experience in the financial market, who assure the best execution and experience for Bci's customers.

To provide tailored execution, Sales has flexible, fast and innovative solutions in line with the size and complexity of transactions made by firms in each segment. Its product offering includes currency purchase and sale; currency, inflation and bond forwards; currency options, interest rate swaps (IRS), cross currency swaps (CCS) and various investment alternatives.

The main aim of the Trading management is to provide liquidity to customer flows, maintaining commercial relations with various Chilean and foreign counterparts. Moreover, due to its closeness to and knowledge of financial markets, it supports the commercial areas with risk mitigation and investment strategies, which in turn are a source of new products.

The volatility of financial markets and uncertainty caused by global events with a large impact on the economy in 2016 led the area to establishing permanent customer support as one of its priority management focuses in the year. The purpose of this work was to analyze with companies the repercussions of these conditions on their investment and risk hedging decisions. Based on this and with the collaboration of the research management, in the year the area generated several reports and analyses of the economic situation and executed an ambitious visit plan, numerous training events and continuous conference calls with customers to support them with expert advice.

Wealth Management

The aim of this area, which comprises the subsidiaries Bci Asset Management, Bci Corredor de Bolsa and Bci Securities Inc. is to develop investment value proposals meeting customers' expectations and needs, so the area considers the customer-defined risk profile and investment timeline.

The Wealth Management team determines and manages the investment product and service offering for different kinds of customers, according to best practice and suitability processes. With this aim, it establishes and manages processes by means of investment committees, asset allocation, risk and research. This enables it to align in a single vision the supply, distribution, communications and suitable market timing for the right marketing.

To add value for its customers, in 2016 Bci's Wealth Management area successfully held its second international investment seminar, in which Jay Bryson, Managing Director & Global Economist of Wells Fargo Securities, and Robert Carey, Chief Market Strategist of First Trust Advisors LP, gave their vision of the challenges for the United States regarding the presidential elections.

In March, June and November 2016, three workshops were held, in which the keynote speakers invited were Máximo Pacheco, Minister of Energy, who presented the energy policies in Chile; Alfredo Moreno, former Minister of Foreign Affairs, who gave a presentation on political changes in Latin America, and Jorge Burgos, former Secretary of the Interior and Vice-President of the Republic, who shared his political vision of Chile regarding the forthcoming presidential elections. With these presentations, Bci Wealth Management continues to position itself as a benchmark on investment advisory and management services, arousing particular customer and investor interest.

Major financial deals in 2016

March - 2016
EMPRESAS SOCOVESA
UF1,519,803
CCS UF - CLP

March - 2016
SALFACORP
UF2,433,727
CCS UF - CLP

June - 2016
hites
S/32,860,000
PEN - CLP

July - 2016
NUEVOPUDAHUEL
UF2,719,473
CCS CLP - UF

July - 2016
NUEVOPUDAHUEL
Ch$71,000,000,000
IRS CLP

September - 2016
Caja Los Andes SOMOS CChC
Corporate Bond Issue
O Series
Ch$31,320,000,000
Bci CORPORATE & INVESTMENT BANKING
Lead Financial Advisor and Book Runner

September - 2016
Telefónica
Corporate Bond Issue
K Series
Ch$94,410,000,000
Bci CORPORATE & INVESTMENT BANKING
Lead Financial Advisor and Book Runner

October - 2016
Santander CONSUMER FINANCE
Corporate Bond Issue
B Series
Ch$39,641,000,000
Bci CORPORATE & INVESTMENT BANKING
Lead Financial Advisor and Book Runner

November - 2016
Corporate Bond Issue
F & H Series
CLP52,440,000,000
UF1,000,000
Bci CORPORATE & INVESTMENT BANKING
Lead Financial Advisor and Book Runner

November - 2016
cencosud
Corporate Bond Issue
P & R Series
CLP52,000,000,000
UF5,000,000
Bci CORPORATE & INVESTMENT BANKING
Lead Financial Advisor and Book Runner

November - 2016
SQM THE WORLDWIDE BUSINESS FORMULA
UF2,000,000
CCS UF-USD

November - 2016
IANSA
US$11,500,000
CCS CLP-USD

December - 2016
TEN UNA EMPRESA RED ELÉCTRICA INTERNACIONAL Y ENGIE
UF1,311,373
CCS CLP-UF

2016
PARQUE TITANIUM
UF3,226,043
CCS UF-CLP

Transparency

Transparency is a key element of Bci's customer strategy, so it is a necessary condition to generate trusting and long-term relations which is the aim of this model. That is the reason why the Bank has decided to develop it as an essential part of its identity and establish it as a renowned feature of its value offering.

In the last few years, Bci has driven this work through a program whose pillars are information, education and advice. Such plan considers action and initiatives that are mainly aimed at facilitating comprehension of the bank services, promoting the responsible use of these products and increasing the access of people and entrepreneurs to the financial system.

Pillars of Bci's Transparency Program

Information

Education

Advice

In 2016, Bci's transparency work was mainly focused on financial education. The main initiatives driven in this area were:

Financial Education Program for Banca Nova Customers

This plan was developed considering the same three pillars of the corporate program and included the definition of the transparency pledge for Banca Nova. To develop content especially tailored to the information, education and advisory needs of customers of this banking area, Bci convened working groups with employees who serve Bci Nova for them to propose their requirements. Likewise, it analyzed the most common types of complaints about such banking area, which enabled a program to be designed focused on aspects like the NIBD description, promoting the good use of financial products and the comprehension and implications of debt.

This plan envisaged the following action:

- Audiovisual series *"Pesos Más, Pesos Menos"* (More Pesos, Fewer Pesos), which shows how a family resolves its doubts about financial issues as part of its daily routine. It is necessary to add to this the publication of all this information on this banking area's website.
- 15 permanent financial education stands in the same number of Nova branches from Antofagasta to Puerto Montt. They are self-help modules, with which customers can access the *Con Letra Grande* (In Uppercase) website and where they can find leaflets to resolve their doubts about financial issues.

Con Letra Grande

This platform was created in 2013 with the aim of helping people to understand bank services better and facilitate the access of non-bankarized sectors to the financial system. This platform, which is now the name of Bci's global financial education program, aims to massify messages and make them transversal by including content in four different query formats.

Chat program

They are hosted by Bárbara Rebolledo and Daniel Stingo, and invite experts.

Online series

They seek to attract the mass public. There are seven, one of which is *Pesos Mas, Pesos Menos*, created in 2016.

Financial dictionary

This includes the terms and concepts most searched for, according to Bci's studies.

Financial education master classes

Module on safe investments.

In 2016, the main innovation made to this channel was reducing the maximum time of the series and programs to 10 minutes and their segmentation into blocks (three blocks each), which enabled this content to be viewed completely and to be focused on more specific concepts. This change led to an increase in the number of visits and the time on the platform.

Towards the end of the year, a campaign was also developed to disseminate the platform even more through the social networks, digital media and radio advertising.

In terms of content, besides the development of specific material for Banco Nova, a module was developed on safe investments to teach the community to detect fraudulent consultancy and investment companies.

1,114,940

Number of visits to the website www.conletragrande.cl in 2016

3 minutes

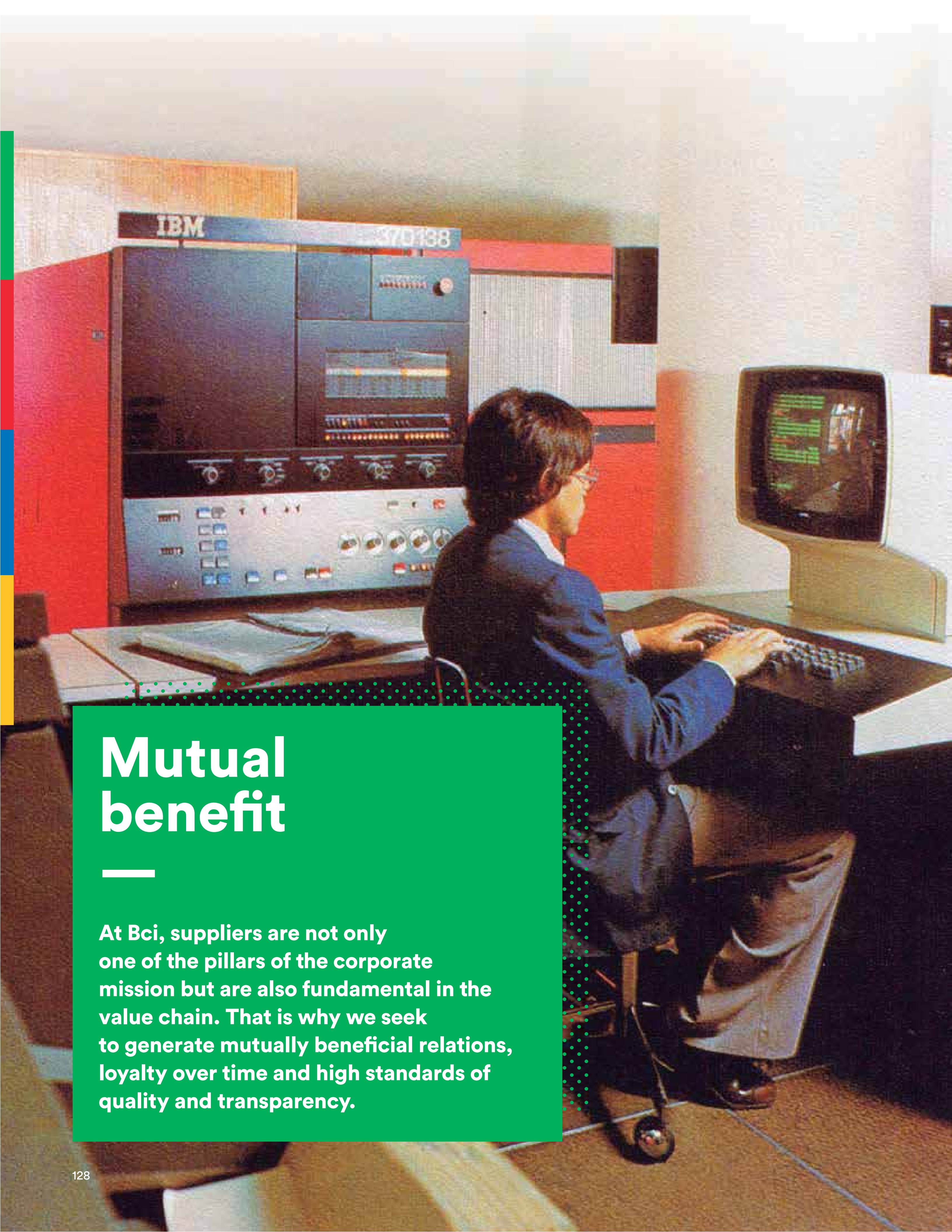
is the average visit time

3,533,521

playbacks of *Con Letra Grande* content on YouTube in 2016

Other transparency initiatives developed by Bci in 2016

Participation in the financial education fair	As every year, Bci was present in this activity organized by the SBIF in October. On this occasion, the presentation consisted of a talk by the Banco Nova CEO on responsible debt and the good use of financial products.
Educational publications	In 2016, the *Con Letra Grande* program was present in various regional and national media through the publication of supplements and providing special content.
Financial education for employees	As part of a transversal initiative in the banking sector, Bci started to work on a special financial education program targeted at its own headcount. The initiative consists of an interactive game that seeks to promote responsible debt and saving.
Talks for companies and bodies that are customers	These talks are part of the value proposal given by the agreement management to its customers. The executives of this unit give them and they match the content of the *Con Letra Grande* program. In 2016, there were 203 talks in total, 95% of which were focused on responsible debt and the remaining 5% on mortgage and investment topics.



Mutual benefit

At Bci, suppliers are not only one of the pillars of the corporate mission but are also fundamental in the value chain. That is why we seek to generate mutually beneficial relations, loyalty over time and high standards of quality and transparency.

11— Supplier Experience

At Bci, suppliers are not only one of the pillars of the corporate mission but are also a key element in achieving the business objectives.

In this context, the Bank seeks to build long-term mutually beneficial relations with these strategic partners, based on trust, efficiency, service quality and regulatory compliance.

This strategy is undertaken by means of a supplier experience plan, a program based on the Bank's customer experience model and whose actions and commitments are underpinned by four core pillars.

Long-term mutually beneficial relations

- → Payment of invoices in less than seven days.
- → Permanent training and listening to suppliers
- → Good practice and purchase process control.

Transparency

- → Equal opportunity.
- → Explicit rights and duties.
- → Whistleblowing channel.

Recognition

- → Outstanding Supplier Award.
- → Outstanding External Employee Award.

Contactability and feedback

- → Supplier website.
- → Communication channels.
- → Supplier satisfaction survey.

In 2016, Bci made large changes and innovations to its supplier management model to give it a much more significant value capture vision in the Bank. To such effect, one of the first decisions made by the Bank was to move the procurement management from operations management to that of financial planning and control.

With the aim of adding suppliers to the Bank's value chain and aligning management to the Bank's strategy, a purchase plan was developed focused on:

- **Digital transformation support**
- **Continuous improvement and innovation in the purchase processes**
- **Internal control**
- **Productivity and efficiency**
- **Collaborative work and contactability**

Due to the focus of its related initiatives and all these pillars, the most important from the sustainability standpoint were collaborative work and contactability and internal control. The main innovations developed in the year for both pillars were:

Internal control	**Creation of procurement governance:** This will safeguard compliance with the policies and regulations on the procurement process, supplier administration, control of outsourced services and enhancement of sustainability criteria in the development of long-term relations.
	Procurement Policy Update: This document sets out the guidelines regulating the way of executing the procurement of products and/or services to establish a management style that assures objectivity, transparency and excellence in the process, along with the optimization of the resources allocated.
	Policy Update on Operations with Related Parties: This document regulates how operations are undertaken with related parties, assuring regulatory and legal compliance, and safeguarding Bci's independence and the transparency of the process.
	New Supplier Monitoring Regulation: This outlines how to control and follow up on suppliers by monitoring the critical variables that assure compliance with the commercial agreements, legal requirements and financial conditions to thereby mitigate the operational and continuity risks.
Collaborative work and contactability	**Supplier Contactability Plan:** This enables the Bank to anticipate the needs of internal customers, to enhance the supplier offering and promote listening and innovation.
	Procurement and Supplier Data Management: This will help to build a unique database for this.
	Creation of the Supplier Control and Monitoring Unit: This aims to enhance this follow-up function.

Invoice payment time

2015 through 2016 the Bank managed to reduce the average number of days for paying supplier invoices from 3.8 to 1.9 days. This was recognized by the Economy Ministry, which renewed the *Sello ProPyme* (Pro-SME Distinction) for one year. This recognition is given to those companies that pay their smaller supplier invoices in less than 30 days.

Suppliers' Day

Considering the great interest expressed by potential and current suppliers of the Bank, in 2016 the corporate procurement management established Suppliers' Day, whose objective is to enhance Bci's ties with its suppliers, add new products and services, promote profitable innovation, and identify and leverage value creation opportunities.

To achieve this, every month the corporate procurement management prepares an agenda of presentations for suppliers and representatives of the main managements of the Bank, which can see the positive impact on their value offering by hiring the products and services presented in this activity.

From the supplier standpoint, this is a great opportunity to increase the customer portfolio, reach good commercial agreements and enhance their relations with the Bank.

Six meetings were held in 2016, with the participation of over 29 suppliers and employees representing multiple managements, and the Bank managed to add new suppliers to the current portfolio and hire innovative solutions.

Supplier satisfaction survey

Based on all the work done throughout 2016, the satisfaction survey the Bank gives all its suppliers resulted in an overall satisfaction level with the Bank of 92.5%. That was a 3.5% increase on the previous year.

The supplier satisfaction survey is conducted twice a year and its aim is to get the insight of these strategic partners on the work Bci does for all those issues that impact or concern them.

The survey questions are divided into three areas: recommendation level, problem rate and satisfaction with Bci. The latter includes queries to assess attributes like providing timely replies or honoring promises, along with a section specially designed to appraise the purchase and payment procedures.

It should be highlighted that in the first of the two surveys conducted in 2016 the Bank obtained a satisfaction rate of 100%.

Overall Supplier Satisfaction with Bci

2014	2015	2016
91%	89%	92.5%

Number of Bci Suppliers by Sector*

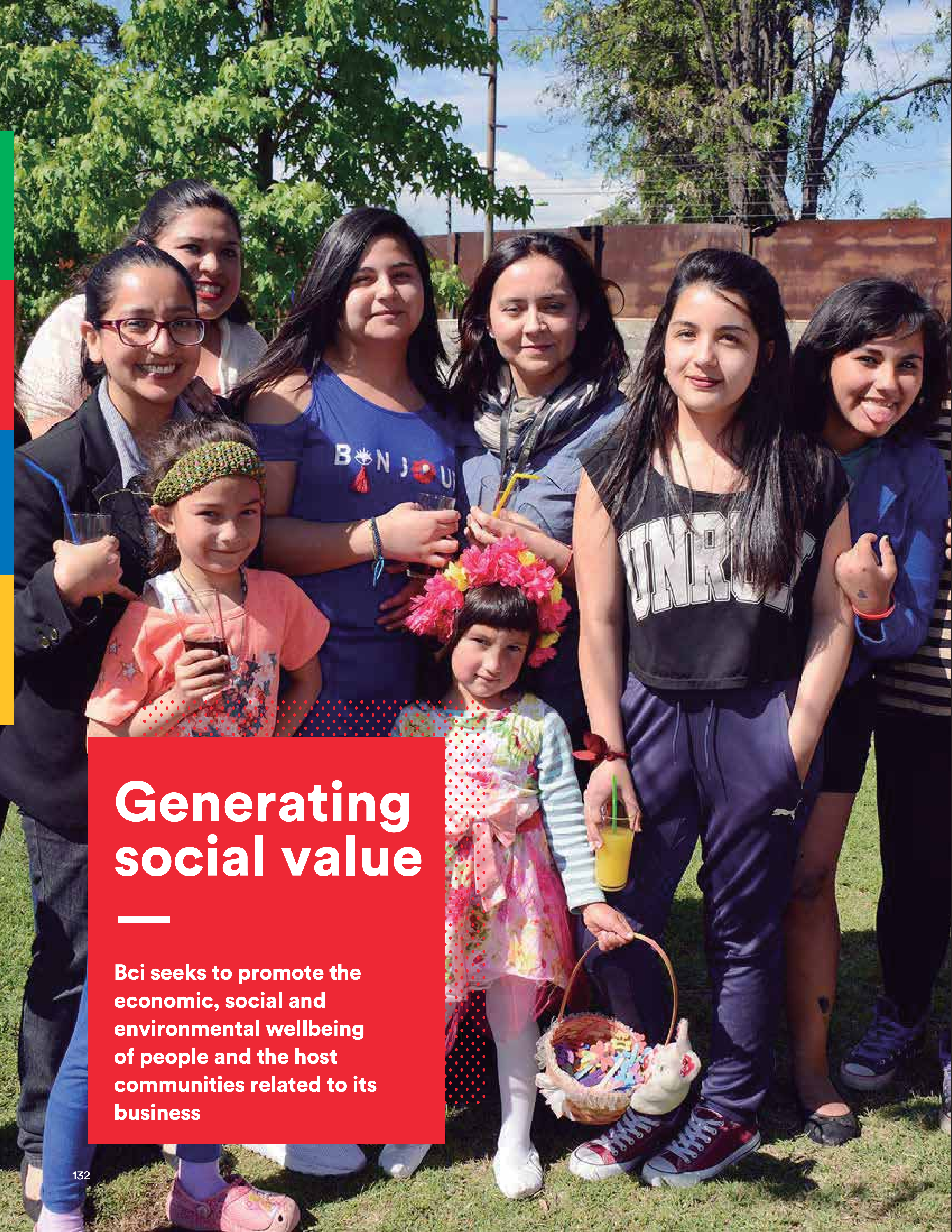
Sector	Number of suppliers
Real estate	592
General	223
Technology	208
Marketing	201
Operations	160
Total	**1,384**

* These figures exclude the suppliers of subsidiaries.

Number of Bci Suppliers by Nationality*

Origin	Number	Percentage of the total
Chilean suppliers	1,348	**97.3%**
Foreign suppliers	36	**2.7%**

* These figures exclude the suppliers of subsidiaries



Generating social value

Bci seeks to promote the economic, social and environmental wellbeing of people and the host communities related to its business

12— Community Commitment

Corporate citizenship strategy

In 2016, after conducting studies on the new brand consumer needs and demands and analyzing the Bank's positioning on community contribution, Bci decided to redesign the work it undertakes in this area, one of the four pillars of the corporate mission.

To address a set of social issues that might have a direct impact on the country's development in the future, the Bank defined the following work areas:

Likewise, this internal regulatory framework reformulates the processes and roles of the application system and access to corporate contributions to give this structure a systemized, collaborative and corporate nature.

In the case of donations and sponsorship, it establishes a flow that starts with entry of an application through the Bank's website and continues with an internal assessment of the requirement on a decision matrix and ends with the approval of the request by the Executive Committee. Once confirmed, the project must be put in place, communicated and assessed in the terms agreed on and always under the oversight of the corporate affairs and sustainability management.

Management in 2016

In 2016, simultaneously with the work of defining the new corporate citizenship strategy, Bci continued to develop most of the programs of its community management in the last few years and which are focused on supporting vulnerable groups, the contribution to the development of education, promotion of culture and the corporate volunteer.

With these initiatives, the Bank complements the material social contribution its own financial activities make to society in terms of access to loans, saving and investment, and driving local and national economic growth.

Support of Senior Citizens and Children at Social Risk

Corporación Crédito al Menor (CCM)

CCM is a charity created in 1993 from an initiative by Bci's own employees to take in girls and teenage girls whose rights have been seriously violated and who do not have a protective family environment. Its mission is to play a transitory caregiving role while it works to attain the full social and family integration of minors by means of social policies and specialized programs. To such effect, it has the Villa Jorge Yarur Banna, a home in the district of La Pintana and which over 23 years has taken in more than 500 girls of six to 15 years old.

As every year, throughout 2016 the Bank organized a broad program of activities and campaigns to help the girls taken in, all of which had the ongoing participation of employee volunteers. These initiatives included recreational days, educational workshops and campaigns to collect school materials and gifts. The most important were:

→ **"Help me to increase my grades" workshops:** These were held April through November and envisaged reinforcement classes given by volunteers of the Bank.

→ **Festivities:** During the year "Children's Day," the Independence Day Celebration, Christmas and anniversary number 23 of Villa Jorge Yarur Banna were celebrated.

→ **Donation of computers:** In March, the technological continuity management donated and installed computers in the computer room of Villa Jorge Yarur Banna.

→ **Visits to Bci branches:** These programs were undertaken in July and December. During the visits, the CCM girls got to know the Bank's facilities.

Partnership with *Fundación Las Rosas*

The mission of *Fundación Las Rosas* (FLR) is to take in, feed and support poor senior citizens. Bci entered into a co-operation program with this institution in 2007, whose aim is to make society aware of the value that senior citizens can provide. Since then, as part of this partnership the Bank has driven a series of support activities and campaigns that have gained large social visibility and participation.

In 2016, the Bank decided to redesign this work to focus it on those programs that assure value generation for the Foundation. The work was on the aim of increasing the number of members of the institution and raising its collection levels. In that context, the Bank increased its contribution to the annual collection of the FLR, financing part of its marketing campaign, by raising its direct contribution of Ch$250 million by Ch$50 million.

At the same time, groups of volunteer from two branches and the corporate headquarters continued to do voluntary work in some of the homes of the Foundation in Santiago.

Education

Enseña Chile

Based on the Teach for America model, the *Enseña Chile* program motivates professionals, who have just graduated in different careers, to work as teachers for two years in vulnerable urban and rural schools in Chile. With the mission of building a movement of leaders committed to the quality of education who help to reduce the educational divide, the aim of this institution is to develop a network of change agents, who firstly have an impact on the educational system in the classroom and then in different areas of professional development.

By the end of 2016, *Enseña Chile* had 166 professionals in the classroom and 286 school leavers. The scope of this activity covers 96 schools in the Tarapacá, Metropolitan, Valparaíso, Bío-Bío, Los Ríos, La Araucanía, Los Lagos and Aysén regions, which is a universe of 26,500 beneficiary pupils.

Bci has collaborated with this program since 2009, giving an annual donation, sponsoring some of its events and participating on its Board.

Culture

Collection of Chilean Paintings

At its corporate headquarters Bci has a valuable art collection that includes a set of pieces of silverware, ceremonial handicrafts of the Mapuche culture, a collection of sculptures and 70 paintings by the most renowned Chilean painters of the last two centuries. These paintings include works by Pedro Lira, Roberto Matta, Arturo Gordon, Alberto Valenzuela Llanos, Claudio Bravo and Juan Francisco González, and those by Marta Colvin and a pre hispanic cloak of the Nazca culture.

This art collection started in 1940 upon the request of Juan Yarur Lolas and is now one of the most important in Chile.

Regarding this and due to the Bank's interest in disseminating and promoting artistic creation in the country, since 2007 the Bank has held guided tours so the community can get to know and appreciate this collection. Besides these visits, there are special tours as part of the activities of Chile's Cultural Heritage Day.

In 2016, Bci conducted seven guides tours, plus that of Heritage Day celebrated on May 29. Altogether, 109 people went on these tours and they evaluated the initiative with an average grade of 6.7.

To massify knowledge of this collection, in 2016 the Bank launched a special dissemination campaign on the social networks, which included a 3D video with detailed information of the works.

In the year, the Bank also created a restoration workshop at its building in Huérfanos street, where two expert professionals work and who are in charge of maintaining the pieces in good condition. A total of 23 works were restored during the year.

Employee volunteers

In 2016, various teams of employee volunteers worked to help with the initiatives and programs:

→ ***Corporación Crédito al Menor:*** The highlight in the year was employee participation in the "Help me to increase my grades" workshops as refresher school teachers of the girls taken in by the CCM. A total of 33 volunteers worked as teachers in the eight courses of this kind organized in the year.

278 volunteer employees participated in various activities in 2016, giving 12,788 hours of voluntary work, a record in the 23-year history of CCM.

→ ***Fundación Las Rosas:*** In 2016, volunteers from Bci Factoring and the subsidiary Normaliza sponsored the Santísima Trinidad Home of this institution, which takes in 100 senior citizens. As part of this commitment, throughout the year employees drove a series of recreational activities and collections. The highlights of these initiatives were:

Visit on Mother's Day: Gifts and donations were given to the 86 grandmothers of the home. The celebration was with cakes, cookies and juices.

Visit on Father's Day: The 14 grandfathers in the home received gifts and toiletries.

Independence Day Celebration: There was a performance by the folklore group Trinos Urbanos, comprising Bank employees.

Christmas Celebration: There was a party with gifts, Christmas carols and music.

Around 18 employees from both units actively participated in all these initiatives.

Partnership with *Fundación Pro Bono*

350

employee volunteers participated in various initiatives.

13,652

hours of voluntary work in 2016

Fundación Pro Bono is a non-profit organization that seeks to facilitate and organize voluntary and free legal services for poor people, vulnerable sectors or groups, social organizations and associations that promote causes of collective public interest. Bci signed a strategic partnership with this institution in 2015, pursuant to which attorneys from Bci's legal department committed to providing comprehensive legal advice to two organizations that promote enterprise: Banigualdad and Asociación de Emprendedores de Chile (ASECH).

In 2016, the participation of Bci's legal teams in Pro Bono programs was extended to a series of further initiatives, highlighting the following:

→ A talk given by a woman attorney of Bci to social entrepreneurs in Antofagasta.

→ Guidance to foundations on changing their by-laws to become B Companies.

→ Participation in the "Attorney Delivers" project, a Twitter account through which Pro Bono provides information on legal issues.

→ This work was also complemented with the ongoing legal advice given by Bci's attorneys to Corporación Crédito al Menor.

The work of this team was recognized at the end of the year with the "Most Outstanding Legal Department of the Year" award, given by Pro Bono to Bci in recognition of the work and contribution made by its professionals in all the activities undertaken by the Foundation in 2016.

Municipal innovation

In 2016, the UC-Bci Municipal Management Incubator, created under the strategic partnership signed by the Bank and Centro de Políticas Públicas (Public Policy Center) of the Catholic University to improve the work of municipalities, held its third public innovation competition.

With the concept of "Walking City," this new version asked the community to propose ideas to improve the pedestrian experience in the city and that promote this practice.

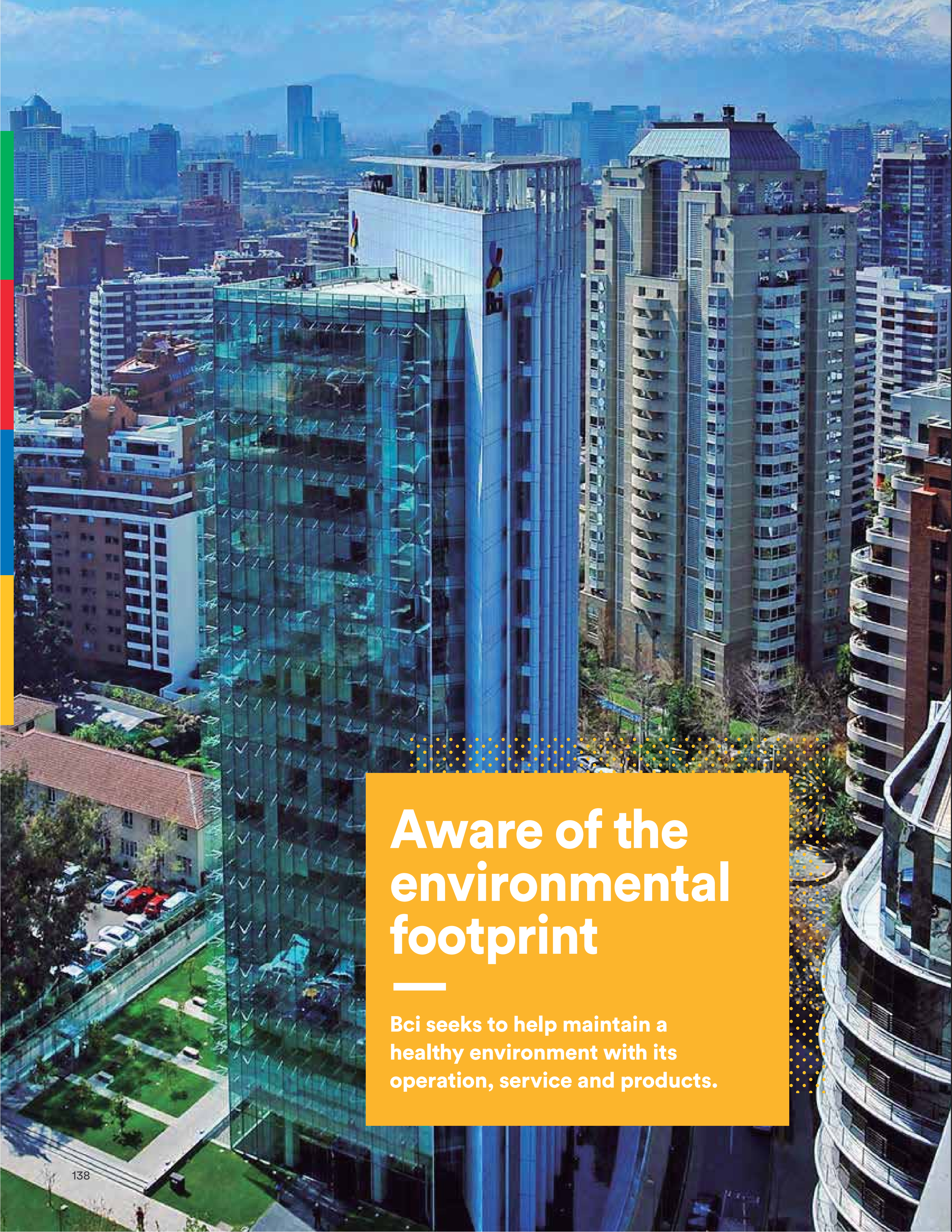
The competition had 598 entries from all the regions in the country and 10 finalist entries were selected that had to be presented to a panel of judges. First place in this third public innovation competition went to the project "Dad, let's walk," an initiative that aims to transform sidewalks into areas of challenges and games to promote sport and physical activity from early childhood.

This proposal will be implemented in the district of Buin and will receive Ch$6 million for its execution.

Social contribution

The donations made by Bci through its social, educational and cultural activities amounted to:

Area	Amount
Donations to education	657,808,753
Donations to culture	1,868,914,090
Social donations	663,256,000



Aware of the environmental footprint

Bci seeks to help maintain a healthy environment with its operation, service and products.

13— Environmental Commitment

Environmental approach

Bci manages its environmental performance under a corporate approach whose main focuses are: sustainable operation, products and services, and action awareness building.

The Bank has defined priority work lines for each of these pillars, along with follow-up systems and achievement targets.

Sustainable operation

- → Energy efficiency
- → Sustainable construction
- → Carbon footprint
- → Waste management

Products & services

- → Development of financing lines for NCRE projects
- → Generation of analysis tools and socio-environmental risk assessment

Action awareness building

- → Encourage employees to adopt sustainable habits by means of awareness initiatives
- → Inform the main stakeholders of the environmental performance

In 2016, the Bank's environmental work was mainly focused on developing its energy efficiency program, undertaking employee awareness building initiatives and systemizing its waste management and recycling processes.

Energy efficiency

One of the Bank's main achievements in this area in 2016 was securing certification for the headquarters at El Golf 125 according to ISO 50001. This certification guarantees that the energy performance of this facility is duly monitored and in a continuous improvement process, with clear objectives, targets and action plans by year (further details in the table). This milestone made Bci the first Chilean banking institution to have certification of this kind and it is a benchmark among large-sized companies in the country.

The certification application process entailed a major investment for Bci in installing monitoring systems for those points identified as of major energy use in the building's energy grid. The Bank expects this effort to lead to a more efficient energy performance in the short term, and hence a cost reduction that could be around 4% or 5% a year.

This standard will also compel the Bank to require suppliers to comply with environmental standards, so it is also a large drive to incorporate good environmental practice in all the value chain. This principle is in fact embedded in the energy policy made for the headquarters under ISO 50001, one of whose key points is the need for the organization to "support the purchase of energy-efficient and designed products and services to improve the energy performance."

Advantages of ISO 50001

- → It will improve Bci's energy performance.
- → It will generate energy performance indicators.
- → It will drive the continuous improvement of the knowledge of people involved in the processes.
- → It will help to attain more efficient resource consumption.
- → It will enable the implementation of new energy efficiency technologies to be assessed and prioritized.
- → It will provide an energy efficiency framework through the supply chain.

Energy consumption in 2016

Bci's main energy challenge is to reduce its annual power consumption on that in 2012 by 10% by 2020.

To make progress with this strategic objective, the Bank designed a schedule with specific progressive targets to achieve by year during the time of this program.

Year	Target kWh/m^2/year	Real kWh/m^2/year
2012	158.00	158.00
2013	156.03	146.00
2014	154.05	132.00
2015*	152.10	149.52
2016	**150.10**	**142.34**

* Change in the calculation methodology.

Intensity of energy use by year (kWh/m^2/year)

146	132	149.5	142.3
2013	2014	2015	**2016**

The measurement of the kWh/m2/year considers the real consumption of the buildings and branches that have electricity accounts with the power companies Chilectra, CGE, CONAFE, EMEL, Chilquinta and SAESA.

Energy efficiency programs

The definition and follow-up of energy efficiency programs driven at corporate level is the responsibility of the Bci Energy Efficiency Committee. In 2016, as part of the implementation of ISO 50001, this body added new people responsible from areas and gave the energy agent attributes to progress more efficiently with the design and development of projects.

This body set a target for 2016 of reducing the Bank's energy costs by Ch$140 million, which was greatly surpassed due to deploying numerous actions and measures, highlight the following:

→ The incorporation of the management model based on ISO 50001 at the headquarters reduced energy consumption in that facility by 2%.

→ 3,915 LED lights were installed in 43 branches. This reduced the installed lighting power by 74%.

→ The energy optimization program in peak hours (after 6 p.m.) considerably reduced the air conditioning consumption in non-working hours.

→ The Bank completed the program of replacing luminous signs with LED panels. This generated large energy and economic savings for Bci.

→ Energy monitoring of corporate buildings: This program currently covers the buildings in Huérfanos 1102 and El Golf 125. Following up on energy consumption enabled the Bank to identify those facilities that are noncompliant with the efficiency standard defined and set consumption metrics per square meter.

→ Online energy control: This is a monitoring and control system to remotely control the power consumption in branches and buildings. It started as a pilot project in 2016 with a range of 30 branches. In practical terms, from a base station it can de-energize the lighting, the luminous signs and air conditioning in the service branches, when this is necessary.

Bike parking racks

An indirect way of helping to reduce the Bank's energy and emissions footprint is to motivate employees to use bicycles as a means of non-contaminating and healthy transportation.

To such effect, the Bank has implemented numerous bike parking racks at different facilities and corporate buildings. In 2016, demand for these racks was so great that Bci had to increase the installation rate for new bike parking racks and order its access and reservation systems.

Hence, at the close of the year the Bank had bike parking racks in seven buildings with 393 places available, an increase on the 235 in late 2015.

Bci's Bike Parking Racks	
Building	**Quantity**
Huérfanos Building	152
Alcántara Building	67
Call Center Building	32
El Golf Building	80
Bci Nova	32
Vitacura Oriente	24
Subsidiaries Building	6
Total at the close of 2016	**393**

Awareness campaigns

To make employees aware of the benefits of the efficient use of energy, Bci launched a campaign in all its corporate buildings on March 5 as part of the celebration of World Energy Efficiency Day.

The specific objective of this initiative was to inform the headcount about the energy efficiency programs being executed and at the same time give useful saving and efficiency recommendations for the workplace and at home.

The campaign involved a tour of an informative stand in the El Golf, Alcántara, Huérfanos and Call Center buildings. In the latter case, a special dissemination program was also developed for the 500 employees of the Call Center about the importance of energy efficiency in the workplace and at home.

Bci also carried out a similar awareness initiative for the celebration of Earth Day, a global initiative developed to create awareness about the need of taking care of the environment.

Sustainable construction

In the context of its energy efficiency program and in line with its environmental approach, for some years Bci has also been driving the concept of "sustainable construction"[3] as a corporate policy.

Based on construction principles that aim to reduce the environmental footprint of new works, among other areas this model gives priority to the use of renewable energy, water consumption management, energy efficiency, the environmental quality in interiors and management of materials and resources.

With that approach, in 2014 the Bank secured Leadership Energy & Environmental Design (LEED) certification for the corporate buildings of Alcántara 99 and Huérfanos 1102, under construction at that time. Such facilities were in addition to Bci's Vitacura branch, which already had that certification and later also secured Passiv Haus energy efficiency certification. This guarantees that the facility has a low energy demand for heating and refrigeration, and a hermetic construction that prevents the escape of energy, among other aspects.

In 2016, the energy saving of this unit, calculated regarding the average consumption of Bci's branches in the Metropolitan region, was 5,130 kWh, a 13% cost saving.

Energy consumption saving at the Vitacura Branch

5,130kWh

Energy Consumption Saving of the Vitacura Branch			
Year	Energy saving	Tons CO_2 equivalent	Saving
2014	7,558 kWh	2.96	17%
2015	6,450 kWh	2.61	14%
2016	**5,130 kWh**	**2.10**	**13%**

Materials, waste and recycling

In line with its objective of reducing the Bank's environmental footprint, Bci is driving a series of initiatives to manage the waste from its activities in an increasingly more specialized way.

The main waste produced by the Bank, besides paper, is cardboard, generator batteries, fluorescent tubes, glass, plastic and electronic equipment. There is also organic waste from the franchised cafeterias of the Bank and which since 2015 also have a treatment system. The following was some of the work undertaken in this area:

Paper

Bci has set itself a target of gradually reducing the consumption of this material and bolstering its related recycling program. In 2016, the Bank used 67,566,500 sheets of paper, equivalent to 1,225 tons. That was higher than the total of 1,069 tons used in 2015.

This material is recycled in two ways:

Fundación San José has its own containers in the Alcántara, El Golf, Huérfanos and Bandera buildings. The Bank gives this material to this institution for it to sell it and thereby receive income. The Bank delivered 38,448 kilos of paper to *Fundación San José* in 2016.

Paper Consumption		
Year	Tons	Nº of Sheets
2014	1,070	59,679,950
2015	1,069	58,970,241
2016	**1,225**	**67,566,500**

[3] This is a standard for the construction of housing and office space, which seeks to maximize and take advantage of solar energy to get an air conditioning system that reduces energy consumption and maintains maximum interior comfort.

Bci also operates paper recycling with the company Rembre. This firm has four own containers in the Bandera 341 and Huérfanos 1102 buildings, in which it receives paper, cardboard, plastic, glass, aluminum and tin. Its service also includes holding employee awareness courses at each facility where it implements its recycling point. These talks are on the benefits of recycling and are considered key to make the programs sustainable. In 2016, 15 people of the Bandera building and a further 10 people of the Huérfanos building participated in these activities. The Bank's challenge in this area is to carry on expanding the coverage of these recycling points to other facilities and to enhance the related dissemination programs.

Material Recycled by Category	
Material	Volume
Paper	**38,448 kilos (between *Fundación San José* and Rembre)**
Cardboard	**7.5 kilos (only at three stockpiling points)**
Plastic	**56.9 kilos (only at three stockpiling points)**

Generator batteries

Bci's maintenance area has a regulated system for the treatment of this equipment that includes collection and final disposal. The Bank's objective in the medium term is to extend the coverage of this program to the rest of the corporate facilities under an overall waste management system.

Electronic waste

In 2015, the Bank's IT area launched a program to treat unused technological equipment. The objective of this initiative was to establish a management system with procedures, flows and formal roles to guarantee with the corresponding certificates the right disposal of obsolete equipment or reuse of that still operative. The program operates with a certified supplier and material reception targets.

Organic waste

Bci and the franchisee of the corporate cafeterias have developed a plan since 2015 for the handling and subsequent disposal of solid and liquid waste generated at those facilities. The following is the work done in both areas:

- **Solid waste:** Firstly the remains of tableware and cardboard, among others, are separated according to their organic waste category. They are then stored in a stockpile container and removed by an external company that takes them for final disposal at authorized facilities. This flow is undertaken daily.

- **Liquid waste:** These are those generated by the use of vegetable oils. They are stored in closed and labeled drums and later removed by an authorized external company to execute their recycling process.

Business with an environmental focus

In its value offering Bci includes services to promote environmental enterprise and products designed to generate a favorable environmental footprint.

In the former of these categories there are financing lines granted by the Large Company and Real Estate Banking division for medium-sized non-conventional renewable energy (NCRE) projects. This segment comprises initiatives ranging from three to 60 MW of power, which include run-of-river hydroelectric power stations and wind farms.

Commensurate with its environmental commitment and the country's strategic decision to bolster the development of clean energies, Bci will continue to enhance its support of this kind of enterprise.

In the retail area, the Bank also has the carbon neutral credit card. This product enables customers to make a direct contribution to fighting climate change, by exchanging "Eco Points" that purchases with this card accumulate for packs of carbon tons. The objective of these resources is subsequently to finance projects that reduce greenhouse gas (GHG) emissions or capture such emissions by means of reforestation.


Bci
6852

14—
Appendices

Report scope and methodology

This is Bci's second Integrated Annual Report. The information it contains outlines the corporate performance January 1 through December 31, 2016.

The Financial Report in this document was drawn up in accordance with the guidelines and requirements of regulators. The Information on sustainability was developed according to the G4, essential option, guidelines of the Global Reporting Initiative (GRI).

The results and indicators included in this Annual Report were gathered by the Bank's respective areas using standard measurement techniques and standards. To facilitate comprehension of this content as the result of the organization's continuous improvement, some of the 2016 performance indicators are also complemented with data from previous years.

On this occasion, the Bank decided not to submit this Integrated Annual Report to an external assurance process.

Materiality

To align the content of this Annual Report to the expectations and information needs expressed by stakeholders, Bci developed a materiality process according to the guidelines of the GRI G4 and whose execution considered the following work phases:

Identification

To identify the material aspects, the following internal and external sources were consulted and reviewed:

→ Norms, regulations and corporate codes.

→ New laws governing Bci's activity.

→ Satisfaction survey and comparative market studies, along with the most frequent types of complaints received by the Bank.

→ Benchmarking with sustainability reports and integrated annual reports of Chilean and international financial institutions.

→ The presence of the Bank and the financial industry in general in the national and international press and media in 2016.

→ Results of the organizational climate surveys conducted in the year.

→ Employee survey conducted as part of the Bank applying to the PROhumana ranking of the Socially Most Reponsible Companies in Chile 2016.

→ Value pulse survey 2016 on Bci's business ethics management model.

→ Corporate transparency ranking 2016.

→ Supplier satisfaction survey 2016.

→ Interviews of the Bank's executives: this considered in-person meetings with 35 executives of the Bank, including managers and heads of the Bank's strategic management areas.

This work enabled the Bank to draw up a list of the 45 performance aspects related to the five management areas of Bci's sustainability model: corporate governance, customer experience, employee experience, suppliers and corporate citizenship.

Prioritization

In this stage, the 45 material aspects established in the identification process were submitted to a digital survey in which 500 suppliers participated. This choice was due to the Bank's interest in enhancing a long-term relationship with such segment of stakeholders based on mutual knowledge and reciprocal development. The objective of this survey was to determine the degree of importance this stake holder places on each of the areas of Bci's management to consider them in the Annual Report with the corresponding level of depth and scope.

Validation

As the last step of this materiality exercise, the results of the online survey were crosschecked with Bci's strategic vision and the vision of the corporate affairs management, the area in charge of sustainable performance. This made it possible to identify the three aspects that should be given priority in the Annual Report for each of the Bank's strategic areas. This ranking is shown in the materiality table below:

Most material aspects identified by stakeholders in each management area
(The percentage of total mentions of each issue is shown in brackets)

Corporate Governance	1 Corporate transparency (62.03%)
	2 Ethical management, regulatory compliance and anti-corruption (56.96%)
	3 Information on ownership and governance organs (40.51%)
Customers	1 Customer experience (service model and quality) (74.68%)
	2 Innovation of products and services (digital transformation) (60.76%)
	3 Privacy of customer data and IT offense prevention (55.70%)
Labor Practices	1 Work climate (51.90%)
	2 Talent attraction and retention (37.97%)
	3 Human resources strategy (objectives and action focus) (35.44%)
Suppliers	1 Transfer of good practice (60.76%)
	2 Payment practices and process efficiency (60.76%)
	3 Supplier management approach (54.43%)
Community	1 Initiatives to add value to the community (73.42%)
	2 Products and services targeted at less favored groups (59.49%)
	3 Community relations approach (objectives and focus) (54.43%)
Environment	1 Energy efficiency (65.82%)
	2 Environmental awareness and training (50.63%)
	3 Environmental investment (45.57%)

Global compact

This is a global initiative created by the United Nations in 1999, whose objective is to ask companies to embrace ten universal principles on human rights, i.e., labor regulations, care of the environment and anti-corruption (see the table below).

Since adhering to the Global Compact in 2007, Bci has had active and important participation in the Chilean Global Compact network. As part of this contribution, in the 2010-2011 period, Bci CEO Lionel Olavarría chaired it and he is now on the board of the institution as past president.

This Integrated Annual Report is also the Communication on Progress (CoP) report the Bank is bound to publish yearly as a signatory company of the Global Compact.

Human Rights

Companies should support and respect the protection of internationally proclaimed human rights.

Make sure that they are not complicit in human rights abuses.

Labor Standards

Companies should uphold the freedom of association and the effective recognition of the right to collective bargaining.

The elimination of all forms of forced and compulsory labor.

The effective abolition of child labor.

The elimination of discrimination in respect of employment and occupation.

Environment

Companies should support a precautionary approach to environmental challenges.

Undertake initiatives to promote greater environmental responsibility.

Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Companies should work against corruption in all its forms, including extortion and bribery.

GRI Index

General Standard Disclosures

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Economic value generated and distributed

The economic value generated by Bci in 2016 amounted to Ch$1,905,358 million, which was a 12.5% year-on-year increase.

In terms of the economic value distributed, as shown in the table below during the year the Bank generated value for its product and service providers, its employees, shareholders, financial creditors, the community and the Chilean IRS.

Economic value generated and distributed [1]	2016	2015
A Revenue	1,905,358	1,693,996
- Revenue	1,886,222	1,680,501
- Income from investment in corporations	19,136	13,495
Economic value distributed	2016	2015
B Operating costs	-315,724	-264,080
- Administration expenses and others [2]	-260,616	-220,630
- Depreciation and amortization	-55,108	-43,450
C Employee salaries and benefits	-372,631	-304,611
D Payment to providers of capital	-802,708	-723,056
- Shareholders (dividends)	-121,544	-108,701
- Financial resource providers [3]	-681,164	-614,355
E Payment to government (income tax) [4]	-84,724	-69,889
F Superintendency of Banks contribution [5]	-7,710	-6,036
G Community contribution [6]	-2,272	-2,326
H Economic value withheld [7]	319,589	323,998

[1] The figures are expressed in millions of Chilean pesos and were rounded up for readability. [2] Include VAT and land tax. [3] Refer to the liabilities for which Bci pays interest, like time deposits and loans. [4] Refers to income on taxable profits. [5] These are the resources provided by the SBIF pursuant to article 8 of the General Banking Law. [6] These are donations made to different entities. [7] This is the net profit of each year.

The main financial assistance that Bci receives from the Chilean government is the tax grant for training and employment (SENCE), income tax deductions and the fiscal credit for community donations. The total financial assistance in 2016 amounted to a Ch$2,631 million.

Credits 2014-2016 (given in millions of Ch$)*	2016	2015	2014
Credit for training expense	1,820	1,694	1,477
Credit for donations	12	12	2,285
Credit for fixed asset purchases	911	911	4
Total government contribution	**2,631**	**2,617**	**3,766**

* Total donations are tax items less expenses for various sponsorships – membership fee expenses.

Memberships and voluntary agreements

Area	Institution	Website
Associations	Association of Banks & Financial Institutions (ABIF)	www.abif.cl
Chambers	Chilean-North American Chamber of Commerce (AMCHAM)	www.amcham.cl
	Chilean-Brazilian Chamber of Commerce	www.camarachilenobrasilena.cl
	Chilean-Chinese Chamber of Commerce	www.camarachilenochina.cl
	Chilean-Peruvian Chamber of Commerce	www.camarachilenoperuanadecomercio.cl
Institutes, foundations and other organizations	Instituto Chileno de Administración Racional de Empresas (ICARE)	www.icare.cl
	ACCIÓN RSE	www.accionrse.cl
	Fundación PROhumana	www.prohumana.cl
	Fundación Generación Empresarial	www.generacionempresarial.cl
	Global Compact Chile	www.pactoglobal.cl
	Chile Transparente	www.chiletransparente.cl
	Fundación Las Rosas	www.fundacionlasrosas.cl
	Fundación Enseña Chile	www.ensenachile.cl
	Unión Social de Empresarios Cristianos	www.usec.cl


Bci

15— Consolidated Financial Statement

For the years ended December 31, 2016 and 2015

CONTENT

Deloitte.

INDEPENDENT AUDITORS' REPORT

To Shareholders and the Board of Directors of Banco de Crédito e Inversiones

We have audited the accompanying consolidated financial statements of Banco de Crédito e Inversiones and Subsidiaries (the "Bank"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of income, statements of other comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting standards and instructions issued by the Superintendency of Banks and Financial Institutions. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco de Crédito e Inversiones and Subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting standards and instructions issued by the Superintendency of Banks and Financial Institutions.

Deloitte

February 24, 2017
Santiago, Chile

Mauricio Farias N.
Partner

BANCO DE CRÉDITO E INVERSIONES AND SUBSIDIARIES
Consolidated Financial Statements
As of and for the years ended December 31, 2016 and 2015

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BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2016 and 2015
(In millions of Chilean pesos - MCh$)

		As of December 31	
	Note	2016 MCh$	2015 MCh$
ASSETS			
Cash and deposits in banks	6	1,577,565	1,272,552
Items in course of collection	6	264,265	434,550
Trading portfolio financial assets	7	1,267,979	1,298,131
Investments under agreements to resell	8	116,461	206,105
Derivative financial agreements	9	1,360,247	1,499,423
Loans and receivables to banks, net	10	223,228	169,416
Loans and receivables to customers, net	11	21,954,346	19,770,529
Financial investments available for sale	12	2,524,500	2,407,882
Financial investments held to maturity	12	872	708
Investments in other companies	13	187,958	170,103
Intangible assets	14	177,516	175,551
Property, plant and equipment, net	15	279,496	282,556
Current income tax	16	31,247	5,093
Deferred income taxes	16	198,094	203,686
Other assets	17	686,130	788,116
TOTAL ASSETS		**30,849,904**	**28,684,401**
LIABILITIES			
Current accounts and demand deposits	18	8,194,263	8,047,288
Items in course of collection	6	132,507	255,800
Liabilities under agreements to repurchase	8	799,844	449,128
Term deposits and savings accounts	18	9,957,688	9,301,896
Derivative financial agreements	9	1,420,086	1,535,191
Borrowings from financial institutions	19	1,648,764	1,790,090
Debt issued	20	4,398,430	3,822,650
Other financial liabilities	20	953,246	746,946
Current income tax	16	-	-
Deferred income taxes	16	55,655	42,611
Provisions	21	263,495	255,132
Other liabilities	22	507,249	437,144
TOTAL LIABILITIES		**28,331,227**	**26,683,876**
SHAREHOLDERS' EQUITY			
Attributable to equity holders of the Bank:			
Capital		2,276,820	1,781,396
Reserves		109	109
Accumulated other comprehensive income		3,256	(12,790)
Retained earnings:			
Net income for the year	24	340,121	330,819
Less: Accrual for minimum dividends	24	(102,049)	(99,247)
TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK		**2,518,257**	**2,000,287**
Non-controlling interest		420	238
TOTAL SHAREHOLDERS' EQUITY		**2,518,677**	**2,000,525**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**30,849,904**	**28,684,401**

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2016 and 2015
(In millions of Chilean pesos - MCh$)

	Note	For the year ended December 31 2016 MCh$	2015 MCh$
Interest income	25	1,513,339	1,344,842
Interest expense	25	(608,286)	(544,336)
Net interest income		905,053	800,506
Fee and commission income	26	344,507	304,289
Fee and commission expense	26	(72,878)	(70,019)
Net fee and commission income		271,629	234,270
Trading and investment income, net	27	145,873	111,278
Foreign exchange results, net	28	(65,609)	(19,378)
Other operating income	33	28,376	31,370
Operating income		1,285,322	1,158,046
Provisions for loan losses	29	(183,412)	(189,206)
OPERATING INCOME, NET OF PROVISIONS FOR LOAN LOSSES< INTERESTS AND COMMISSIONS		1,101,910	968,840
Staff costs	30	(372,631)	(304,611)
Administrative expenses	31	(225,489)	(189,442)
Depreciation and amortization	32	(55,108)	(43,450)
Impairment of property, plant and equipment and intangible assets	32	(92)	(6,896)
Other operating expenses	33	(42,837)	(37,224)
TOTAL OPERATING EXPENSES		(696,157)	(581,623)
TOTAL NET OPERATING INCOME		405,753	387,217
Share of profit/loss of investments accounted using the equity method	13	19,136	13,495
Income before income tax		424,889	400,712
Income tax expense	16	(84,724)	(69,889)
Net income from continuing operations		340,165	330,823
CONSOLIDATED NET INCOME FOR THE YEAR		340,165	330,823
Attributable to:			
Equity holders of the Bank		340,121	330,819
Non-controlling interest		44	4
Earnings per share attributable to equity holders of the Bank:			
(stated in Ch$)			
Basic earnings per share		$2,970	2,758
Diluted earnings per share		$2,970	2,758

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015
(In millions of Chilean pesos - MCh$)

	Note	For the year ended December 31 2016 MCh$	 2015 MCh$
CONSOLIDATED NET INCOME FOR THE YEAR		**340,165**	**330,823**
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO THE STATEMENTS OF INCOME			
Net gain/(loss) resulting on revaluation of financial investments			
available for sale		27,551	(36,656)
Net loss on cash flow hedge derivatives		(811)	(6,407)
Accumulated (loss)/gain adjustment for translation differences		(3,416)	6,990
Other comprehensive income before income tax		23,324	(36,073)
Income tax for other comprehensive income	16	(7,278)	9,527
Total other comprehensives (loss) income that may be reclassified to the statements of income in subsequent periods		16,046	(26,546)
OTHER COMPREHENSIVE INCOME (LOSS) THAT WILL NOT BE RECLASSIFIED TO THE STATEMENTS OF INCOME IN SUBSEQUENT		-	-
PERIODS			
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		16,046	(26,546)
CONSOLIDATED TOTAL COMPREHENSIVE INCOME FOR THE YEAR		356,211	304,277
Attributable to:			
Equity holders of the Bank		356,167	304,273
Non-controlling interest		44	4

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2016 and 2015
(In millions of Chilean pesos - MCh$)

			Accumulated other comprehensive income					Retained earnings				Total Equity		
	Capital	Reserves	Instruments Revaluation reserve	Cash flow hedges reserve	Cumulative translation adjustment reserve	Income Tax	Total	Retained earnings	Net Incomefor the period	Minimu m dividends Provision	Total	Total attributable to equity holders of the bank	Non-Controlling interest	Total equity
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
As of January 1, 2016	1,781,396	109	(27,381)	(15,867)	21,866	8,592	(12,790)	-	330,819	(99,247)	231,572	2,000,287	238	2,000,525
Transfer to retained earnings	-	-	-	-	-	-	-	330,819	(330,819)	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(110,803)	-	99,247	(11,556)	(11,556)	(4)	(11,560)
Capitalization of reserves	220,016	-	-	-	-	-	-	(220,016)	-	-	(220,016)	-	-	-
Paid-in Capital (*)	275,408	-	-	-	-	-	-	-	-	-	-	275,408	-	275,408
Other comprehensive income	-	-	27,551	(811)	(3,416)	(7,278)	16,046	-	-	-	-	16,046	142	16,188
Net income for the year 2016	-	-	-	-	-	-	-	-	340,121	-	340,121	340,121	44	340,165
Provision for minimum dividends 2016	-	-	-	-	-	-	-	-	-	(102,049)	(102,049)	(102,049)	-	(102,049)
As of December 31, 2016	2,276,820	109	170	(16,678)	18,450	1,314	3,256	-	340,121	(102,049)	238,072	2,518,257	420	2,518,677
As of January 1, 2015	1,547,126	-	9,275	(9,460)	14,876	(935)	13,756	-	342,972	(102,891)	240,081	1,800,963	1	1,800,964
Transfer to retained earnings	-	-	-	-	-	-	-	342,972	(342,972)	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(108,702)	-	102,891	(5,811)	(5,811)	-	(5,811)
Capitalization of reserves	234,270	-	-	-	-	-	-	(234,270)	-	-	(234,270)	-	-	-
First adoption adjustment	-	109	-	-	-	-	-	-	-	-	-	109	-	109
Other comprehensive income	-	-	(36,656)	(6,407)	6,990	9,527	(26,546)	-	-	-	-	(26,546)	-	(26,546)
Bci Financial Group Purchase	-	-	-	-	-	-	-	-	-	-	-	-	233	233
Net income for the year 2015	-	-	-	-	-	-	-	-	330,819	-	330,819	330,819	4	330,823
Provision for minimum dividends 2015	-	-	-	-	-	-	-	-	-	(99,247)	(99,247)	(99,247)	-	(99,247)
As of December 31, 2015	1,781,396	109	(27,381)	(15,867)	21,866	8,592	(12,790)	-	330,819	(99,247)	231,572	2,000,287	238	2,000,525

(*) (See Note 24.a)

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015
(In millions of Chilean pesos - MCh$)

	Note	For the year ended December 31 2016 MCh$	 2015 MCh$
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES:			
INCOME BEFORE INCOME TAX		424,889	400,712
Charges (credits) to income not representing cash flows:			
Depreciation and amortization	32	55,108	43,450
Impairment of property, plant and equipment and intangible assets	32	92	6,896
Provision for loan losses		228,906	239,829
Impairment of repossessed assets		-	219
Adjustment to fair value of financial instruments		(9,004)	(4,151)
Share of (profit) loss of investments accounted using equity method	13	(19,136)	(13,495)
Net loss (gain) from sale of repossessed assets	33	(2,610)	(4,224)
Gain from sale of property, plant and equipment	33	(248)	(600)
Loss on sale of property, plant and equipment	33	472	340
Write-off of repossessed assets	33	6,500	2,398
Other changes (credits) to income not representing cash flows		(17,661)	(295,339)
Net interest and indexation income		(905,053)	(800,506)
Net fee and commission income		(271,629)	(234,270)
Changes in assets and liabilities affecting operating cash flows:			
Net increase in loans and receivables to banks		(53,183)	159,838
Net increase in loans and receivables to customers		(2,360,661)	(4,457,744)
Net (increase) decrease in investments in other companies		(118,510)	(1,221,168)
Net increase in current accounts and other demand deposits		136.586	3,284,051
Net increase (decrease) in liabilities under agreements to repurchase		220,078	(20,561)
Net increase in term deposits and savings accounts		666,114	1,078,228
Net increase in borrowing from financial institutions		41,609	161,300
Net increase in other financial liabilities		185,706	609,093
Proceeds from loans from Central Bank of Chile (long-term)		15,283	1,661
Repayment of loans from Central Bank of Chile (long-term)		(15,056)	-
Proceeds from foreign borrowings (long-term)		5,022,881	4,622,092
Repayment of foreign borrowings (long term)		(5,186,720)	(4,687,341)
Income tax paid		(84,724)	(69,889)
Interest and indexation received	16	1,512,160	1,203,587
Interest and indexation paid		(404,287)	(188,415)
Fees and commissions received	26	344,507	304,289
Fees and commissions paid	26	(72,878)	(70,019)
Total cash flows (used in) provided by operating activities		(660,469)	50,261
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	15	(9,644)	(18,858)
Proceeds from sale of property, plant and equipment		33	141
Purchase of Bci Financial Group, Inc. and Subsidiaries	4	-	(393,544)
Increase of investments in other companies	13	(7,469)	(2,607)
Sale of investments in other companies	14	(24,134)	(46,708)
Proceeds from sale of intangible assets		-	28
Dividends received from investments	13	5,977	2,946
Sale of repossessed assets		3,772	8,625
Net changes in other assets and liabilities		183,228	(169,399)
Total cash flows provided by (used in) investing activities		151.763	(619,376)
CASH FLOW FROM FINANCING ACTIVITIES:			
Redemption of letters of credit		(5,614)	(7,498)
Bond issuance		652,751	766,065
Bond redemption		(151,118)	(319,598)
Paid-in capital	24	275,408	-
Dividends paid	24	(110,803)	(108,702)
Total cash flows provided by financing activities		660,624	330,267
NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		(31,871)	(86,044)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		183,789	(152,804)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,674,910	1,913,758
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	1,826,828	1,674,910

Notes No. 1 to No. 39 are an integral part of these Consolidated Financial Statements..

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015
(In millions of Chilean pesos - MCh$)

Reconciliation of provisions for loan losses to Consolidated Statements of Cash Flows for the period

		As of December 31	
		2016	2015
	Note	MCh$	MCh$
Provisions for loan losses presented in the Consolidated Statements of Cash Flows		228,906	239,829
Recovery of loans previously written off		(45,494)	(50,623)
Provisions for loan losses	29	183,412	189,206

Net cash flows from acquisition of Bci Financial Group, Inc. and Subsidiaries acquisition, whose acquisition date was October 16, 2015

		As of October 16,
		2015
		MCh$
Bci Financial Group, Inc. and Subsidiaries acquisition		
Consideration paid in form of cash and cash equivalents		(639,150)
Cash and cash equivalents of the acquired subsidiary		245,606
Net cash and cash equivalents paid on acquisition	4	(393,544)

NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

a) The Bank

Banco de Crédito e Inversiones or Banco Bci (hereinafter the "Bank") is a bank incorporated in Chile and regulated by the Superintendence of Banks and Financial Institutions (hereinafter the "SBIF"). The registered office of the Bank is located at El Golf Avenue, 125, Las Condes. The Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015 include financial information of the Bank and its subsidiaries listed below, as well as its Miami Branch. The Bank's business consists of all of the businesses and transactions permitted by the General Banking Law, including retail, corporate and real estate banking, large and medium size companies' services, private banking and asset management services.

b) Basis of Preparation of the Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with the Compendium of Accounting Standards and Instructions issued by SBIF, the regulatory agency set up under Article 15 of the General Banking Law, which stipulates that, pursuant to legal provisions, banks must apply the accounting criteria issued by that Superintendence and, in all such matters not specifically covered by it, provided they do not contradict its instructions, banks must follow generally accepted accounting criteria established in International Financial Reporting Standards (hereinafter the "IFRS") issued by the International Accounting Standards Board (hereinafter the "IASB"). In case of any discrepancy between IFRS and SBIF, the latter are followed.

The Consolidated Statements of Income include the net income for the years and the Consolidated Statements of Other Comprehensive Income reflect other comprehensive income recognized in equity, including translation exchange differences between Chilean Pesos and US Dollars originated by Bci Financial Group, Inc. and Subsidiaries and Bci Securities. The financial result to be considered for distribution of dividends is the net income for the year attributable to the equity holders of the Bank, as stated in the Consolidated Statements of Income.

Notes to the Consolidated Financial Statements contain additional information to the presented in the Consolidated Statements of Financial Position, Statements of Income, Statements of Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows. Narrative descriptions and breakdowns of these Statements are supplied in clear, relevant, reliable and comparable way.

Consolidated Financial Statements of the Bank and Subsidiaries as of December 31, 2016 have been approved and authorized for issuance by the Board at meeting held on February 23, 2016.

c) Controlled Companies (subsidiaries)

The Consolidated Financial Statements as of December 31, 2016 and December 31, 2015 include financial information of the Bank and controlled companies (subsidiaries) (hereinafter the "Group"). Control is achieved when the following conditions are met:

I. Power over the investee (i.e.: has the rights that give it the current ability to direct relevant activities of the investee);
II. Is exposed, or has rights, to variable returns from its involvement with the investee; and
III. Has the capacity to use its power over the investee to affect its returns.

When the Bank has less than a majority of voting rights of an investee, it has power over the investee, when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of Bank's voting rights relative to the size and dispersion of the other vote holders.
- Potential voting rights held by the Bank, other vote holders or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate the Bank has, or does not have, the current ability to direct relevant activities, at the time decisions need to be taken, including voting patterns at previous shareholders' meetings.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate there are changes in one or more of the three elements of control listed above.

Consolidation of a subsidiary ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary disposed of during the year are included in the consolidated statements of income until the date when the Bank ceases to control the subsidiary.

The Consolidated Financial Statements, include individual financial information of the Bank and its subsidiaries, as well as adjustments and reclassifications made to the financial statements of subsidiaries to bring their accounting policies into line with Bank's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Consolidated Financial Statements, consider the separate financial statements (individual) of the Bank and the companies involved in the consolidation, and include the adjustments and reclassifications required to unify the accounting policies and valuation criteria applied by the Bank, as well as the elimination of all balances and transactions between consolidated companies.

In addition, third party interest in the equity of the Group is presented as “Non-controlling Interest” in the Consolidated Statements of Financial Position. Its share in profit or loss is presented as “Consolidated net income for the year attributable to non-controlling Interest” in the Consolidated Statements of Income. Its share in total comprehensive income for the year is presented as “Total comprehensive income for the year attributable to non-controlling Interest” in the Consolidated Statements of Other Comprehensive Income.

The following table represents the entities over which the Bank exercises control:

i. Entities controlled by the Bank through interest ownership:

Entity	Ownership			
	Direct		Indirect	
	2016	2015	2016	2015
	%	%	%	%
Análisis y Servicios S.A. (1)	99,00	99,00	1,00	1,00
Bci Asset Management Administradora de Fondos S.A.	99,90	99,90	0,10	0,10
Bci Asesoría Financiera S.A.	99,00	99,00	1,00	1,00
Bci Corredor de Bolsa S.A.	99,95	99,95	0,05	0,05
Bci Corredores de Seguros S.A.	99,00	99,00	1,00	1,00
Bci Factoring S.A.	99,97	99,97	0,03	0,03
Bci Securitizadora S.A.	99,90	99,90	-	-
Banco de Crédito e Inversiones Sucursal Miami	100,00	100,00	-	-
Servicio de Normalización y Cobranza, Normaliza S.A.	99,90	99,90	0,10	0,10
Bci Securities INC (2)	99,90	99,90	0,10	0,10
Bci Corredores de Bolsa de Productos S.A. (3)	99,00	99,00	1,00	1,00
Bci Financial Group, INC. and Subsidiaries (4)	100,00	100,00	-	-

(1) On August 1, 2015, Análisis y Servicios S. A.’s employees were integrated into the management model of Bci business and customers, becoming employees of the latter. Análisis y Servicios S.A. is still in force and operational as a support business company.

(2) Bci Securities Inc. is a subsidiary located in the State of Florida, United States of America, whose principal business is stockbrokerage. The investment in this entity was authorized by the SBIF on January 10, 2013 and by the Central Bank of Chile on February 21, 2013. The subsidiary started operations on March 1, 2016.

(3) Bci Corredores de Bolsa de Productos S.A. is a company whose principal business focus is sale of commercial papers traded on the Products Stock Exchange. It is registered with the Superintendence of Securities and Insurance (hereinafter the “SVS”) since November 2, 2015.

(4) On October 16, 2015, Banco de Crédito e Inversiones acquired City National Bank of Florida (hereinafter “CNB”). Bci acquired 100% of CM Florida Holding (currently Bci Financial Group, Inc. and Subsidiaries), which owns and controls CNB. See Note 4 to the Consolidated Financial Statements.

Information and corporate purposes of the entities controlled by the Bank, as the following:

Análisis y Servicios S.A. was established as a closely held corporation by public deed dated August 19, 1996, and started its operations on November 1, 1996. Its corporate purpose is actions on behalf of financial institutions pre-evaluation of all financial products and services these institutions are involved in, and performance of all activities or operations necessary for the pursuit of its objective.

Bci Asset Management Administradora de Fondos S.A. was incorporated by public deed dated January 7, 1988. Its corporate purpose is management of all types of mutual funds, investment funds and individual portfolios regulated by Law No. 20,712, including the development of voluntary pension savings plans “Voluntary Pension Savings” (“APV” for its acronym in Spanish) and “Collective Voluntary Pension Savings” (“APVC” for its acronym in Spanish), other complementary activities authorized by the SVS through Circular No. 1,566 of 2001, and the administration of third parties’ funds and portfolios, authorized by Circular No. 1,897 of 2008.

Bci Asesoría Financiera S.A. was established as a closely held corporation by public deed dated October 23, 1992. Its corporate purpose is provision of advices on the analysis, evaluation and search of alternative financing sources, on the restructuring of liabilities, on the negotiations to acquire, capitalize, sell or merge companies, on the issuance and placement of bonds and debentures and on the placement of equity.

Bci Corredor de Bolsa S.A. was incorporated by public deed dated July 24, 1987. Its corporate purpose is provision of financial instruments brokering operations, and in general of all the activities permitted to a stockbroker by the law.

Bci Corredores de Seguros S.A. was incorporated by public deed dated January 15, 1997. Its corporate purpose is provision of remunerated brokering operations with general and life insurance contracts with any insurance company located in the country, and the provision of advisory services and services related to the contracting of insurance.

Bci Factoring S.A. was incorporated by public deed dated December 13, 1994. Its corporate purpose is provision of all kinds of factoring services; acquisition and discounting of documents and commercial papers, in general, development and operation of different types of factoring businesses; investment, reinvestment and acquisition of dues, shares or rights, all types of movable, corporeal or incorporeal property, real estate and companies, whether civil, commercial or communities; or realisation of takeovers, investment in all kinds of securities; management and exploitation of such property under any title; and receiving profit from them.

Bci Securitizadora S.A. was established as a closely held corporation by public deed dated March 1, 2001. Its corporate purpose is the acquisition of the credits referred to in Article No. 135 of Law No. 18,045 or the rules that replace or complement it, and the issuance of debt securities, short or long term, causing for each issuance the formation of capital separate from its own, supervised by the SVS.

Banco de Crédito e Inversiones Sucursal Miami, Is a branch of Banco de Crédito y Inversiones, established in the State of Florida in the United States of America. The branch was initially authorized to operate as an international banking agency by the Department of Banking and Finance of the State of Florida on May 10, 1999. The branch is not a separate legal entity, it carries out banking activities that provide a complete range of banking services to national and foreign physical persons and legal entities, mainly from Latin America.

Servicio de Normalización y Cobranza, Normaliza S.A. is closely held corporation, which was incorporated by public deed dated June 8, 1990. Its corporate purpose is the provision of extrajudicial collection services, on its own account or on behalf of others, on any document representing liability, as well as performance of the background check of physical persons or legal entities, the delivery of commercial reports and any other business that the stockholders agree to execute.

Bci Securities INC. was established in the State of Florida, United States of America on July 6, 2011. Its corporate purpose is to buy and sell stocks, mutual funds, corporate debt, US government bonds, sovereign debt, and call and put options for its customers, primarily residents of South America. Bci Securities INC may establish network agreements with banks, savings banks or credit unions.

Bci Corredores de Bolsa de Productos S.A. was established by public deed dated April 16, 2015. Its sole corporate purpose is to act as intermediary in operations with agricultural products, as established in articles fourth and fifth of the Law No. 19,920, as broker of agricultural products, including the purchase or sale of products in the Agricultural Products Stock Exchange for its own account with the aim of transferring rights thereto, and the complementary activities authorized by the SVS, for which it may execute all actions and enter into all contracts and act as intermediary in operations of the Agricultural Products Stock Exchange, according to the regulation in force.

Bci Financial Group, INC. and Subsidiaries, a parent company of CNB, was acquired in 2015 (see Note 4). CNB is a banking financial institution established in 1946 with headquarter in Miami, offering a wide range of financial products (including real estate, commercial and consumer banking) to more than 22,000 customers, with 26 branches in four Florida counties.

ii. Entities controlled by the Bank through other considerations: Although the Bank holds less than majority of voting rights, in the following companies, they are considered subsidiaries since the Bank exercises control through ability to direct the relevant activities and oversight financial and operational policy decisions:

Entity	Ownership interest			
	Direct		Indirect	
	2016	2015	2016	2015
Bci Activos Inmobiliarios Fondo de Inversión Privado	40.00	40.00	-	-
Incentivos y Promociones Limitada (1)	SE	SE	SE	SE

(1) Structured Entity ("SE") is responsible for the promotion of credit and debit cards products. The Bank does not hold any ownership interest in that company.

d) Associates:

An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operational policy decisions of the investee but is not control or joint control.

In general, if the Bank holds more than 20% but less than 50% of the voting power of an investee, it is presumed that the Bank has significant influence over an investee. The following factors also might be indicators of significant influence: Having representatives on the Board of Directors, participating in policy-setting processes, significant transactions between the Bank and the associate, interchange of managerial personnel and provision of essential technical information.

These investments are accounted under equity method. The investment in an associate is originally recognized at cost. As of the acquisition date, the investment is recognized in the statements of financial position based on the share of its equity that Bank's interest represents in its capital.

The following entities are considered associates:

Company	Ownership interest	
	2016	2015
	%	%
Artikos Chile S.A.	50.00	50.00
Servipag Ltda.	50.00	50.00
Centro de Compensación Automatizado S.A.	33.33	33.33
AFT S.A.	20.00	20.00
Nexus S.A.	12.90	12.90
Redbanc S.A.	12.71	12.71
Servicio de Infraestructura de Mercado OTC S.A. (*)	13.61	11.48
Combanc S.A.	10.33	10.33
Transbank S.A.	8.72	8.72
Sociedad Interbancaria de Depósitos de Valores S.A.	7.03	7.03
Credicorp Ltda.	1.93	1.93

(*) During June and July of 2016 the Bank acquired 206 shares of the associate, increasing its ownership by 2.3 percentage points in comparison to December 31, 2015.

Entities in the table above, in which Bank holds less than 20%, are still considered associates given the Bank's ability to have a representative in their Board of Directors, which indicate the Bank has significant influence over them.

iv. Investments in other Companies:

In this category are presented those entities in which the Bank has no control neither significant influence. These investments are recognized at the acquisition cost.

e) Basis of consolidation

The Consolidated Financial Statements comprise financial information of the Bank and its subsidiaries as of December 31, 2016 and 2015, and for the years then ended.

The Financial Statements of subsidiaries (including the Structured Entity controlled by the Bank), were aligned with the financial statements of the Bank according to the rules laid down in the Compendium of Accounting Standards and Instructions issued by the SBIF.

The intercompany balances and any income or expense arising from intercompany transactions between Group entities are eliminated in full on consolidation. The unrealized income or expense arising from transactions with associates are eliminated to the extent of the Group's interest in these companies.

For consolidation purposes, the assets and liabilities of Bci Financial Group, Inc. and Subsidiaries and Bci Securities Subsidiaries are translated into Chilean Pesos using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the monthly average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interest as appropriate).

f) Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank. Non-controlling interest are presented separately in the Consolidated Statements of Income, the Consolidated Statements of Other Comprehensive Income and Consolidated Statements of Financial Position.

g) Functional currency

The Bank has determined its functional currency and presentation currency as Chilean Peso (Ch$). Likewise, all the entities of the Group have determined the Chilean Peso as the functional currency, except for Bci Financial Group, Inc. and Subsidiaries and Bci Securities subsidiary, which have determined the US dollar as their functional currency.

All the information presented in Chilean Pesos has been rounded to the closest millions of Chilean Peso.

h) Transactions in foreign currency

Balances and transactions denominated in currencies different to the Chilean peso are considered denominated in “foreign currency”. Transactions carried out by each entity in currency other than its functional currency are recognized using the exchange rates prevailing at the date of the transaction. During the period, the differences that arise between the prevailing exchange rate at the date of the transaction and the exchange rate as of the date of collection or payment are recognized as “Foreign exchange results, net” in the Consolidated Statements of Income.

The differences that arise on translation of the balances denominated in foreign currency into functional currency are recognized as “Foreign exchange gains, net” in the Consolidated Statements of income.

As of December 31, 2016 and 2015, the assets and liabilities of the Bank nominated in foreign currency are shown at their equivalent value in Chilean pesos.

i) Operating segments

Operating segments are determined by the Bank on the basis of its different business units, considering that they are the components:

(i) That engage in business activities from which the Bank may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank).
(ii) Whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
(iii) For which discrete financial information is available.

These operating segments deliver products and services subject to different risks and returns and therefore the chief operating decision makers of the Bank separately evaluate the performance of them.

j) Measurement of assets and liabilities

Measurement criteria of the assets and liabilities recognized in the Consolidated Statements of Financial
Position are the following:

i. Assets and liabilities measured at amortized cost:

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

In the case of financial assets, the amortized cost also includes adjustments to their value caused by any recognized impairment.

In the case of financial instruments, the systematic part reflected in the profit and loss is recognized by the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

ii. Assets and liabilities measured at fair value:

For financial instruments traded in active markets, the determination of fair values is based on their listed or recent transaction prices. This includes instruments traded in domestic or international stock markets.

A financial instrument is considered quoted on an active market, if prices are regularly and freely available on a stock, index, broker, dealer, supplier prices or regulatory agency and those prices represent current and regular market transactions. If the market does not meet that condition, it is considered inactive. The lack of recent transactions or a too wide spread between bid-offer prices, are indications that the market is inactive.

For all other financial instruments, fair value is determined using valuation techniques. The valuation techniques used should maximize the use of relevant observable inputs with respect to similar financing instruments. The fair value is estimated using models to estimate the present value of the expected cash flows or other valuation techniques, using inputs (e.g. deposits, swaps, exchange rates, volatilities, etc.) observable at the date of the Consolidated Financial Statements.

As of the dates of the Consolidated Financial Statements, the Bank has no instruments whose fair value had been determined based on unobservable data. However, for this type of instruments, the Bank has models developed internally, which are based on techniques and methods generally recognized in the industry. When the data used in the models is unobservable, the Bank must develop assumptions in order to estimate the fair values. These valuations are known as Level 3 valuations. Instruments classified according to their valuation level are detailed in Note 35 to the Consolidated Financial Statements.

The results of the models are always an estimate or approximation of the value and cannot be determined with certainty. Valuations are adjusted, when applicable, in order to reflect additional factors, such as liquidity or credit risks of the counterparty. Based on the model and the credit risk policies of the Bank,

Management estimates that these adjustments to the valuations are necessary and appropriate in order to reasonably present the values of the financial instruments in the Consolidated Financial Statements. The information, prices and parameters used in the valuations are carefully and regularly checked, and adjusted if necessary.

iii. Assets and liabilities measured at acquisition cost:
Acquisition cost measurement is the recognition of the asset at the consideration paid for the purchase of the asset, less impairment losses if applicable.

The Consolidated Financial Statements have been prepared based on a historical cost basis, except for:

- Derivative financial agreements, measured at their fair value.
- Repossessed assets, measured at the lower of carrying amount or fair value less costs to sell.
- Trading portfolio financial assets, measured at their fair value.
- Financial investments available for sale, measured at their fair value.

Property, Plant and Equipment are measured at fair value when Management decided to revaluate such assets and consider this value as deemed cost for the first adoption.

iv. Derecognition of financial assets and liabilities:
The accounting treatment of transfers of financial assets depends on the extent and the manner in which the risks and rewards associated with the financial assets are transferred to third parties:

1. If the Bank transfers substantially all the risks and rewards of ownership of the financial asset to third parties, such as the unconditional sales, sales with resale agreements at the fair value on the date of resale, the sale of financial assets with the option to repurchase or a sale issued with a high probability that it will not be finalized, the use of assets where the transferring entity does not retain subordinated financing or give up a credit improvement to the new owners, among other similar cases, the transferred financial asset is derecognized from the Consolidated Financial Statements, recognizing simultaneously any right or obligation retained or created as a result of the transfer.

2. If retained substantially all the risks and rewards of the transferred financial asset, such as the financial assets sale with a resale agreement at a fixed price or at sale price plus interest, the contracts for securities in which the borrower has the obligation to return the same or similar assets, among other similar cases, the transferred financial asset is not derecognized from the Consolidated Financial Statements and continuous measuring under the same criteria which were applied before the transfer.

   Consequently, it recognizes:

   a) A financial liability for an amount equivalent to the consideration received that is subsequently measured at amortized cost.

   b) Any income on the transferred (but not derecognized) financial asset and any expenses incurred on the new financial liability.

3. If the Bank neither transfers nor retains substantially all the risks and rewards of the financial asset transferred, such as the sale of financial assets with the option to buy or sell issued with a high or low probability of exercising it, the use of assets where the grantor does not retain subordinated financing or give up a credit improvement for a portion of the transferred asset among other similar cases, it distinguishes between:

   a) If the Bank does not retain the control of the transferred financial asset: then it is derecognized from the Consolidated Statements of Financial Position and any withheld right or obligation is recognized or created as a consequence of the transfer.

   b) If the Bank maintains control of the financial asset: then it continues recognizing the asset in the Consolidated Statements of Financial Position and recognizes a financial liability associated with the financial asset. The net amount of the asset and the associated liability will be the amortized cost of the withheld rights and obligations if the asset is measured by its amortized cost or the fair value of the withheld rights and obligations if the asset is measured by its fair value.

Accordingly, financial assets are derecognized from the Consolidated Statements of Financial Position when, and only when, the contractual rights to the cash flows from the financial asset expire; or when the Bank transfers the financial assets and substantially all the risks and rewards of ownership of the assets to third parties.

Similarly, financial liabilities are derecognized from the Consolidated Statements of Financial Position when, and only when, the obligations are extinguished, cancelled or expired

k) Investment instruments

Investment instruments are classified into two categories: held to maturity and available for sale. The category of financial assets held to maturity includes only those instruments which the Bank has the capacity and intention of holding until their maturity. The rest of the investment instruments are considered as available for sale.

Investment instruments are initially recognized at their fair value, including transaction costs. The available for sale instruments are then marked to market at their fair value according to market prices or valuations obtained from models. The unrealized gains or losses originated by the change in their fair value are recognized in other comprehensive income. When these investments are sold the available for sale investment instruments' reserve accumulated in other comprehensive income associated with these instruments is reclassified to the Consolidated Statements of Income and recognized under "Trading and investment income, net" heading as well as any realized gain/loss on disposal. In the case of a significant or prolonged decline in the fair value of any of these instruments, an impairment is recognized by a reclassification from other comprehensive income to the line item "Impairment" in the statements of income.

The investments in held to maturity financial assets are subsequently measured at their amortized cost plus interest and indexation for inflation, less impairment constituted when its carrying amount exceeds the estimated recovery value.

The interests and indexation for inflation of held to maturity and available for sale investments are included in “Interest income” line in the Consolidated Statements of Income.

The purchases and sales of investment instruments that must be submitted within the period established by the market’s regulations or conventions are recognized at their trade date, on which the purchase or sale of the asset is agreed. All other purchases and sales are recognized at their settlement date.

l) Trading investments

The trading investments correspond to securities acquired with the intention to generate profits from the price fluctuation in the short-term or through gross earnings’ margins, or that are included in a portfolio in which there is a short-term profit taking strategy.

Trading investments are measured at their fair value in accordance with the market prices at the reporting date of the Consolidated Financial Statements. The transaction costs are recognized directly in the Consolidated Statements of Income. The mark to market adjustments, as well as the realized income/loss from trading activities, are included under the “Trading and investment income, net” heading in the Consolidated Statements of Income.

The interest and indexation for inflation are recognized in “Trading and investment income, net” line in the Consolidated Statements of Income.

All the purchases and sales of trading investments that must be delivered within the period established by the market’s regulations or conventions are recognized at the trade date, on which the purchase or sale of the asset is agreed. Any other purchase or sale is recognized on its settlement date.

m) Transactions with repurchased agreements and securities lending

Reverse repurchase agreement is an agreement to receive a financial asset from another party in exchange for cash or other consideration and a concurrent obligation to resell the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as investing transactions. Assets purchased under reverse repurchase agreements are recognized in the consolidated financial statements as “Investments under agreements to resell” and are measured at amortized cost.

Repurchase agreement is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repurchase agreements are retained in the consolidated financial statements in “Trading portfolio financial assets” or “Financial investments available for sale” categories, and consideration received under these agreements is recognized as collateralized liability within “Liabilities under agreements to repurchase” line, and measured at amortized cost.

n) Financial derivative instruments

The financial derivative instruments, which include foreign currency and Unidades de Fomento (UF) forwards, interest rate futures, currency and interest rate swaps, currency and interest rate options and other financial derivative instruments are initially recognized in the Consolidated Statements of Financial Position at their fair value (including transaction costs), which is usually their acquisition cost, and subsequently measured at their fair value. The fair value is obtained from corresponding market pricings, discounted cash flow models and pricing valuation models. The derivative instruments are recognized as an asset when their fair value is positive and as a liability when they are negative in “Derivative financial agreements” line of the Consolidated Statements of Financial Position.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related with those of the host contract and when such host contracts are not measured at fair value through profit or loss.

At the moment of subscribing to a derivative agreement, the Bank must designate it either as a derivative instrument for trading or for hedge accounting purposes.

The changes in the fair value of derivative instruments held for trading are included in “Trading and investment income, net” line of the Consolidated Statements of Income.

If the derivative instrument is classified for hedge accounting purposes, the hedge can be: (1) a fair value hedge of existing assets or liabilities or firm commitments or (2) a cash flow hedge of existing assets or liabilities or forecast transactions. A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met: (a) at the inception of the hedge there is formal designation and documentation of the hedging relationship; (b) the hedge is expected to be highly effective; (c) the effectiveness of the hedge can be reliably measured and; (d) the hedge is assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting periods for which the hedge was designated.

Certain transactions with derivatives that do not qualify for being classified as hedging derivatives are treated and recognized as trading derivatives, even when they provide effective economic hedge of the risk positions.

When a derivative hedges the exposure to changes in the fair value of an existing item of the asset or liability, such hedged item is measured at fair value from the designation of the fair value hedge until its expiration, termination, etc. The mark to market adjustments for both the hedged item and the hedging instrument are recognized in the Consolidated Statements of Income.

If the item hedged in a fair value hedge is a firm commitment, the changes in the fair value of the firm commitment regarding the covered risk are recognized as assets or liabilities with effect on the Consolidated Statements of Income for the period. Gains or losses from the changes in fair value measurement of the hedging derivative are recognized with effect on the Consolidated Statements of Income for the period. When a new asset or liability is acquired as a result of the firm commitment, the initial recognition of the acquired asset or liability is adjusted to incorporate the accumulated effect of the fair value valuation of the firm commitment recognized in the Consolidated Statements of Financial Position.

When a derivative hedges exposure to changes in the cash flows of existing assets or liabilities, or forecast transactions, the effective portion of changes in fair value related to the hedged risk is recognized in other comprehensive income and accumulated in equity. Any ineffective portion is recognized directly in the Consolidated Statements of Income for the period.

The cumulative loss or gain in cash flow hedge reserve is transferred to the statements of income to the extent that the hedged item impacts the income because of the hedged risk, offsetting the effect in the same line of the Consolidated Statements of Income.

In case of fair value hedge of interest rate risk of a portfolio with the hedged item representing currency value instead of individual assets or liabilities, gains or losses from the fair value measurement for both the hedged item and the hedging instrument, are recognized in the Consolidated Statements of Income, but the fair value adjustment of the hedged instrument is presented in the Consolidated Statements of Financial Position under "Other assets" or "Other liabilities" lines, depending on the hedged item position as of reporting date.

The adjustment for counterparty credit risk in derivatives (Credit Valuation Adjustment "CVA") determines the expected losses from counterparty risk in OTC derivatives contracts. The CVA of a derivative is defined as the difference between the value of free derivative counterparty risk (equivalent to the original derivative but without the risk of default of either party) and the value of risky derivative (corresponding to the original derivative, which has an inherent risk) that considers the possibility of counterparty default. In this way, a customer CVA can be obtained from the expected exposure (EE) for counterparty risk (how much is expected to lose) and the expected loss rate ("PE" for its acronym in Spanish) associated with the default of the counterparty.

The valuation adjustment for the existence of the spread bid/ask on financial instruments markets which applies to all financial instruments recognized at market value, both in normal market conditions and financial stress conditions, is based on best practices, the recommendations of the Basel Committee and the requirements SBIF and the Central Bank of Chile.

In order to make the bid/ask adjustment to financial instruments of Banco de Crédito e Inversiones portfolios, the following methodology was established:

i. **Define market makers or Bci customer condition:**
   On an annual basis the Bank condition will be redefined to be considered market makers (the Bank must be within 4 main markets) or customers for each of the financial products it operates. This will be done based on information get from two principal brokers of the domestic market: TRADITION and ICAP.

ii. **Condition of Market Makers:**
   For products (markets) where Bci is considered creditor, the instrument shall be valued at mid-price and bid/ask adjustment will not be applied.

iii. **Customer status:**
   For products (markets) where Bci is considered debtor, the instrument shall be valued at mid-price and adjusted for bid/ask, or, in case of high liquidity, valued at bid price.

o) Hedge of a net investment in a foreign operation

According to IAS 21 and IAS 39 the requirements to recognize hedge accounting are the following:

IAS 21 requires that an entity should determine the functional currency of each of its foreign operations as the currency of the primary economic environment in which it operates. When financial situation and results of a foreign operation are translated from a currency different to functional currency of the parent, the entity will recognize the exchange differences thorough other comprehensive income in equity, under Cumulative Translation Adjustment Reserve, until the sale or disposal by other means of the foreign operation. The accumulated difference is to be transferred to the Consolidated Statements of Income for the period in which the sale or disposal occurs.

The hedge of a net investment in a foreign operation seeks to mitigate the foreign exchange rate risk associated with the valuation of the foreign investment.

IAS 39 stablishes the following conditions in order to apply hedge accounting:

a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
b) The hedge is expected to be highly effective;
c) The effectiveness of the hedge can be reliably measured;
d) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The hedged item is the initial investment made for the purchase of Bci Financial Group INC. and Subsidiaries.

p) Loans and receivables to customers

Loans receivable are non-derivative financial assets with fixed or determined payments that are not quoted in an active market and which the Bank does not intend to sell immediately or in the short-term.

Loans receivable are initially recognized at their fair value plus direct transaction costs and subsequently measured at their amortized cost using the effective interest method.

i. Financial lease contracts

Accounts receivable from lease contracts, included under "Loans and receivables to customers" heading, correspond to periodic instalments of lease contracts that comply with the requirements to be qualified as financial leases and are measured at amortized cost.

ii. Factoring Operations

The Bank and its subsidiary Bci Factoring S.A. perform operations with their clients, in which they receive invoices and other credit representative trading instruments with or without recourse to the transferor, anticipating a percentage of the total amount receivable of the borrower upon collection.

q) Allowances for loan losses

The allowances required to cover the expected losses a certain financial assets have been recognized in accordance with the regulations and instructions of the SBIF. The assets are presented net of such allowances, or at a new cost basis in the case of investments. Provision on credit commitments is presented as liability under "Provisions" heading.

The Bank and subsidiaries uses models and methodologies based on individual and collective analysis of the borrowers, approved by the Board of Directors, to recognize the allowance for loan losses as indicated in the Accounting Standards Compendium issued by the SBIF.

i. Individual assessment:

Individual assessment of borrowers is performed when the customer, due to its size, complexity or exposure, is required to be identified and analysed on an individual basis.

Naturally, the analysis of the borrowers should be focused on their capacity and ability to comply with their credit obligations, evaluated based on sufficient and reliable information. Analysis should consider collateral, terms, interest rates, currency, indexation for inflation related to the loan, etc.

Allowance is assessed based on the classification of the borrowers and their operations related loans and to credit commitments in their corresponding risk category, after being assigned to one of the following portfolio categories: normal, substandard and non-compliant.

ii. Normal and substandard portfolios:

The normal portfolio includes those whose borrowers, whose payment capacity allows them to comply with their obligations and commitments, and this condition according to evaluation of their economic and financial situation, is not expected to change. The classifications assigned to this portfolio are categories A1 to A6.

The substandard portfolio includes the borrowers which have financial difficulties, or whose payment capacity worsened significantly, presenting reasonable doubt regarding the probability of reimbursement of total principal and interest under the contractually agreed terms, indicating that they are less likely to comply with their financial obligations in the short term.

In addition, borrowers that recently hold loans in default for over 30 days also form the part of the substandard portfolio. The classifications assigned to this portfolio are categories B1 to B4.

As a result of an individual analysis of these borrowers, the banks must classify them under the following categories, assigning to them, subsequently, the probability percentages of noncompliance and loss given default, resulting in the consequent percentage of expected loss:

Type of portfolio	Borrower Category	Probability of Default (PD) (%)	Loss given default (LGD) (%)	Expected Loss (%)
Normal portfolio	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
	A3	0.25	87.5	0.21875
	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
Substandard portfolio	B1	15.00	92.5	13.87500
	B2	22.00	92.5	20.35000
	B3	33.00	97.5	32.17500
	B4	45.00	97.5	43.87500

iii. Collective assessment of normal and substandard portfolios:
In order to determine the amount of allowances to be established for the normal and substandard portfolios as the first step it must be estimated the exposure, to which the respective loss percentages (expressed in decimals) will be applied. This expected loss percentage is comprised of the probability of default (PD) and loss given default (LGD) established for the category in which the borrower and/or guarantor is classified, as applicable.

The exposure subject to allowances corresponds to the loans and receivables plus loan commitments, less the amount to be recovered by collateral execution. Likewise, loans and receivables are understood as the carrying value of loans and receivables to the respective borrower, while loan commitments are understood as the amount resulting from applying the clause indicated in N°3 of Chapter B-3 of the Accounting Standards Compendium.

iv. Non-compliant portfolio:
Non-compliant portfolio includes the loans to borrowers for which recovery is considered remote, given that they have suffered a loss event resulting in impairment. This portfolio includes borrowers with evident signs of possible bankruptcy, as well as those in which a forced debt renegotiation is required in order to avoid non- compliance, and also includes any borrower with loans in default for equal to or greater than 90 days in the payment of interests or principal of any loan. This portfolio includes borrowers classified under categories C1 to C6 in the classification scale established below and all their loans, including 100% of the loan commitments that those borrowers maintain.

For the effects of allocating allowances on the non-compliant portfolio, loss rate percentages are used, which must be applied to the exposure, corresponding to the sum of loans and receivables and loan commitments held by the same borrower. In order to apply this percentage, an expected loss rate must be estimated first, deducting from the exposure the amounts expected to be recovered by execution of collateral and, in the case of having solid data that justifies them, deducting also the net present value of expected recoveries that can be obtained by execution of collection actions, net of expenses associated with them. That loss rate must be classified into one of the six categories defined according to the range of losses effectively expected by the Bank for all the operations of an individual borrower.

These categories and the loss rates which must be applied on the exposures are indicated in the following table:

Type of portfolio	Risk Scale	Expected Loss Range	Loss Rate (%)
Non-Compliant portfolio	C1	Up to 3 %	2
	C2	More than 3% up to 20%	10
	C3	More than 20% up to 30%	25
	C4	More than 30 % up to 50%	40
	C5	More than 50% up to 80%	65
	C6	More than 80%	90

v. Collective assessment:
Collective evaluation is focused on the following portfolios: Commercial Loans, Consumer Loans and Mortgage Loans.

For the determination of the collective allowance, loan portfolios with homogeneous features, such as the type of borrower and loan terms, are analysed. Thus, allowances are based on expected losses based on a certain probability of default (PD) and a loss given default (LGD), both parameters are based on historical information and technically substantiated estimates.

Allowances are established by multiplying the exposure of the respective portfolio by the estimated percentages of PD and LGD.

a. Commercial Loans:
This portfolio includes receivables to customers holding commercial loans and/or leasing operations, and which are not assessed individually.

Allowance determination is based on statistical models of expected loss, which estimates the probability of default for each customer (PD) and loss give default (LGD) for each operation. Both parameters are defined in terms of customer behaviour and characteristics of each loan, including delinquencies (internal and/ or external), loan/collateral ratio (loan-to-value), non-compliant portfolio, customer seniority and type of product, among others.

b. Consumer Loans:
This portfolio includes receivables associated with consumption of individuals, as well as loans resulting from the use of overdraft credit lines, emergency credit lines, credit cards and consumer loans.

Allowance determination is based on statistical models of expected loss, which estimates the probability of default (PD) and loss given default (LGD) for each customer. Both parameters are defined in terms of customer behaviour, highlighting delinquencies (internal and/or external), indebtedness level, non-compliant portfolio, renegotiations, customer seniority, overdrafts not agreed and protests, among others.

c. Mortgage Loans:
This portfolio includes loans which have the following characteristics: the objective is the financing of the acquisition, extension, repair

or construction of housing; the borrower is a physical person who is buying or owns the housing, and the value of the mortgage collateral covers the total amount of loan.

As of December 31, 2015 the allowance determination was based on statistical models of expected loss, which estimated the probability of default for each customer (PD) and loss given default (LGD) for each operation. Both parameters were defined in terms of customer behaviour and characteristics of each loan, including delinquencies (internal and/or external), loan/collateral ratio (loan-to-value), overdue status, credit conditions, and customer behaviour in other products of the Bank, among others.

Beginning January 1, 2016 the Bank adopted the "Standard Method for Provisioning the Residential Mortgage Loan" established by SBIF in its Circular No. 3,573. This circular stablishes provisioning factors, representing expected losses over the amount of the loan, applied based on the level of delinquency of each loan, and the loan/collateral ratio (Loan-to-Value or LtV) at the end of each month, as shown in the following table.

Provisioning Factor according to delinquency status and LtV

		Days in default as of the end of the month				Non-Compliant (more than 90 days in default)
LtV (loan-to-value)	Concept	Current	1-29	30-59	60-89	
LtV ≤ 40%	PD (%)	1,0916	21,3407	46,0536	75,1614	100,0000
	LGD (%)	0,0225	0,0441	0,0482	0,0482	0,0537
	EL (%)	0,0002	0,0094	0,0222	0,0362	0,0537
40% < LtV ≤ 80%	PD (%)	1,9158	27,4332	52,0824	78,9511	100,0000
	LGD (%)	2,1955	2,8233	2,9192	2,9192	3,0413
	EL (%)	0,0421	0,7745	1,5204	2,3047	3,0413
80% < LtV ≤ 90%	PD (%)	2,5150	27,9300	52,5800	79,6952	100,0000
	LGD (%)	21,5527	21,6600	21,9200	22,1331	22,2310
	EL (%)	0,5421	6,0496	11,5255	17,6390	22,2310
LtV > 90%	PD (%)	2,7400	28,4300	53,0800	80,3677	100,0000
	LGD (%)	27,2000	29,0300	29,5900	30,1558	30,2436
	EL (%)	0,7453	8,2532	15,7064	24,2355	30,2436

Where:

PD = Probability of default
LGD = Loss given default
EL = Expected loss
LtV = Outstanding principal/Value of the collateral

In cases where the same client has more than one mortgage loan outstanding and one of them is past-due more 90 days or more, all such loans will be classified as "Non-Compliant" the allowance for each one of them will be calculated in accordance with their respective level of Loan-to-Value.

The application of this new rule resulted in an increase in the allowances for residential mortgage loans amounting to MCh$ 14,028 as of January 1, 2016, and a reduction in the same amount of additional provisions recognized as of December 31, 2015. Accordingly, the application of this new regulation has no effect on the Consolidated Statements of Income for the year ended December 31, 2016.

d. Write-off of loans:

Generally, when expire contractual rights expire cash flows, assets have to be written off. In the case of loans, even if this does not happen, respective asset balances are written off in accordance with the requirements established by Title II of Chapter B-2 of the Compendium of Accounting Standards and Instructions issued by the SBIF.

The write-off in question refer to the write-offs of the assets previously recognized in the Consolidated Statements of Financial Position corresponding to the respective transaction, including, therefore, the portion that may be not expired if a loan is to be repaid in instalments, or in case of a leasing operation (there are no partial write-offs).

Write-offs are always recognized against allowances for loan losses, according to Chapter B-1 of the Compendium of Accounting Standards, regardless of the reason. Subsequent repayments of the assets previously written off are recognized in the Consolidated Statements of Income for the year, as recoveries of loans written-off.

Write-offs of loans and receivables are made on overdue, past due and current instalments, and should be made in accordance with the following deadlines since their first default:

Type of loan	Write-off period
Consumer loans secured and unsecured	6 months
Other unsecured operations	24 months
Commercial loans secured	36 months
Mortgage loans	48 months
Consumer leasing	6 months
Other non-property leasing	12 months
Property leasing (commercial or residential)	36 months

Write-off period is the maximum period between due date to pay of all or part of the obligation that is in default of payment and the date of write-off.

e. Recovery of written off loans:
The recoveries of loans that were written-off are recognized directly as income, as recoveries of previously written off loans.

r) Fee and commission income and expense

Fee and commission income and expense are recognized in the Consolidated Statements of Income using different criteria according to their nature. The most significant are:

- Those corresponding to operations which happen at the moment of time are recognized when the operation which originates them has been complete.
- Those originated from transactions or services performed over time are recognized over the life of these transactions or services.
- Those relating to financial assets and liabilities are recognized as an adjustment to the effective rate within the operation.

s) Impairment

I. Financial Assets:
A financial asset is assessed on each reporting date to determine if objective evidence of impairment exists. A financial asset is considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets recognized at amortized cost, impairment is calculated as the difference between the carrying value of the asset and the net present value of the estimated future cash flows, discounted using the effective interest rate.

An impairment of financial investments available for sale is calculated in relation to their fair value.

Financial assets that are individually significant are individually assessed for impairment. The remaining financial assets are assessed on the collective basis in groups of assets that share similar credit risk characteristics.Impairment is recognized in the Consolidated Statements of Income for the year. Any impairment of financial investments available for sale previously accumulated as negative revaluation reserve in equity is transferred to the Consolidated Statements of Income for the year.

The previously recognized impairment is reversed only if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. For the financial assets measured at amortized cost and debt financial investments available for sale, the reversal of impairment loss is recognized in the Consolidated Statements of Income. In respect of equity financial investments available for sale, impairment losses previously recognized in the Consolidated Statements of Income are not reversed through Consolidated Statements of Income. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

For loans and receivables to customers the impaired loans are defined according to Chapter B-2 of the Accounting Standards Compendium of the SBIF as "borrower loans on which there is evidence they will not meet any of their obligations under the agreed-upon payment conditions, without the possibility of recovering the loan by repossessing collateral, by means of judicial collection actions or by renegotiation".

Impairment policies indicate that impairment is measured monthly, and consider the following criteria:

i. Impaired Portfolio:
Impaired Portfolio includes loans classified by the Bank as individually significant which have a credit risk classified as substandard in categories B3 and B4 or loans in the non-compliant portfolio.

The remaining impaired loans are classified in the following groups:

- Loans in default more than or equal to 90 days.
- Renegotiated loans.
- 100% of the loans associated with the client any loan of which is classified as impaired are reclassified to the impaired portfolio.

Operations related to residential mortgage loans or students loans for higher education under Law No. 20,027 are excluded from the requirements of this classification as long as non-compliance conditions as established in Circular No. 3,454 dated December 10, 2008 are not presented. The behaviour in the financial system it is not considered in determining income on the impaired portfolio.

Exit Conditions
- Individual assessment: improvement in risk rating, movement to B3 and above category of the individual classification.

- Collective assessment:

  a) Non-renegotiated loans: loans of the impaired portfolio may be reclassified back to the normal portfolio only upon compliance with the following conditions:
     - Receipt of at least six consecutive instalments of principal and interest, paid on time in accordance

with the schedule of payments or with a maximum delay of 30 days.
- All obligations up to date and no other loans in the impaired portfolio.
- In any case, there must be no instalments in default with other banks in the Chilean financial system in the last 90 days (last three periods informed to the SBIF at the date of inquiry).

b) Renegotiated loans: loans of the impaired portfolio may be reclassified back to the normal portfolio only upon compliance with the following conditions:
- Receipt of at least six consecutive instalments of principal and interest, paid on time in accordance with the schedule of payments or with a maximum delay of 30 days.
- All obligations up to date and no other loan operations of the borrower in the impaired portfolio.
- No other renegotiations of the borrower's loans within the last six months.
- In any case, there must not be any instalments in default with other banks in the Chilean financial system in the last 90 days (last three periods informed to the SBIF at the date of inquiry).

c) Collectively renegotiated portfolio written-off: written-off loans that had been renegotiated may be reclassified back to the normal portfolio only upon compliance with the following conditions:
- Payment of 30% of the originally renegotiated balance or payment of the first six payments agreed for the renegotiated loan.
- Principal and interests payments up to date.
- No other loans of the borrower in the impaired portfolio.
- No instalments in default in the Chilean financial system in the last 90 days.

ii. Interest and indexation for inflation income and expenses:
Income and expenses from interest and indexation for inflation are recognized in the Consolidated Statements of Income for the year based on the accrual principle using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

However, in the case of past-due loans or the current loans with high credit risk, a prudent criterion is followed to suspend the accrual of interest and indexation for inflation. Such items are recognized only when they are received.

- Amounts to suspend:

The amount of suspended income on an accrual basis corresponds to the amount calculated between the date of suspension and the Consolidated Statements of Financial Position reporting date that corresponds to the last day of the month.

- Date of suspension: Individually assessed loans:

Case a) Loans classified as C5 and C6: the accrual is suspended when the loan is classified as non-compliant.

Case b) Loans classified as C3 and C4: the accrual is suspended when the loan has been classified as non- compliant for more than three months.

Collectively assessed loans:

For the loans with collateral whose fair value is less than 80% of the loan balance, accrual of income is suspended when the loan or one of the instalments has not been paid for six months.

The 80% percent of collateral refers to the ratio, measured at the time the loan becomes impaired, including the value of the collateral and the estimated value of all assets covered by the same collateral, including credit commitments.

II. Non-financial assets:

Non-financial assets of the Bank, including goodwill, intangible assets with an indefinite useful life and assets not yet available for use, and excluding investment property and deferred taxes are evaluated at least annually or more frequently, should circumstances warrant, in order to determine if indicators of impairment exist. If such indicators exist, then the recoverable amount of the asset is calculated.

Impairment of goodwill and intangible assets with indefinite lives is not reversed. Impairment losses of other non-financial assets recognized in previous periods are evaluated to determine if events or circumstances indicate the need in reversal of the impairment loss. A loss from impairment is reversed if a change in the estimate has occurred. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

t) Intangible assets

Software

The software acquired by the Bank is recognized at cost less the accumulated amortization and impairment, if any.

An internally-generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The capitalized costs of the software developed internally include all the direct costs attributable to the development of the software, and it is amortized over the course of its useful life. Software developed internally is recognized at cost less the accumulated amortization and impairment, if any.

The subsequent expenditures associated with any software are capitalized only when the Bank may derive future economic benefits from them. The rest of the expenditures are recognized in the Consolidated Statements of Income for the year.

Amortization is recognized in the Consolidated Statements of Income using the straight-line method according to the estimated useful life of the software, starting on the date it is ready for use. The estimated useful life of the software it is usually six years.

Intangibles acquired in a business combination
Intangible assets with finite and indefinite useful lives were recognized as a consequence of the purchase of Bci Financial Group, INC. and Subsidiaries at the acquisition date, in October 2016. These intangible assets were identified in Purchase Price Allocation (PPA) process.

According to IFRS 3 "Business Combinations", amounts presented as of December 31, 2015 were determined as preliminarily and could be adjusted during up to one year period from the acquisition date.

Intangible assets with finite useful life are amortized on a straight-line basis over their estimated useful life. Intangible with indefinite useful life are subject to annual impairment review. In accordance with the SBIF rules, under the Compendium of Accounting Rules, Chapter A2 number 7, two independent appraisers different from the Bank's auditors performed an impairment test over indefinite life intangible assets. This review was performed at an interim date, June 30, 2106, and as of the year end.

Goodwill
For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired entity to those units or groups of units assigned.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

An impairment loss recognised for goodwill is not reversed in subsequent periods.

u) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs generally recognized in the Consolidated Statements of Income as incurred.

In a business combination, an independent expert is used to make a determination of fair value of net assets acquired and is intangible assets identified. For the estimation of recovery of these intangibles identified in a business combination, cash flow projections are used based on yield estimates of acquired businesses.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at their fair value, except for the following:

- The deferred tax assets or liabilities, and assets or liabilities related to agreements of employee benefits are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively;

- Liabilities or equity instruments related to share-based arrangements of the acquiree or share-based company agreements entered into agreements to replace share-based payments of the acquired payment transactions, are measured in accordance with IFRS 2 "Share-based Payment" in acquisition date; and

- Assets (or group of assets for disposal) that are classified as held for sale in accordance with IFRS 5 "Non- current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

The goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non- controlling interest in the acquiree and the fair value of the acquirer's previously held interest in acquiree (if any) over the net amounts of the acquisition-date amount of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in statements of income as a bargain purchase gain.

Non-controlling interests that are represent ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquire's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

The measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which may not exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date (see Note 4.vi).

v) Property, Plant and Equipment

The items of property, plant and equipment are measured at acquisition cost, net of accumulated depreciation and impairment, if any.

In addition to the price paid to acquire each item, the cost also includes, where applicable, the capitalized cost. The capitalized cost includes expenses attributed directly to the asset acquisition and any other costs directly attributable to the process of placing the asset in conditions to be used.

When some part of an item of the property, plant and equipment has a different useful life to that property, plant and equipment, it is recognized as a separate component (Real Estate Remodelling).

Depreciation is recognized in the Consolidated Statements of Income on the straight-line basis over the useful life of the item or each component of an item of the property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful life, unless it is certain that the Bank will retain the property at the end of the leasing period.

The estimated useful lives for the property, plant and equipment as of December 31, 2016 and 2015 are the following:

	As of December 31	
	2016	2015
Buildings	50 years	50 years
Machinery and equipment	3 - 10 years	3 - 10 years
Facilities	7 - 10 years	7 - 10 years
Furniture and fixtures	7 years	7 years
Computing equipment	3 - 6 years	3 - 6 years
Real estate improvements	10 years	10 years
Other property, plant and equipment	3 - 6 years	3 - 6 years

w) Repossessed assets

Repossessed assets are classified under "Other assets" heading and recognized at the lesser of their adjudicated- in-court value and net realizable value, net of regulatory write-offs required by the SBIF. Repossessed assets are presented net of impairment. Asset not sold within one year from the adjudication date have to be written off.

x) Staff benefits

i. Unused Vacations:

The annual cost of staff vacations and benefits are recognized on accrual basis.

ii. Short-term benefits:

The entity provides for its employees an annual incentive plan for meeting certain objectives. The incentive is defined as a determined number or portion of monthly remunerations. Corresponding provision is recognized on the basis of the estimated amount to be distributed.

iii. Indemnification for years of service:

The Bank and its subsidiaries have no agreements with their employees with respect to indemnification for years of service.

y) Leases

i. Operating lease:

When the Bank or the subsidiaries act as lessee and the contract qualifies as an operating lease, operating lease payments are recognised as an expense on a straight-line basis over the lease term

At the end of the operating lease period, any payment for penalties arising under operating leases are recognised as an expense in the period in which they are incurred.

ii. Financial lease:

Amounts due from lessees under finance leases are recognised as receivables at the amount of the net investment in the leases under the heading "Loans and receivables to customers". Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Inter-company leased assets are treated as own-use assets in the Consolidated Financial Statements.

z) Cash flow statement

Indirect method was applied for presentation of the Consolidated Statements of Cash Flows. In accordance with this method non-cash transactions are included as adjustments to the Bank's profit, as well as revenues and expenses associated with cash flows from investing or financing activities.

The following concepts are applied for the Consolidated Statements of Cash Flows:

- **Cash flows:** the inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are readily convertible to know amount of cash and which are subject to an insignificant risk of changes in value, such as: deposits with the Central Bank of Chile, with domestic and foreign banks.

- **Operating activities:** are the principal revenue-producing activities of the Bank and other activities that are not investing or financing activities.

- **Investing activities:** are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

- **Financing activities:** are activities that result in changes in size and composition of net equity and borrowings and that do not form part of the operating and investing activities.

aa) Provisions and contingent assets and liabilities

Provisions are liabilities for which there is uncertainty regarding their amount or maturity. Provisions are recognized in the Consolidated Statements of Financial Position when they comply with the following requirements:

- It is a present obligation as a result of a past event, and, at the date of the Consolidated Financial Statements it is probable that an outflow of economic benefits will be required by the Bank or its subsidiaries to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

a. a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
b. a present obligation that arises from past events but is not recognised because:
    - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    - the amount of the obligation cannot be measured with sufficient reliability.

Provisions (which are measured considering the best available information regarding the consequences of the related event and are reviewed at the end of each reporting period and adjusted to reflect the current best estimate) are used to cover specific obligations for which they were originally recognized which are reversed or utilized upon non-occurrence or occurrence of the event.

Provisions are recognized for the following categories:

- Provisions for staff benefits and remunerations.
- Provisions for minimum dividends.
- Provisions for contingent credit risk.
- Provisions for contingencies (include additional provisions).

i. Additional provisions:

The SBIF has defined that the additional provisions are those not deriving from the application of valuation models to the portfolio in order to compensate deficiencies in them, and that their establishment must be justified by assumed risk as defined in unpredictable economic fluctuations.

The Bank has formal criteria and procedures for the use and constitution for the determination of additional provisions, which must be approved by the Board of Directors.

These provisions, in accordance with the established under No. 10 of Chapter B-1 of the Compendium of Accounting Standards issued by the SBIF, has to be recognized as liabilities.

ii. Minimum provisions required for the normal individual portfolio:

The SBIF has determined that the Bank must maintain a percentage of minimum provision of 0.50% on loans and credit commitments from the normal individual portfolio in accordance with Chapter 2.1.3 of the number B-1 Compendium of Accounting Standards. These minimum provisions are to be presented as liabilities.

ab) Use of estimates and judgments

In the application of the Bank's accounting policies the Bank management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the information regarding the most significant areas of uncertainties and critical judgments in the application of accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements are described in the following notes:

- Impairment of certain assets (Note 32).
- Valuation of financial instruments (Notes 7, 9 and 12).
- Useful life property, plant and equipment and intangible assets (Notes 14 and 15).
- Use of tax loss carry-forward (Note 16).
- Contingencies and Commitments (Note 23).

ac Income tax and deferred tax

The Bank calculates first category income tax at each year end, according to the current tax law.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The effects of changes in the tax regulations or in tax rates are recognized in deferred taxes as of the date of the law enactment.

As of December 31, 2016 and 2015, the Bank recognized net deferred tax assets, for which Management has assessed that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

In accordance of Law No. 20,780 published on September 29, 2014 and modified by Law 20,899 published on February 8, 2016, from 2018 the Bank will be subject to a 27% income tax rate on a permanent basis. Meanwhile, the Bank will be subject to a 24% income tax rate in 2016, and to a 25% income tax rate in 2017.

ad) Non-current assets held for sale

Non-current assets (or an identifiable group that comprises assets and liabilities) those carrying amount is expected to be recovered principally through sale transaction, rather than through continuing use, are classified as non-current assets and disposal groups held for sale. Immediately before this classification, the assets (or elements of an identifiable group) are re-measured according to the accounting policies of the Bank. From this moment, the assets (or identifiable group) are measured at the lower of their previous carrying amount and fair value less cost to sell.

ae) Dividends on common shares

Dividends on common shares must be approved by the Board of Directors.

The Bank recognizes a liability for the portion of the year's profit that must be distributed among the shareholders in compliance with Corporate Law, establishing that the minimum of 30% of net income for the year, or more, must be distributed as dividend, or according to the dividends policy.

af) Earnings per share

Basic earnings per share are determined by dividing the consolidated net income for the year attributable to the Bank by the weighted average number of shares during that year.

Diluted earnings per share is calculated similarly to basic earnings, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of stock options, warrants and convertible debt.

ag) Collection operations and Protected Assets No. 27 formed by the direct subsidiary Bci Securitizadora S.A.

i. Collection Operations:

The securitization companies may acquire assets in order to form a separate equity ("Protected Assets Fund") that support the issuance of securitized bonds. These assets must be similar in nature. A separate equity has to be formed for each separate issuance.

These assets may represent future cash flows (a "business plan" or future cash flows to be obtained from a specific asset or group of assets or entity) or existing asset (a portfolio of receivables, mortgage loans, etc.).

Accounting of debt to be issued depends on the type of assets: debt secured by assets representing future cash flows has be recognized by both the Protected Assets Fund and the originator, while debt secured by existing assets has to be recognized only by the Protected Assets Fund.

These collection operations form part of the securitization process. In fact, the Securities Market Law itself, foreseeing the practical difficulty of forming a Protected Assets Fund, contemplates the possibility of acquiring assets that form a Protected Assets Fund equity even before the placement of the respective bonds.

Since there is a possibility that the respective Protected Assets Fund never will be created or securitized bond will not be issued for any reason (legal, market, etc.), these transactions contemplate a put option to resell account receivables back to the customer under certain circumstances (mainly in case when an entity cannot issue securitized bond for the reasons discussed above). This option has to be recognized as a contingent liability by the customer.

ii. Protected Assets Fund No. 27:

The Bank through the direct subsidiary Bci Securitizadora S.A., as of December 31, 2016, maintains in its Consolidated Financial Statements a balance of MCh$ 25,075, corresponding to loan receivables forming equity of the Protected Assets Fund No. 27. In order to create the latter, Bci Securitizadora S.A. acquired a loans portfolio originated by Inversiones S.C.G. S.A. On November 7, 2011 La Polar Companies filed a preventive legal agreement to the Board of Creditors. This agreement in its part related to Protected Assets Fund No. 27, mentions the conditions agreed with Bci Securitizadora S.A. on July 28, 2011. In accordance with these conditions, confirmed by Inversiones S.C.G. S.A, the collection process of the assets forming structure of Protected Assets Fund No. 27 was established as follows:

- Cash payment on acquisition of portfolio: MCh$ 23,820.
- Schedule of portfolio repayments, starting the sixth year (2018), as follows:

  Years 2018, 2019 and 2020: 5% of portfolio twice a year.
  Years 2021 and 2022: 7.5% of portfolio twice a year.
  Years 2023 and 2024: 10% of portfolio twice a year.

- Commissions recognized on October 16, 2012, for compliance with the precedent agreement condition: MCh$ 1,255.

Partial portfolio repayment will be made every 6 months in accordance with the percentages indicated above, on January 31 and July 31 of the respective year, corresponding to the first day on January 31, 2018 and so on the following, to the last on July 31, 2024.

Commissions: commissions to be accrued corresponded to 4% of the portfolio per year between July 1, 2012 and until fulfilment of the precedent condition. These commissions will be capitalized from the date of capitalization subject to interest at BCP 10 rate (in pesos for 10 years) in force on the previous day to the date of compliance with the precedent condition plus 1% per annum. This interest rate to be used throughout the course of the operation, and to be paid semi-annually starting from July 31, 2013. Interest paid for the year ended December 31, 2016 totalled MCh$ 680 (MCh$ 680 for the year ended December 31, 2015).

On October 25, 2012, external auditors of La Polar companies issued to its management the report on implementation of agreed procedures. This report confirms that on October 16, 2012 the funds raised from the effected capital increase exceed MCh$ 120,000. This fact, in compliance with the suspensive condition agreed in the legal agreement to the Board of Creditors, provoked establishment of new conditions for debts payment and change of agreement structures starting from October 16, 2012. Thus the balance of account receivables to Inversiones S.C.G. S.A. as of December 31, 2016 amounted to MCh$ 25,755.

As of December 31, 2016 the Bank recognizes and presents this account receivable related to Protected Assets Fund No. 27 in the category "Loans and receivables to customers".

ah) Consolidated Statements of Changes in Equity

The Consolidated Statements of Changes in Equity presented in these Consolidated Financial Statements, present changes in the total consolidated equity during the year. This information is related to: the Consolidated Statements of Other Comprehensive Income and Consolidated Statements of Changes in Equity. The main features of the information contained in the two statements are explained below:

- **Consolidated Statements of Other Comprehensive Income** - Other comprehensive income comprises items of income and expense as a result of Bank's activities during the period, distinguishing between those recognized as income, in the consolidated statements of income, and other income and expenses recognized in equity.

Therefore, in the Consolidated Statements of Other Comprehensive Income, the following are presented:

i) Net income for the year.

ii) The net income and expenses temporarily recognized as valuation adjustments in equity. iii) The net amount of revenues and expenses permanently recognized in equity.
iv) The earned income tax on items described above in ii) and iii), except for valuation adjustments arising from investments in associates, accounted for the equity method, which are presented on a net basis.

v) The total recognized income and expense, calculated as the sum of the above, presenting separately the parent entity amounts and the corresponding non-controlling interests.

- **Consolidated Statements of Changes in Equity -** this part of the Consolidated Statements of Changes in Equity discloses all changes in consolidated net equity, including those arising from changes in accounting policies and corrections of errors. Therefore, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all items comprising equity, grouping the changes according to their nature into the following items:

i) Adjustments for changes in accounting policies and corrections of errors including changes in equity arising as a result of the retrospective restatement of balances of financial statements due to changes in accounting policies or to correct errors. During the reporting year there were no adjustments for changes in accounting policies and corrections of errors.

ii) Income and expenses recognized in a period: total of the items recognized in the Consolidated Statements of Income, in the aggregate.

ai) Accounting pronouncements by the International Accounting Standards Board (IASB). Application of new and revised International Financial Reporting Standards (IFRS)

a) New and revised IFRS effective in the current year

The following new and revised IFRS have been adopted in these financial statements:

New Standards	Effective date
IFRS 14 Regulatory Deferral Account.	Annual periods beginning on or after January 1, 2016.
Amendments to Standards	**Effective date**
Accounting for Acquisitions of interests in Joint Operations (Amendments to IFRS 11).	Annual periods beginning on or after January 1, 2016.
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38).	Annual periods beginning on or after January 1, 2016.
Agriculture: Bearer Plants (amendments to IAS 16 and IAS 41).	Annual periods beginning on or after January 1, 2016.
Equity Method in Separate Financial Statements (Amendments to IAS 27).	Annual periods beginning on or after January 1, 2016.
Disclosure Initiative (Amendments to IAS 1).	Annual periods beginning on or after January 1, 2016.
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	Annual periods beginning on or after January 1, 2016.
Annual Improvements 2012-2014 Cycle.	Annual periods beginning on or after January 1, 2016.

IFRS 14 Regulatory Deferral Accounts
On January 30, 2014 the IASB issued IFRS 14 Regulatory Deferral Accounts. This standard is applicable to first-time adopter of IFRS and for entities which are involved in rate-regulated activities and recognized regulatory deferral account balances under its previous general accepted accounting principles. This standard requires separate presentation of regulatory deferral account balances in the statements of financial position and statements of comprehensive income. IFRS 14 is effective for an entity's firs annual IFRS financial statements for a period beginning on or after January 1, 2016, with earlier application permitted.

The application of this new standard does not have any effect on the consolidated financial statements of Bank.

Accounting for Acquisitions of interests in Joint Operations (Amendments to IFRS 11)
On May 6, 2014 the IASB has issued "Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11)", the amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11;
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted but corresponding disclosures are required. The amendments apply prospectively.

The application of these amendments does not have any effect on the consolidated financial statements of Bank.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)
On May 12, 2014 the IASB has published "Clarification of Acceptable Methods of depreciation and amortization (amendments to IAS 16 and IAS 38)".

The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

The application of these amendments does not have any effect on the consolidated financial statements of Bank.

Equity Method in Separate Financial Statements (Amendments to IAS 27)
On August 12, 2014, the IASB has published "Equity Method in Separate Financial Statements (Amendments to IAS 27)". The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost,
- in accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and
Measurement for entities that have not yet adopted IFRS 9), or
- using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 Consolidated Financial Statements and to IFRS 1 First-time Adoption of International Financial Reporting Standards.

The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are to be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The application of these amendments does not have any effect on the consolidated financial statements of Bank.

Disclosure initiative (Amendments to IAS 1)
On December 18, 2014 the IASB added an initiative on disclosure to its work program in 2013 to complement the work being done in the Conceptual Framework project. The initiative is made up of a number of smaller projects that aim at exploring opportunities to see how presentation and disclosure principles and requirements in existing Standards can be improved.

They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

The application of these amendments does not have any significant effect on the consolidated financial statements of Bank.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
On December 18, 2014 the IASB has published "Investment Entities: Applying the Consolidation Exception, Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011)" to address issues that have arisen in the context of applying the consolidation exception for investment entities.

They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

The application of these amendments does not have any significant effect on the consolidated financial statements of Bank.

Annual Improvements 2012-2014 Cycle

IFRS	Topic	Amendment
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Changes in methods of disposal.	Adds specific guidance in IFRS 5 for cases in which an entity reclassify an asset from held for sale to held for distribution or vice versa and cases in which held-for- distribution accounting is discontinued.
IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1)	Servicing contracts.	Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.
IAS 19 Employee Benefits	Discount rate	Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).
IAS 34 Interim Financial Reporting	Disclosure of information “elsewhere in the interim financial report”	Clarifies the meaning of ‘elsewhere in the interim report’ and requires a cross-reference. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The application of these amendments does not have any significant effect on the consolidated financial statements of Bank.

b) New and revised IFRS in issue but not yet effective:

New Standards	Effective date
IFRS 9 Financial Instruments	Annual periods beginning on or after January 1, 2018.
IFRS 15 Revenue from Contracts with Customers	Annual periods beginning on or after January 1, 2018.
IFRS 16 Leases	Annual periods beginning on or after January 1, 2019.
Amendments to Standards	**Effective date**
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	Annual periods beginning on or after January 1, 2017.
Disclosure Initiative (Amendments to IAS 7)	Annual periods beginning on or after January 1, 2017.
Clarifications to IFRS 15 “Revenue from Contracts with Customers”	Annual periods beginning on or after January 1, 2018.
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	Annual periods beginning on or after January 1, 2018.
Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” (Amendments to IFRS 4)	Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.
Transfers of Investment Property (Amendments to IAS 40)	Annual periods beginning on or after January 1, 2018.
Annual Improvements to IFRS Standards 2014-2016 Cycle	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018. The amendment to IFRS 12 for annual periods beginning on or after January 1, 2017.
New Interpretations	**Effective date**
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after January 1, 2018.

IFRS 9 Financial Instruments
In 2014 IASB issued a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39 Financial Instruments: Recognition and Measurement, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition. The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018. Early adoption is permitted.

The Bank, in accordance with the rules of the SBIF, will not anticipate the adoption of this standard. The standard will be adopted once the SBIF authorizes to do so.

IFRS 15 Revenue from Contracts with Customers
On May 28, 2014, the IASB has published its new standard, IFRS 15 Revenue from contracts with customers. At the same time, the Financial Accounting Standards Board (FASB) has published its equivalent revenue standard, ASU 2014-09.

The new standard provides a single, principles based five-step model to be applied to all contracts with customers, i) identify the contract with the customer, ii) identify the performance obligations in the contract, iii) determine the transaction price, iv) allocate the transaction price to the performance obligations in the contracts, v) recognize revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 15 must be applied in an entity's firs annual IFRS financial statements for periods beginning on or after 1 January 2018. Application of the Standard is mandatory and early adoption is permitted. An entity that chooses to apply IFRS 15 earlier than 1 January 2018 must disclose this fact.

Management is currently assessing the impact of applying IFRS 15, however, it is not practicable to provide a reasonable estimate of the effects that these IFRS will have until Management finalizes a detail review.

IFRS 16 Leases
On January 13, 2016 the IASB has published a new standard, IFRS 16 "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has also been applied.

Management is currently assessing the impact of applying IFRS 16, however, it is not practicable to provide a reasonable estimate of the effects that these IFRS will have until Management finalizes a detail review.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to
IFRS 10 and IAS 28)

On September 11, 2014, the IASB has published "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)". The amendments address a conflict between the requirements of IAS 28 Investments in Associates and Joint Ventures and IFRS 10 Consolidated Financial Statements and clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

On December 17, 2015 IASB has published final amendments to "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The amendments defer the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded.

Management is currently assessing the impact of applying these amendments, however, it is not practicable to provide a reasonable estimate of the effects that these IFRS will have until Management finalizes a detail review.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)
On January 19, 2016, the IASB published final amendments to IAS 12 'Income Taxes'. The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

Management is currently assessing the impact of applying these amendments, however, it is not practicable to provide a reasonable estimate of the effects that these IFRS will have until Management finalizes a detail review.

Disclosure Initiative (Amendments to IAS 7)
The amendments are part of the IASB´s Disclosure initiative project and introduce additional disclosure requirements intended to address investors´ concerns that financial statements do not currently enable them to understand the entity´s cash flows; particularly in respect of the management of financing activities. The amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financial activities. Although there is no specific format required to comply with the new requirements, the amendments include illustrative examples to show how an entity can meet the objective of these amendments.

Management is currently assessing the impact of applying these amendments, however, it is not practicable to provide a reasonable estimate of the effects that these IFRS will have until Management finalizes a detail review.

Clarifications to IFRS 15 "Revenue from Contracts with Customers"
On April 12, 2016, the IASB has published final clarifications to IFRS 15 "Revenue from Contracts with Customers".

These clarifications focus on the following areas:

- Identifying performance obligations
- Principal versus agent considerations, and
- Guidance licensing application

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 (same effective date as IFRS 15 itself). Earlier application is permitted.

Management is currently assessing the impact of applying these amendments, however, it is not practicable to provide a reasonable estimate of the effects that these IFRS will have until Management finalizes a detail review.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
On June 20, 2016, the IASB has published final amendments to IFRS 2 "Share-based Payment" that clarify the classification and measurement of share-based payment transactions. The amendments address several requests that the IASB and the IFRS Interpretations Committee received and that the IASB decided to deal with in one combined narrow-scope project.

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

Management does not anticipate that the application of these amendments will have any effect on the consolidated financial statements of Bank.

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)
On September 12, 2016, the IASB has published 'Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts". The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard (expected as IFRS 17 within the next six months).

As it has become obvious that the effective date of IFRS 17 can no longer be aligned with the effective date of IFRS 9 Financial Instruments there have been calls for the IASB to delay application of IFRS 9 for insurance activities and align the effective date of IFRS 9 for those activities with the effective date of the new insurance contracts standard.

The amendments in Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after 1 January 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes 1 April 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following 1 January 2018. Predominance is only reassessed if there is a change in the entity's activities.

Management does not anticipate that the application of these amendments will have any effect on the consolidated financial statements of Bank.

Transfers of Investment Property (Amendments to IAS 40)
On December 8, 2016, the IASB has issued "Transfers of Investment Property (Amendments to IAS 40)" to clarify transfers of property to, or from, investment property. The amendments to IAS 40 Investment Property:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted. Management does not anticipate that the application of these amendments will have any effect on the consolidated financial statements of Bank.

Annual Improvements to IFRS Standards 2014-2016 Cycle
On December 8, 2016, the IASB has issued "Annual Improvements to IFRS Standards 2014–2016 Cycle". The pronouncement contains amendments to three IFRSs as result of the IASB's annual improvements project.

IFRS	Subject of amendment
IFRS 1 First-time Adoption of International Financial Reporting Standards	Deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
IFRS 12 Disclosure of Interests in Other Entities	Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
IAS 28 Investments in Associates and Joint Ventures	Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

Management does not anticipate that the application of these amendments will have any effect on the consolidated financial statements of Bank.

aj) Standards and instructions issued by the Superintendence of Banks and Financial Institutions (SBIF)

i) Circulars No. 3,573 and No. 3,584 issued on December 30, 2014 and June 22, 2015, respectively, modified the Compendium of Accounting Standards, B-1, B-2 and E chapters, establishing the use of the standardized method for provisioning residential mortgage loans from January 1, 2016.

   Complementary instructions are provided on the assessment of portfolio of non-compliant loans subject to individual evaluation, including certain conditions that need to be met in order to remove such loans from this portfolio. Same conditions are established for loans evaluated on a collective basis. To remove a borrower from the non-compliant portfolio, once the circumstances that led to its classification in this portfolio have been overcome, at least the following conditions must be complied:

   (i) No obligation of the borrower presents a delay over 30 calendar days.
   (ii) The borrower has not been granted new refinancing to pay its obligations.
   (iii) At least one of the payments includes amortization of principal.
   (iv) If the borrower had any loan with partial payment in less than six months periods, it has already made two payments.

(v) If the borrower must pay monthly instalments for one or more loans, he had paid four consecutive instalments.
(vi) The borrower does not appear with unpaid direct loans on the information system of the SBIF, except for insignificant amounts.

ii) On May 25, 2016 Circular No. 3,583 was issued, modifying and complementing the Compendium of Accounting Standards, Chapter C-3, student loans, establishing new instructions for the classification of loans for higher education within Commercial Loans. This new classification include:

- Loans for higher education in accordance with Law No. 20,027.
- Secured Loans CORFO.
- Other loans for higher education.

iii) On February 18, 2016 Circular No. 3,601 was issued, introducing new instructions to the Compendium of Accounting Standards, Chapter C-3, complementary information, in order to report losses arising from operational risk events. In order to do so, the SBIF has requested the Banks to report on a monthly basis operational risk quantification and exposure identification according to the rules of Basel. These rules were applied for first time in the MC1 and MC2 monthly reports as of June 30, 2016.

iv) On March 29, 2016 Circular No. 3,604 was issued, modifying the percentage of credit equivalent for available credit lines. The SBIF has concludes that the credit equivalent for available credit lines, when the client has no overdue loans, can be set at 35% of the available balance. This modification came in force from May 2016.

v) On December 12, 2016 Circular No. 3,615 was issued. In order to increase the level of transparency of the information provided by the banks, the SBIF has instructed that from June 30, 2017, interim financial statements as of June 30 will be subject to a review by independent auditors in accordance with NAGA No. 63, AU 930, or its international equivalent, SAS No. 122, section AU-C930; which should be filed with the SBIF the same day of its publication, or the business day before or after it.

The Bank has implemented the new regulations described above in its financial statements as of December 31, 2016.

NOTE 2 - ACCOUNTING CHANGES

During the year ended December 31, 2016, no accounting changes over the previous year affecting these Consolidated Financial Statements have occurred.

NOTE 3 - SIGNIFICANT EVENTS

a) Issuance and bonds placements

- During 2016 no issuance of subordinated bonds took place.

- During the year 2016, the following bonds nominated in UF were issued:

Bonds Series	Issuance Date	Notional amount, UF	Nominal Interest rate	Maturity Date
SERIE_AL1	09.09.2016	3,000,000	1.89%	01.06.22
SERIE_AL2	18.08.2016	3,000,000	2.15%	01.06.23
SERIE_AL3	04.08.2016	3,000,000	2.40%	01.06.24
SERIE_AL4	18.08.2016	3,000,000	2.36%	01.06.28
SERIE_AL5	12.09.2016	3,000,000	2.50%	01.06.31
SERIE_AJ2	22.12.2016	500,000	2.23%	01.10.24
SERIE_AJ2	22.12.2016	775,000	2.23%	01.10.24
SERIE_AJ2	27.12.2016	2,000,000	2.20%	01.10.24
SERIE_AJ2	29.12.2016	1,000,000	2.10%	01.10.24
SERIE_AJ2	29.12.2016	1,210,000	2.10%	01.10.24

- During the year 2016, the following bonds nominated in Chilean pesos were issued:

Bonds Series	Issuance Date	Notional amount, Pesos	Nominal interest rate	Maturity Date
BBCIAM0616	21.09.16	50,000,000,000	4.90%	01.06.2023

- During the year 2016, the following bonds nominated in Euros were issued:

Bonds Series	Issuance Date	Notional amount, Euros	Nominal interest rate	Maturity Date
XS1493734971	23.09.2016	20,000,000	0.88%	23.09.2024

- During the year 2016, the following bonds nominated in Swiss Franc (CHF) were issued:

Bonds Series	Issuance Date	Notional amount, CHF	Nominal interest rate	Maturity Date
XS1520623627	17.11.2016	90,000,000	0.0%	17.11.2021

b) Distribution of dividends and capitalization of earnings
At the Annual Shareholder's Meeting held on March 22, 2016, the distribution of net income for the year 2015 was approved, amounting to MCh$ 330,819, as follows:

- Distribute a dividend of Ch$ 1,000 per share among the total 110,806,999 shares issued and registered in the Register of Shareholder's, which amounts to the sum of MCh$ 110,803.

- Allocate the remaining balance of MCh$ 220,016 to future capitalization reserve fund, as follows:

  1) MCh$ 165.411 from retained earnings; and
  2) MCh$ 54.605 through the issuance of 2.019.920 bonus shares.

  This capital increase was approved by the SBIF by means of Resolution No. 163 on May 13, 2016, which extract was ratified on June 16, 2016. Both documents were published in the Official Gazette on May 20 and July 4, 2016, respectively.

c) Capital increase
At Extraordinary Shareholder's Meeting held on October 27, 2015, it was approved the annulment of capital increase of MCh$ 198,876, which was approved by the Extraordinary Shareholder's Meeting held on September 26, 2013, and which was neither subscribed nor paid. Additionally, it was agreed to increase the share capital through the issuance of 10,737,300 shares for payment, which shall be subscribed and paid within three years from the date of the aforesaid meeting. Such increase was subscribed and paid during 2016 as follows:

- 308,023 shares were subscribed and paid on March 31, 2016 for a total of MCh$ 7,494.

- On April 19, 2016 ended a preferred option period, in which entitled shareholders subscribed and paid a total of 10,148,941 shares for MCh$ 260,205.

- On April 26, 2016 the remaining balance of 280,336 shares was subscribed and paid for a total of MCh$ 7,709.

As a result, the approved capital increase was completed for a total of MCh$ 275,408, and the share capital of Banco de Crédito e Inversiones, amounts to MCh$ 2,276,820 divided into 123,564,219 shares of a singles series without par value, as of December 31, 2016.

NOTE 4 - BUSINESS COMBINATION

i. General Operation
On October 16, 2015, Banco de Crédito e Inversiones (Bci) acquired City National Bank of Florida ("CNB") through the acquisition of 100% of CM Florida Holding, currently Bci Financial Group, INC. and Subsidiaries, which owned and controlled 99.96% of CNB. The remaining 0.04% ownership, is held by the six directors of the CNB Bank in equal proportions. These directors according to Federal Standard of the United States of America (hereinafter "United States"), should hold shares to exercise their roles as directors.

With this transaction, Bci strengthens its growth and internationalization strategy, becoming the first Chilean financial institution that has a banking subsidiary in the United States. The acquisition payment totalled US$ 946.9 million, or its equivalent in Chilean peso of MCh$ 639,150.

ii. Description of the Acquired Subsidiaries
Bci Financial Group, INC. and Subsidiaries, is an investment company whose sole corporate purpose is to hold investment in CNB as well as other financial instruments to a lesser extent.

CNB is a banking financial institution, which is recognized as one of the oldest banks in the State of Florida. It was established in 1946 and headquartered in Miami. CNB is a commercial full service bank offering a range of financial products, including real estate, commercial and consumer banking, to more than 22,000 customers, with 26 branches and 478 employees in four counties in Florida. Historically it was focused on a small and medium enterprises as a target segment of the market.

At the acquisition time, CNB hold loans of MCh$ 2,694,027, deposits of MCh$ 2,949,446 and equity of MCh$ 629,500, equivalent to 11%, 12% and 3% of total assets of the Bank, respectively, according to the Consolidated Balances of the Bank as of October 31, 2015.

iii. Primary reasons for the acquisition

This acquisition represents an important step in the internationalization strategy of Bci, which aims to generate new sources of income, geographically diversify its business, and accompany Chilean and Latin American customers in their regional operations and, at the same time, strengthen their participation in the State of Florida, in which it already operates for 16 years, through the branch which is currently located in Miami.

This acquisition represents an important business opportunity for the Bank in the State of Florida, the third largest state in the United States in terms of population, with more than 21 million inhabitants and with a per capita income above US$ 40,000. This state is the fourth in the Unites States in terms of deposits. It is distinguished by very dynamic and attractive economy, demographic and economic growth, which is above the average of the rest of states in the United States. Projected economic growth for Florida is 3.3% in comparison with 1.6% at national level; demographic growth is 2.2% in comparison with average of 0.8% in the country, unemployment rate is 4.8% while the rate at national level is 6%. Additionally, it is highly connected to Latin America being the gateway for Latin American investments to the United States, and vice versa.

Particularly, CNB stands out as one of the oldest banks and one of the leaders in the market, being inside the 5 biggest banks in the State of Florida. CNB management has a long history of successful operations. The excellent position and performance of CNB, together with the know-how accumulated by Bci in its 70-year history, represent a key pillar for the future development of Bci in the US market.

iv. Details of assets acquired and liabilities assumed

The following is the Consolidated Statements of Financial Position of the CNB as of the acquisition date as well as fair value measurement adjustments as of October 16, 2015:

	Pre-acquisition balance MCh$	Adjustments on acquisition MCh$	Reference	Post- acquisition balance MCh$
ASSETS				
Cash and deposits in banks	272,337	(26,731)	a	245,606
Items in course of collection	-	-		-
Trading portfolio financial assets	9,465	-		9,465
Investments under agreements to resell	48,782	-		48,782
Derivative financial agreements	2,141	-		2,141
Loans and receivables to banks, net	-	-		-
Loans and receivables to customers, net	2,681,665	12,362	b	2,694,027
Financial investments available for sale	881,671	126,043	c	1,007,714
Financial investments held to maturity	124,132	(123,456)	c	676
Investments in other companies	37,017	-		37,017
Intangible assets	143,369	(81,872)	d	61,497
Property, plant and equipment, net	47,493	4,397	e	51,890
Current income tax	-	-		-
Deferred income taxes	91,016	34,449	f	125,465
Other assets	11,200	-		11,200
TOTAL ASSETS	4,350,288	(54,808)		4,295,480
LIABILITIES				
Current accounts and demand deposits	2,949,446	-		2,949,446
Items in course of collection	-	-		-
Liabilities under agreements to repurchase	119,058	-		119,058
Term deposits and savings accounts	259,349	541	g	259,890
Derivative financial agreements	2,147	-		2,147
Borrowings from financial institutions	-	-		-
Debt issued	-	-		-
Other financial liabilities	321,010	-		321,010
Current income tax	1,379	-		1,379
Deferred income taxes	-	-		-
Provisions	5,773	-		5,773
Other liabilities	7,277	-		7,277
TOTAL LIABILITIES	3,665,439	541		3,665,980
SHAREHOLDERS' EQUITY				
Attributable to equity holders of the Bank:				
Capital and reserves	658,261	(28,761)	h	629,500
Accumulated other comprehensive income	1,621	(1,621)	i	-
Retained earnings:				
Net income for the prior period	-	-	-	
Net income for the year	24,967	(24,967)	i	-
Less: Accrual for minimum dividends	-	-		-
TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK	684,849	(55,349)		629,500
Non-controlling interest	-	-		-
TOTAL SHAREHOLDERS' EQUITY	684,849	(55,349)		629,500
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	4,350,288	(54,808)		4,295,480

Fair Value adjustments for the acquisition correspond to:

Reference	Adjustments Detail	MCh$
a)	Deposits in banks	(26,731)
b)	Loans and receivables to customers	12,362
c)	Financial investments available for sale	126,043
c)	Financial investments held to maturity	(123,456)
d)	Intangible assets	(81,872)
e)	Property, plant and equipment	4,397
f)	Deferred income taxes	34,449
	Total Assets	(54,808)
g)	Term deposits and savings accounts	541
h)	Equity	(28,761)
i)	Accumulated other comprehensive income	(1,621)
i)	Net Income for the year	(24,967)
	Total Liabilities and Equity	(54,808)

The fair value adjustments are determined at the date of acquisition. The valuation process was carried out by qualified professionals, independent from Bci Management.

Fair Value is defined as the price that would be received in order to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants on the valuation or, in the case of Bci, acquisition date.

Adjustments reflect the assets acquired and liabilities assumed by the acquirer, as a result of business combination.

Accounting of a business combinations, according to IFRS 3, is the following:

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values, of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition- related cost are generally recognized in incurred.

The adjustments made recognize assets acquired and liabilities assumed at fair value at the acquisition date are as follows:

a) From the total of Cash and deposits in banks amounted MCh$ 272,337, Deposits in banks, amounted MCh$ 234,633 as of the date of the acquisition, were adjusted in order to update nominal rates to market rates, which resulted in a reduction of MCh$ 26,731.

b) Adjustment related to loans and receivables to customers corresponds to updating of effective interest rate of loans. In addition, allowance for loan losses was adjusted.

i) As of October 31, 2015, the composition of the loan portfolio was as follows:

	Assets before allowances			Allowances Established			
	Normal portfolio MCh$	Non-compliant portfolio MCh$	Total MCh$	Individual allowance MCh$	Collective allowance MCh$	Total MCh$	Net Assets MCh$
Commercial loans:							
Commercial loans	2,134,080	286	2,134,366	-	(13,370)	(13,370)	2,120,996
Foreign trade loans	-	-	-	-	-	-	-
Checking accounts	-	-	-	-	-	-	-
Factoring operations	-	-	-	-	-	-	-
Leasing transactions	-	-	-	-	-	-	-
Other loans and receivables	-	-	-	-	-	-	-
Subtotal	2,134,080	286	2,134,366	-	(13,370)	(13,370)	2,120,996
Mortgage loans:							
Letters of credit	-	-	-	-	-	-	-
Negotiable mortgage loans	544,719	3,734	548,453	-	(7,458)	(7,458)	540,995
Other mortgage loans	-	-	-	-	-	-	-
Leasing transactions	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-
Subtotal	544,719	3,734	548,453	-	(7,458)	(7,458)	540,995
Consumer loans:							
Consumer loans in instalments	108,337	323	108,660	-	(1,501)	(1,501)	107,159
Checking accounts	-	-	-	-	-	-	-
Credit card borrowers	-	-	-	-	-	-	-
Consumer leasing transactions	-	-	-	-	-	-	-
Other loans and receivables	7,663	-	7,663	-	(34)	(34)	7,629
Subtotal	116,000	323	116,323	-	(1,535)	(1,535)	114,788
TOTAL	2,794,799	4,343	2,799,142	-	(22,363)	(22,363)	2,776,779

ii) Default

The portfolio of non-compliant loans (with instalments in default for equal to or greater than 90 days), as of October 16, 2015, is as the following:

	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Secured debt	-	-	-	-
Unsecured debt	286	3,734	323	4,343
TOTAL	286	3,734	323	4,343

iii) As of October 31, 2015 the breakdown of loans and receivables to customers by maturity is as follows:

	On demand MCh$	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	Subtotal up to 1 year MCh$	1 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Asset								
Loans and receivables to customers	-	37,492	87,985	208,121	333,598	1,268,372	1,197,172	2,799,142
Total loans and receivables to customers	-	37,492	87,985	208,121	333,598	1,268,372	1,197,172	2,799,142

c) Adjustments related to financial investments available for sale and financial investments held to maturity correspond to classifications or designations that the acquirer made on the basis of the pertinent conditions as they exist at the acquisition date, which led to reclassifications of some financial investments held to maturity to financial investments available for sale and revaluation of them at fair value.

d) Adjustment related to intangibles assets, corresponds to three concepts:

i) Derecognition of goodwill generated in the previous acquisitions or business combinations which was present in the CNB Financial Statements;

ii) Recognition of intangible assets identified in the business combination which will be detailed in the following table; and

iii) Goodwill.

Breakdown of intangible assets identified in the business combination

Detail	Amount (MCh$)	Type	Useful Life
Identified:			
Core deposits	43,855	Amortizable	9 years
Leasehold interest	2,814	Amortizable	30 years
Trademark	12,630	Undefined Useful Life	-
Generated:			
Goodwill	2,198	Undefined Useful Life	-

Identified:

Core deposits
Corresponds to permanent term deposits at rates below the actual placement market rates, held by CNB.

Leasehold interest
Corresponds to leases contracts at more favourable prices, when actual market prices held by CNB.

Trademark
Corresponds to the value of CNB brand in the state of Florida.

Goodwill
Corresponds to the difference between net assets acquired and liabilities assumed at fair values and the price paid for CNB, determined in accordance with the policy described in Note 1.u.

The intangible assets are subject to impairment assessment in accordance with the definitions and rules of the SBIF.

As of December 31, 2016, there are no indicators of impairment of intangible assets acquired in a business combination, including goodwill.

e) Adjustment related to Property, plant and equipment, corresponds to revaluation of CNB's buildings.

f) Adjustments related to deferred income taxes, correspond to the temporary differences generated by the differences between the financial and tax treatment of assets and liabilities. These differences should be recognized as deferred tax assets or liabilities. A deferred tax asset was generated by this business combination.

g) Adjustments related to term deposits and savings accounts corresponds to a market rate adjustment to revaluate deposits at fair value.

h) Adjustments related to equity and reserves corresponds to the net effect of fair value adjustments of identifiable assets acquired and liabilities assumed generated by the acquisition.

i) Adjustments related to accumulated comprehensive income and net income for the year correspond to reversal of the financial net income for the year, which belong to the previous owners, and to reversals of accumulated valuation reserves at the acquisition date.

The post-acquisition Consolidated Statements of Financial Position of Bci Financial Group, INC. and Subsidiaries, post-acquisition of City National Bank of Florida to October 16, 2015, is presented below:

As October 16, 2016	Bci Financial Group, INC. and Subsidiaries Individual MCh$	CNB Post-acquisition MCh$	Bci Financial Group, INC and Subsidiaries Consolidated MCh$
ASSET			
Cash and deposits in banks	746	245,606	245,606
Items in course of collection	-	-	-
Trading portfolio financial assets	-	9,465	9,465
Investments under agreements to resell	-	48,782	48,782
Derivative financial agreements	-	2,141	2,141
Loans and receivables to banks, net	-	-	-
Loans and receivables to customers, net	-	2,694,027	2,694,027
Financial investments available for sale	80	1,007,714	1,007,794
Financial investments held to maturity	-	676	676
Investments in other companies	629,235	37,017	37,018
Intangible assets	-	61,497	61,497
Property, plant and equipment, net	-	51,890	51,890
Current income tax	-	-	-
Deferred income taxes	7,998	125,465	133,463
Other assets	1,262	11,200	12,462
TOTAL ASSETS	639,321	4,295,480	4,304,821
LIABILITIES			
Current accounts and demand deposits	-	2,949,446	2,948,700
Items in course of collection	-	-	-
Liabilities under agreements to repurchase	-	119,058	119,058
Term deposits and savings accounts	-	259,890	259,890
Derivative financial agreements	-	2,147	2,147
Borrowings from financial institutions	5	-	5
Debt issued	-	-	-
Other financial liabilities	-	321,010	321,010
Current income tax	151	1,379	1,530
Deferred income taxes	-	-	-
Provisions	-	5,773	5,773
Other liabilities	15	7,277	7,292
TOTAL LIABILITIES	171	3,665,980	3,665,405
SHAREHOLDERS' EQUITY			
Attributable to equity holders of the parent:			
Capital and reserves	639,150	629,500	639,150
Accumulated other comprehensive income	-	-	-
Retained earnings:			
Net income for the prior year	-	-	-
Net income for the year	-	-	-
Less: Accrual for minimum dividends	-	-	-
TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK	639,150	639,150	639,150
Non-controlling interest	-	-	266
TOTAL SHAREHOLDERS' EQUITY	639,150	629,500	639,416
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	639,321	4,295,480	4,304,821

Non-controlling interest of the financial position of the Bci Financial Group, Inc. and Subsidiaries is measured at fair value and corresponds to CNB directors' shares that they must acquire in order to exercise their functions in accordance with Fed (Federal Reserve Bank) regulation.

Finally, in order to explain the impact of this business combination on the consolidated financials of the Bank, further disclosed the Statements of Financial Position of Banco de Crédito e Inversiones as of October 31, 2015 post to acquisition of Bci Financial Group, Inc. and Subsidiaries ("BCIFG") shares:

	Bci Consolidated pre-acquisition MCh$	BCIFG Consolidated MCh$	Bci Consolidated post-acquisition MCh$
ASSETS			
Cash and deposits in banks	1,353,773	104,545	1,458,318
Items in course of collection	613,097	-	613,097
Trading portfolio financial assets	1,139,615	9,636	1,149,251
Investments under agreements to resell	144,287	50,000	194,287
Derivative financial agreements	1,531,188	1,990	1,533,178
Loans and receivables to banks, net	167,867	-	167,867
Loans and receivables to customers, net	16,573,751	2,776,779	19,350,530
Financial investments available for sale	1,299,078	1,043,525	2,342,603
Financial investments held to maturity	-	692	692
Investments in other companies	685,506	39,401	155,079
Intangible assets	166,461	2,371	168,832
Property, plant and equipment, net	225,562	53,519	279,081
Current income tax	-	-	-
Deferred income taxes	117,756	98,251	216,007
Other assets	645,675	6,379	652,054
TOTAL ASSETS	**24,663,616**	**4,187,088**	**28,280,876**
LIABILITIES			
Current accounts and demand deposits	4,628,384	2,890,028	7,518,412
Items in course of collection	492,295	-	492,295
Liabilities under agreements to repurchase	294,938	82,062	377,000
Term deposits and savings accounts	9,455,625	261,866	9,717,491
Derivative financial agreements	1,597,598	2,061	1,599,659
Borrowings from financial institutions	1,566,256	5	1,566,261
Debt issued	3,903,605	-	3,903,605
Other financial liabilities	69,770	363,521	433,291
Current income tax	678	3,072	3,750
Deferred income taxes	42,112	-	42,112
Provisions	226,238	5,952	232,190
Other liabilities	398,877	8,396	407,273
TOTAL LIABILITIES	**22,676,376**	**3,616,963**	**26,293,339**
SHAREHOLDERS' EQUITY			
Attributable to equity holders of the parent:			
Capital and reserves	1,781,505	564,316	1,781,505
Accumulated other comprehensive income	13,977	3,443	13,977
Retained earnings:			
Net income for the prior year	-	-	-
Net income for the year	273,937	2,069	273,937
Less: Accrual for minimum dividends	(82,181)	-	(82,181)
TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK	**1.987,238**	**569,828**	**1,987,238**
Non-controlling interest	2	297	299
TOTAL SHAREHOLDERS' EQUITY	**1,987,240**	**570,125**	**1,987,537**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**24,663,616**	**4,187,088**	**28,280,876**

v. Other considerations

a) At business combination neither contingent assets nor contingent liabilities were identified; contingent considerations were not identified either.

b) Transaction costs related to the acquisition, amounted approximately US$ 5 million, which relates mainly to external legal advice and due diligence costs. These costs are presented in administrative expenses in the Consolidated Statements of Income for the year.

c) The detail of balances included in cash and cash equivalents as of October 31, 2015, is as follows:

	As of October 31 2015
	MCh$
Cash and deposits in banks	
Cash	32,144
Deposits in Central Bank of Chile	-
Deposits in domestic banks	-
Deposits in foreign banks	72,401
Subtotal cash and deposits in banks	104,545
Items in course of collection, net	-
Highly liquid financial instruments	-
Investments under agreements to resell	50,000
Total cash and cash equivalents	154,545

d) The Bci Financial Group, INC. and Subsidiaries results and percentage, contributed to consolidated results of the Bank between October 16 and December 31, 2015, is as follows:

	MCh$	%
Operating Income	29,920	2.58
Net Operating income	29,224	2.52
Net Income	10,599	2.74
Income before Income tax	11,014	2.75

e) Had the acquisition taken place on January 1, 2015, it is estimated that results contributed by Bci Financial Group, Inc. and Subsidiaries would have been MCh$36,598.

The methodology used to estimate the results was adding pre-acquisition CNB results to the post-acquisition results.

vi. Adjustments to provisional values - Goodwill

IFRS 3 permits adjustments to items recognized in the original accounting for a business combination, for a maximum of one year period after the acquisition date, when new information about facts and circumstances existed at the acquisition date is obtained. Any such adjustments are made retrospectively as if those adjustments had been made at the acquisition date.

As of April 30, 2016 the Bank, in accordance with the requirements of the SBIF, adjusted the fair value of loans and receivables to customers according to the rules of Chapter B-1 of the Compendium of Accounting. This adjustment was calculated over the balance of loans and receivables to customers as of October 31, 2015 and resulted in an increase of goodwill for US$ 12,918,365 (MCh$ 8,533).

Following is the detail of changes in goodwill during the year:

	MCh$
Goodwill as of January 1, 2016	**2,198**
Increase in goodwill during the measurement period	8,533
Exchange difference	51
Goodwill as of December 31, 2016	10,782

NOTE 5 – INFORMATION BY SEGMENTS

Segments structure

In accordance with IFRS 8, the Bank has aggregated operating segments with similar economic characteristics based on the aggregation criteria specified in the standard. Thus, a reporting segment comprises clients to whom differentiated products are addressed, which are homogeneous in terms and those performance is measured in a similar way, as a part of the same reporting segment. Overall, this aggregation has no significant impact on understanding the nature and effects of the business activities of the Bank and the economic environment in which it operates.

Segment reporting is presented by the Bank based on the defined business structure, which is focused on optimizing assistance to clients with products and service, according to relevant commercial characteristics.

To faithfully reflect the nature of the Bank's reporting segments, the presentation of the note considers the following:

1. The allocation of the results of balance sheet management of the reporting segments is performed according to the composition of assets of each business (which generates this outcome for the Bank).

2. A greater proportion of corporate expenses is allocated to the reporting segments, under the same allocation methodology that is used for other expenses or support staff.

3. Results for recognition or reversal of additional provisions and minimum provision adjustments were allocated to the segments in accordance with the classification of customers for which these results were originated.

Additionally, and with the purpose of improve focus and capture synergies from the customer service model, in 2016 the presentation of segments was simplified: Retail Banking and Small and Medium Entreprise segments were aggregated under “Retail Banking” heading; and Commercial Banking and Corporate & Investment Banking Commercial Division segments were aggregated under “Wholesale Banking” heading.

Following is the Bank’s commercial structure with its four reporting segments:

Retail Banking Segment: This segment includes individuals and entities with sales of less than UF 80,000, with the following sub segments:

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

Small and Medium Enterprises: This sub segment includes entrepreneurs and enterprising entities (with sales of between UF 2,400 and UF 80,000) and includes microenterprises (with sales of less than UF 2,400).

Wholesale Banking Segment: This segment composed mainly of companies whose annual sales exceed UF 80,000, with the following sub segments:

Commercial Banking: This sub segment includes mainly companies whose annual sales exceed UF 80,000. The operating units in this sub segment are: Real Estate and Companies.

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

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

Bci Financial Group, Inc. and Subsidiaries (BCIFG) Segment: This segment includes the results of operations of City National Bank of Florida, which operates as an independent unit under the supervision of senior management in Chile.

Others: In “Others” included those expenses and/or income, which by their nature are not directly identifiable within the reportable segments and therefore are not assigned.

Assignment of income from subsidiaries by client:
Consistent with its customer-focused strategy and as a result of attention/provision of services to the Bank’s clients in each segment, management in the subsidiaries, as well as results of the Bureau of Distribution and leasing business, is carried out in line with the above segments.

Assigning result of balance management:
In order to recognize in each segment all the benefits and costs associated with the clients’ attention, the results of currency and maturity mismatches management are allocated to the segments in the proportion corresponding to the total income for the assets of each segment less the average cost of liabilities to finance these assets.

Allocation of expenses to reporting segments:
Direct expenses: correspond to the costs directly attributable to each cost centre of each segment which are clearly recognizable and assignable. For example, personnel expenses, materials and inventory, and depreciation.

Indirect expenses (centralized allocation of expenses): expenses recognized in general costs centres, according to Bank’s policy, are allocated to different segments.

Management support expenses: these expenses are allocated depending on the time and resources consumed by different segments, based on the need in support managements. These expenses preliminary defined and agreed by the areas involved (user and support area).

These criteria have been applied for the years ended December 31, 2016 and 2015.

The management of commercial areas indicated above is measured in accordance with the concepts presented in this Note, which is based on the accounting principles applied to Bci Consolidated Statements of Income for the year.

a) Statements of Income for 2016:

	Retail Banking		Wholesale Banking					
	Retail MCh$	Small & Medium Entreprise MCh$	Commercial Banking MCh$	C&IB Commercial Division MCh$	C&IB Finance Division MCh$	BCIFG MCh$	Others MCh$	Consolidated MCh$
Net interest income	380,335	132,408	156,226	99,934	32,896	136,703	(33,449)	905,053
Net fee and commission income	139,448	38,107	39,119	26,644	11,631	18,434	(1,754)	271,629
Other operating income	30,748	7,675	26,260	31,444	(3,470)	10,994	4,989	108,640
Operating income	550,531	178,190	221,605	158,022	41,057	166,131	(30,214)	1,285,322
Provision for loan losses	(112,844)	(35,433)	(16,754)	(2,489)	(8,517)	(4,894)	(2,481)	(183,412)
Operating income, net of loan losses, interest and commission	437,687	142,757	204,851	155,533	32,540	161,237	(32,695)	1,101,910
Total operating expenses	(323,597)	(79,750)	(104,287)	(60,230)	(33,489)	(78,617)	(16,187)	(696,157)
TOTAL NET OPERATING INCOME BY SEGMENT	114,090	63,007	100,564	95,303	(949)	82,620	(48,882)	405,753
Share of profit/loss of investments accounted using the equity method								19,136
Income before income tax								424,889
Income tax expense (*)								(84,724)
CONSOLIDATED NET INCOME FOR THE YEAR								340,165

(*) See note 16.c.

b) Reporting Segments Balances as of December 31, 2016:

	As of December 31, 2016						
	Retail Banking		Wholesale Banking				
	Retail MCh$	Small & Medium Entreprise MCh$	Commercial MCh$	C&IB Commercial Division MCh$	C&IB Finance Division MCh$	BCIFG MCh$	Total Segments MCh$
TOTAL ASSETS	8,138,120	2,329,526	5,189,699	4,997,842	4,651,679	5,543,038	30,849,904
TOTAL LIABILITIES	7,331,118	2,082,377	4,660,277	4,488,814	4,895,388	4,873,253	28,331,227
EQUITY							2,518,677

c) Statements of Income for 2015:

	Retail Banking		Wholesale Banking					
	Retail MCh$	Small and medium enterprise MCh$	Commercial MCh$	C&IB Commercial Division MCh$	C&IB Finance Division MCh$	BCIFG MCh$	Others MCh$	Consolidated balances MCh$
Net interest income	359,770	118,066	146,830	76,142	62,563	25,872	11,263	800,506
Net fee and commission income	140,738	34,352	31,654	19,733	4,842	2,120	831	234,270
Other operating income	49,096	19,851	38,908	52,013	(13,472)	1,927	(25,053)	123,270
Operating income	549,604	172,269	217,392	147,888	53,933	29,919	(12,959)	1,158,046
Provision for loan losses	(119,456)	(32,929)	(11,264)	(16,310)	(3,692)	(697)	(4,858)	(189,206)
Operating income, net of loan losses, interest and commission	430,148	139,340	206,128	131,578	50,241	29,222	(17,817)	968,840
Total operating expenses	(297,296)	(70,770)	(92,865)	(57,966)	(21,520)	(18,623)	(22,583)	(581,623)
TOTAL NET OPERATING INCOME BY SEGMENT	132,852	68,570	113,263	73,612	28,721	10,599	(40,400)	387,217
Share of profit/loss of investments accounted using the equity method								13,495
Income before income tax								400,712
Income tax expense (*)								(69,889)
CONSOLIDATED NET INCOME FOR THE YEAR								330,823

(*) See note 16.c.

d) Operating Segments Balances as of December 31, 2015:

	As of December 31, 2015						
	Retail Banking		Wholesale Banking				
	Retail MCh$	Small & Medium Entreprise MCh$	Commercial MCh$	C&IB Commercial Division MCh$	C&IB Finance Division MCh$	BCIFG MCh$	Total Segments MCh$
TOTAL ASSETS	7,580,395	2,184,316	4,929,180	4,978,679	4,508,604	4,503,227	28,684,401
TOTAL LIABILITIES	6,952,111	1,986,843	4,506,056	4,573,434	4,740,449	3,924,983	26,683,876
EQUITY							2,000,525

NOTE 6 - CASH AND CASH EQUIVALENTS

a) Details of balances included within cash and cash equivalents, and their reconciliation with the Consolidated Statements of Cash Flows as of December 31, 2016 and 2015, are as follows:

	As of December 31,	
	2016 MCh$	2015 MCh$
Cash and deposits in banks		
Cash	378,520	421,190
Deposits in Central Bank of Chile (*)	613,338	350,767
Deposits in domestic banks	6,214	5,657
Deposits in foreign banks	579,493	494,938
Subtotal cash and deposits in banks	1,577,565	1,272,552
Items in course of collection, net	131,758	178,750
Highly liquid financial instruments	1,044	17,503
Investments under agreements to resell	116,461	206,105
Total cash and cash equivalents	1,826,828	1,674,910

(*) Deposits in Central Bank of Chile represent monthly updated mandatory reserve deposits with the Central Bank of Chile.

b) Items in the course of collection:

Items in the course of collection correspond to those transactions pending settlement which will increase or decrease deposits in Central Bank of Chile or in foreign banks, usually within 12 or 24 hours. The details of items in the course of collection, net as of December 31, 2016 and 2015 are as follows:

	As of December 31,	
	2016 MCh$	2015 MCh$
Assets		
Outstanding notes from other banks (swap)	136,698	189,426
Funds receivable	127,567	245,124
Subtotal assets	264,265	434,550
Liabilities		
Funds payable	132,507	255,800
Subtotal liabilities	132,507	255,800
Items in course of collection, net	131,758	178,750

NOTE 7 - TRADING PORTFOLIO FINANCIAL ASSETS

The following is the detail of trading portfolio financial assets as of December 31, 2016 and 2015:

	As of December 31	
	2016 MCh$	2015 MCh$
Instruments of the State and Central Bank of Chile (*):		
Bonds of the Central Bank of Chile	488,903	888,726
Promissory notes of the Central Bank of Chile	99	245
Other instruments of the State and Central Bank of Chile	181,073	14,918
Instruments of other domestic institutions:		
Bonds	70,910	18,080
Term deposits	352,576	183,781
Letters of credit	2,467	21,343
Documents issued by other financial institutions	93,931	84,406
Other instruments	18,220	45,449
Instruments of other foreign institutions:		
Other instruments	1,311	156
Investments in mutual funds:		
Funds administered by related parties	45,048	16,768
Funds administered by third parties	13,441	24,259
Total	1,267,979	1,298,131

(*) As of December 31, 2016 and 2015, the Bank has instruments with the Central Bank of Chile, classified in the "Instruments of the State and Central Bank of Chile" of MCh$ 276,908 and MCh$ 112,455, respectively.

NOTE 8 - INVESTMENTS UNDER AGREEMENTS TO RESELL AND LIABILITIES UNDER AGREEMENTS TO REPURCHASE

a) Securities purchased under agreements to resell:

Type of entity	Maturity of the agreement: Up to 3 months MCh$	Up to 3 months Average Rate %	Between 3 months and 1 year MCh$	Between 3 months and 1 year Average Rate %	Over 1 year MCh$	Over 1 year Average Rate %	Balance as of December 31, 2016 MCh$
Related party (individuals or entities)	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-
Securities brokers	41,668	0.35	4,426	0.35	-	-	46,094
Other domestic financial institutions	-	-	-	-	-	-	-
Foreign financial institutions	-	-	-	-	-	-	-
Other individuals or corporations	56,140	0.35	14,227	0.36	-	-	70,367
Total	97,808		18,653		-	-	116,461

Type of entity	Maturity of the agreement: Up to 3 months MCh$	Up to 3 months Average Rate %	Between 3 months and 1 year MCh$	Between 3 months and 1 year Average Rate %	Over 1 year MCh$	Over 1 year Average Rate %	Balance as of December 31, 2015 MCh$
Related party (individuals or entities)	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-
Securities brokers	65,512	0.59	5,229	0.37	-	-	70,741
Other domestic financial institutions	-	-	-	-	-	-	-
Foreign financial institutions	-	-	-	-	-	-	-
Other individuals or corporations	111,767	0.35	23,597	0.36	-	-	135,364
Total	177,279		28,826		-	-	206,105

b) Securities sold under repurchase agreements:

Type of entity	Maturity of the agreement: Up to 3 months MCh$	Up to 3 months Average Rate %	Between 3 months to 1 year MCh$	Between 3 months to 1 year Average Rate%	Over 1 year MCh$	Over 1 year Average Rate%	Balance as of December 31, 2016 MCh$
Related party (individuals or entities)	-	-	-	-	-	-	-
Domestic banks	80,164	0.32	-	-	-	-	80,164
Securities brokers	-	-	-	-	-	-	-
Other domestic financial institutions	139,939	0.29	-	-	-	-	139,939
Foreign financial institutions	-	-	-	-	-	-	-
Other individuals or corporations	579,333	0.26	408	0.29	-	-	579,741
Total	799,436		408		-	-	799,844

Type of entity	Maturity of the agreement: Up to 3 months MCh$	Up to 3 months Average Rate %	Between 3 months to 1 year MCh$	Between 3 months to 1 year Average Rate %	Over 1 year MCh$	Over 1 year Average Rate %	Balance as of December 31, 2015 MCh$
Related party (individuals or entities)	-	-	-	-	-	-	-
Domestic banks	68,409	0.33	-	-	-	-	68,409
Securities brokers	-	-	-	-	-	-	-
Other domestic financial institutions	126,694	0.29	-	-	-	-	126,694
Foreign financial institutions	-	-	-	-	-	-	-
Other individuals or corporations	246,731	0.19	7,253	0.20	41	0.33	254,025
Total	441,834		7,253		41		449,128

NOTE 9 - DERIVATIVE FINANCIAL AGREEMENTS AND HEDGE ACCOUNTING

a) As of December 31, 2016 and 2015, the Bank and its subsidiaries held the following portfolio of derivative instruments:

As of December 31, 2016:

	Notional amount		Fair value	
	Assets MCh$	Liabilities MCh$	Assets MCh$	Liabilities MCh$
Trading Derivatives:				
Forwards	24,194,017	23,869,561	125,632	123,748
Swaps	50,450,992	50,209,209	928,447	978,143
Call Options	213,476	224,332	1,147	653
Put Options	143,991	143,154	3	2,293
Futures	13,416	13,416	137	-
Others	-	-	-	-
Subtotal	75,015,892	74,459,672	1,055,366	1,104,837
Fair Value Hedge Derivatives:				
Forwards	-	-	-	-
Swaps	1,881,077	1,412,925	85,932	47,366
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Others	-	-	-	-
Subtotal	1,881,077	1,412,925	85,932	47,366
Cash Flow Hedge Derivatives:				
Forwards	-	548,038	22,552	19,352
Swaps	718,683	1,427,387	196,397	248,531
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Others	-	-	-	-
Subtotal	718,683	1,975,425	218,949	267,883
Total	77,615,652	77,848,022	1,360,247	1,420,086

As of December 31, 2015

	Notional amount		Fair value	
	Assets MCh$	Liabilities MCh$	Assets MCh$	Liabilities MCh$
Trading Derivatives:				
Forwards	29,537,235	29,545,133	240,951	239,325
Swaps	45,442,063	45,319,160	1,022,312	1,057,366
Call Options	394,821	385,314	4,889	6,089
Put Options	298,857	306,356	2,518	2,341
Futures	3	3	50	-
Others	-	-	-	-
Subtotal	75,672,979	75,555,966	1,270,720	1,305,121
Fair Value Hedge Derivatives:				
Forwards	-	-	-	-
Swaps	2,779,780	263,166	87,160	76,167
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Others	-	-	-	-
Subtotal	2,779,780	263,166	87,160	76,167
Cash Flow Hedge Derivatives:				
Forwards	113,240	991,846	16,541	22,001
Swaps	1,712,137	1,110,400	125,002	131,902
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Others	-	-	-	-
Subtotal	1,825,377	2,102,246	141,543	153,903
Total	80,278,136	77,921,378	1,499,423	1,535,191

b) Types of derivatives

The Bank uses hedge accounting to manage its exposure to fair value risk and risk of changes in cash flows.

Fair value hedges:
For positions in both foreign currency and local currency, the fair value of the position is hedged against changes in the base interest rate. The implied credit spread is not considered for this type of strategy. These operations reduce the duration of the positions and reduce the risk related to interest rate changes.

The following tables provide a summary of the hedged items and hedging instruments for fair value hedge accounting as of December 31, 2016 and 2015:

Hedged item	As of December 31, 2016		As of December 31, 2015	
	Assets MCh$	Liabilities MCh$	Assets MCh$	Liabilities MCh$
Bonds issued MX/MN	-	749,973	-	501,825
Loans MX, UF	678	-	218,196	-
Term deposits MN	-	1,131,104	-	1,959,468
Investment MX	200,204	-	44,970	-
Macro hedge MN, MX	1,212,043	-	-	-
Liabilities MX	-	-	-	318,487
Total	1,412,925	1,881,077	263,166	2,779,780

Hedging instrument	As of December 31, 2016		As of December 31, 2015	
	Assets MCh$	Liabilities MCh$	Assets MCh$	Liabilities MCh$
Cross Currency Swaps	381,101	1,368,073	461,505	215,547
Interest Rate Swap MN	1,131,104	14,000	1,959,468	-
Interest Rate Swap MX	368,872	30,852	358,807	47,619
Total	1,881,077	1,412,925	2,779,780	263,166

Cash flow hedges:

The Bank uses cash flow hedging instruments such as cross currency swaps, forwards (inflation and exchange rate) and UF rate swaps to hedge the assets and liabilities exposed to variations in interest rates, exchange rates and/or inflation.

The following tables provide a summary of the hedged items and hedging instruments for cash flow hedge accounting as of December 31, 2016 and 2015:

Hedged item	As of December 31, 2016		As of December 31, 2015	
	Assets MCh$	Liabilities MCh$	Assets MCh$	Liabilities MCh$
Assets UF > 1Y	1,733,697	-	1,940,122	-
Future obligations USD	-	40,241	-	155,705
Term deposits CLP	-	303,001	-	1,247,368
Assets UF	100,602	-	106,163	-
Bond MN/MX	-	375,441	-	422,304
Asset USD	141,126	-	55,961	-
Total	1,975,425	718,683	2,102,246	1,825,377

Hedging instrument	As of December 31, 2016		As of December 31, 2015	
	Assets MCh$	Liabilities MCh$	Assets MCh$	Liabilities MCh$
Cross Currency Swaps	415,682	1,371,426	464,769	1,054,439
Forward UF	-	548,038	-	991,846
Forward USD	-	-	113,240	-
Swap rate	303,001	55,961	1,247,368	55,961
Total	718,683	1,975,425	1,825,377	2,102,246

Hedge of a net investment in a foreign operation:
The hedge of a net investment in a foreign operation seeks to mitigate the foreign exchange rate risk associated to the valuation of the foreign investment.

The following tables provide a summary of the hedged items and hedging instruments for hedge of a net investment in a foreign operation accounting as of December 31, 2016 and 2015:

Hedged item	As of December 31, 2016		As of December 31, 2015	
	Assets MCh$	Liabilities MCh$	Assets MCh$	Liabilities MCh$
Net investment in a foreign operation	635,079	-	670,181	-
Total	635,079	-	670,181	-

Hedge instrument	As of December 31, 2016		As of December 31, 2015	
	Assets MCh$	Liabilities MCh$	Assets MCh$	Liabilities MCh$
Bonds in foreign currency	-	635,079	-	670,181
Total	-	635,079	-	670,181

The following table provides details of the expected future cash flows related to cash flow hedges:

Periods of expected future cash flows
As of December 31, 2016

	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
Hedged item					
Cash outflows	(637,840)	(1,115,162)	(882,484)	(360,537)	(2,996,023)
Cash inflows	602,905	1,041,367	861,817	360,984	2,867,073
Net cash flows	(34,935)	(73,795)	(20,667)	447	(128,950)
Hedging instrument					
Cash outflows	637,840	1,115,162	882,484	360,537	2,996,023
Cash inflows	(602,905)	(1,041,367)	(861,817)	(360,984)	(2,867,073)
Net cash flows	34,935	73,795	20,667	(447)	128,950

As of December 31, 2015

	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
Hedged item					
Cash outflows	(929,815)	(2,355,919)	(913,777)	(54,319)	(4,253,830)
Cash inflows	917,705	2,232,080	875,107	54,258	4,079,150
Net cash flows	(12,110)	(123,839)	(38,670)	(61)	(174,680)
Hedging instrument					
Cash outflows	929,815	2,355,919	913,777	54,319	4,253,830
Cash inflows	(917,705)	(2,232,080)	(875,107)	(54,258)	(4,079,150)
Net cash flows	12,110	123,839	38,670	61	174,680

NOTE 10 - LOANS AND RECEIVABLES TO BANKS, NET

a) As of December 31, 2016 and 2015, balances for this concept are the following:

	As of December 31,	
	2016 MCh$	2015 MCh$
Domestic banks		
Highly liquid interbank loans	-	1,032
Allowance for loan losses of domestic banks	-	(1)
Foreign banks		
Highly liquid interbank loans	223,660	168,679
Allowance for loan losses of domestic banks	(432)	(294)
Total	223,228	169,416

b) The amount for the year 2016 and 2015 of provisions and impairment is as follows:

	2016			2015		
	Domestic Banks MCh$	Foreign Banks MCh$	Total MCh$	Domestic Banks MCh$	Foreign Banks MCh$	Total MCh$
Balance as of January 1	**1**	**294**	**295**	**1**	**794**	**795**
Write-offs	-	-	-	-	-	-
Provisions	7	279	286	41	265	306
Recovery of provisions	(8)	(141)	(149)	(41)	(765)	(806)
Impairment	-	-	-	-	-	-
Reversal of impairment	-	-	-	-	-	-
Balances as of December 31	-	432	432	1	294	295

NOTE 11 - LOANS AND RECEIVABLES TO CUSTOMERS, NET

a) Loans and receivables to customers

As of December 31, 2016 and 2015, the composition of the loan portfolio was as follows:

	Assets before allowances			Allowances Established			
As of December 31, 2016	Normal Portfolio MCh$	Non-compliant Portfolio MCh$	Total MCh$	Individual Allowance MCh$	Collective Allowance MCh$	Total MCh$	Net Assets MCh$
Commercial loans:							
Commercial loans (*)	11,181,048	471,379	11,652,427	(107,450)	(54,780)	(162,230)	11,490,197
Foreign trade loans	725,270	9,884	735,154	(18,136)	(13)	(18,149)	717,005
Checking accounts	138,785	9,279	148,064	(1,286)	(3,847)	(5,133)	142,931
Loans to college students	848,911	7,464	856,375	(6,041)	(2,500)	(8,541)	847,834
Factoring operations	165,005	17,949	182,954	-	(4,259)	(4,259)	178,695
Leasing transactions	1,010,823	59,704	1,070,527	(16,326)	(1,506)	(17,832)	1,052,695
Other loans and receivables	28,311	5,810	34,121	(1,157)	(2,626)	(3,783)	30,338
Subtotal	14,098,153	581,469	14,679,622	(150,396)	(69,531)	(219,927)	14,459,695
Mortgage loans:							
Letters of credit	19,969	1,308	21,277	-	(41)	(41)	21,236
Negotiable mortgage loans	602,184	12,703	614,887	-	(6,129)	(6,129)	608,758
Other mortgage loans	4,202,498	161,255	4,363,753	-	(26,585)	(26,585)	4,337,168
Leasing transactions	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-
Subtotal	4,824,651	175,266	4,999,917	-	(32,755)	(32,755)	4,967,162
Consumer loans:							
Consumer loans in instalments	1,837,437	231,962	2,069,399	-	(103,804)	(103,804)	1,965,595
Checking accounts	97,755	9,053	106,808	-	(5,895)	(5,895)	100,913
Credit card borrowers	432,624	8,622	441,246	-	(6,462)	(6,462)	434,784
Consumer leasing transactions	3,808	142	3,950	-	(45)	(45)	3,905
Other loans and receivables	23,060	10	23,070	-	(778)	(778)	22,292
Subtotal	2,394,684	249,789	2,644,473	-	(116,984)	(116,984)	2,527,489
TOTAL	21,317,488	1,006,524	22,324,012	(150,396)	(219,270)	(369,666)	21,954,346

(*) Includes loans corresponding to Protected Assets Fund No. 27 as stated in Note 1.ag.

As of December 31, 2015	Assets before allowances			Allowances Established			
	Normal Portfolio MCh$	Non-compliant Portfolio MCh$	Total MCh$	Individual Allowance MCh$	Group Collective Allowance MCh$	Total MCh$	Net Assets MCh$
Commercial loans:							
Commercial loans (*)	10,071,571	420,582	10,492,153	(108,627)	(72,132)	(180,759)	10,311,394
Foreign trade loans	845,960	17,796	863,756	(21,427)	(20)	(21,447)	842,309
Checking accounts	98,517	11,059	109,576	(2,756)	(4,733)	(7,489)	102,087
Factoring operations	687,860	4,807	692,667	(6,638)	(1,144)	(7,782)	684,885
Leasing transactions	831,267	39,111	870,378	(13,117)	(1,417)	(14,534)	855,844
Other loans and receivables (**)	178,755	29,398	208,153	(2,112)	(8,166)	(10,278)	197,875
Subtotal	12,713,930	522,753	13,236,683	(154,677)	(87,612)	(242,289)	12,994,394
Mortgage loans:							
Letters of credit	25,685	1,652	27,337	-	(134)	(134)	27,203
Negotiable mortgage loans	577,242	5,855	583,097	-	(5,941)	(5,941)	577,156
Other mortgage loans	3,701,786	173,265	3,875,051	-	(16,911)	(16,911)	3,858,140
Leasing transaction	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-
Subtotal	4,304,713	180,772	4,485,485	-	(22,986)	(22,986)	4,462,499
Consumer loans:							
Consumer loans in Instalments	1,723,561		178,560		1,902,121		
Checking accounts	99,395		7,414		106,809		
Credit card borrowers	376,462		9,096		385,558		
Consumer leasing transactions	2,571		8		2,579		
Other loans and receivables	15,432		314		15,746		
Subtotal	2,217,421	195,392	2,412,813	-	(99,177)	(99,177)	2,313,636
TOTAL	19,236,064	898,917	20,134,981	(154,677)	(209,775)	(364,452)	19,770,529

(*) Includes loans corresponding to Protected Assets Fund No. 27 as stated in Note 1.ag.

(**) Includes loans to college students, which are separately disclosed from 2016 in accordance with Circular No. 3,583 issued on May 25, 2016.

The collateral received by the Bank with respect to the loans portfolio relates to mortgages, and consists of cash, securities, accounts receivable, property and real estate assets, and warrants, among others.

The Bank uses the financial lease agreements from 1 to 10 years, depending on the contract, to finance acquisition of property, both movable and immovable for its clients. As of December 31, 2016 and 2015, the Bank held approximately MCh$ 565,889 and MCh$ 388,850, respectively, of financial leases on movable assets, and MCh$ 508,588 and MCh$ 484,107, respectively, of financial leases on property.

The following table provides reconciliation between gross investment in lease and present value of minimum lease payments as of December 31, 2016 and 2015:

	As of December 31	
	2016 MCh$	2015 MCh$
Gross investments in lease	1,237,236	1,020,723
Unearned income from financial lease	(162,759)	(147,766)
Net financial leases	1,074,477	872,957

	As of December 31	
	2016 MCh$	2015 MCh$
Less than 1 year	257,565	237,444
Between 1 and 5 years	411,582	289,796
Over 5 years	405,330	345,717
Total	1,074,477	872,957

There is no evidence of impairment of the financial lease contracts that the Bank holds.

The Bank has obtained repossessed assets for an amount of MCh$ 6,089 as of December 31, 2016 and MCh$ 10,845 for December 31, 2015 through the execution of collateral held on assets.

b) Portfolio characteristics:

As of December 31, 2016 and 2015, the loan portfolio, before allowances for loan losses, by type of the customer's economic activity is as follows:

	Domestic Loans As of December 31		Foreign Loans As of December 31		Total As of December 31		As of December 31	
	2016	2015	2016	2015	2016	2015	2016	2015
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	%	%
Commercial loans:								
Agriculture and livestock except fruits	286,534	187,281	91,617	89,374	378,151	276,655	1.69%	1.37%
Fruits	48,174	42,660	92,120	62,043	140,294	104,703	0.63%	0.52%
Forestry and wood extraction	166,431	147,689	13,519	28,735	179,950	176,424	0.81%	0.88%
Fishing	33,340	21,756	83,647	107,349	116,987	129,105	0.52%	0.64%
Mining	61,681	46,178	144,865	172,930	206,546	219,108	0.93%	1.09%
Crude oil and natural gas production	2,356	3,144	106,234	113,421	108,590	116,565	0.49%	0.58%
Food, beverage and tobacco industry	200,301	171,778	131,814	110,609	332,115	282,387	1.49%	1.40%
Textile and leather industry	33,630	24,227	47,492	43,112	81,122	67,339	0.36%	0.33%
Timber and furniture industry	31,941	29,460	14,699	16,556	46,640	46,016	0.21%	0.23%
Print and editorial industry	37,184	27,769	8,749	7,266	45,933	35,035	0.21%	0.17%
Chemical product, derived from oil, coal, rubber and plastic	122,563	98,173	129,254	88,568	251,817	186,741	1.13%	0.93%
Production of metal and non-metal production, machinery and equipment	367,547	301,871	88,564	154,612	456,111	456,483	2.04%	2.27%
Other manufacturing industries	16,378	6,205	147,768	95,789	164,146	101,994	0.74%	0.51%
Electricity, gas and water	346,253	183,505	235,605	225,939	581,858	409,444	2.61%	2.03%
Home construction	183,091	973,365	2,578	199	185,669	973,564	0.83%	4.84%
Other construction	901,496	389,552	157,555	69,305	1,059,051	458,857	4.74%	2.28%
Wholesale business	612,984	428,408	502,280	367,643	1,115,264	796,051	5.00%	3.95%
Retail, restaurants and hotels	467,131	535,489	381,979	320,581	849,110	856,070	3.80%	4.25%
Transporting and storage	321,611	318,244	256,042	283,930	577,653	602,174	2.59%	2.99%
Communications	109,091	83,205	58,346	34,387	167,437	117,592	0.75%	0.58%
Financial and insurance companies	2,263,893	1,808,866	269,265	213,904	2,533,158	2,022,770	11.35%	10.05%
Real estate and service providers	1,460,248	1,018,897	1,216,009	938,966	2,676,257	1,957,863	11.99%	9.72%
Services	1,186,006	1,681,994	1,239,757	1,161,749	2,425,763	2,843,743	10.84%	14.13%
Subtotal	9,259,864	8,529,716	5,419,758	4,706,967	14,679,622	13,236,683	65.75%	65.74%
Mortgage loans	4,397,665	3,918,129	602,252	567,356	4,999,917	4,485,485	22.40%	22.28%
Consumer loans	2,516,666	2,277,101	127,807	135,712	2,644,473	2,412,813	11.85%	11.98%
Total	16,174,195	14,724,946	6,149,817	5,410,035	22,324,012	20,134,981	100.00%	100.00%

c) Provisions

The changes in allowances for loan losses during the years ended December 31, 2016 and 2015 are summarized as follows:

	2016			2015		
	Individual Allowance	Collective Allowance	Total	Individual Allowance	Collective Allowance	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balances as of January 1	**154,677**	**209,775**	**364,452**	**161,082**	**181,514**	**342,596**
Portfolio write-offs:						
Commercial loans	(7,228)	(73,959)	(81,187)	(63,796)	(58,091)	(121,887)
Mortgage loans	-	(7,456)	(7,456)	-	(4,719)	(4,719)
Consumer loans	-	(113,833)	(113,833)	-	(107,716)	(107,716)
Total Write-offs	(7,228)	(195,248)	(202,476)	(63,796)	(170,526)	(234,322)
Provisions	8,486	215,078	223,564	84,086	181,705	265,791
Reversal of provisions	(7,751)	(8,893)	(16,644)	(26,695)	(10,618)	(37,313)
Effect of provisions in Bci						
Financial Group	2,212	(1,442)	770	-	27,700	27,700
Balances as of December 31	150,396	219,270	369,666	154,677	209,775	364,452

In addition to these allowances for loan losses, the provisions for country risk are maintained to cover operations abroad, as well as additional provisions approved by the Board, which are presented as liabilities under "Provisions" heading (See Note 21). Therefore, the total amount of allowances and provisions for credit risk constituted for different concepts correspond to the following:

	As of December 31	
	2016	2015
	MCh$	MCh$
Individual and collective allowance	369,666	364,452
Provisions for contingent credit risk (Note 21)	20,179	18,525
Additional provisions	64,068	76,754
Minimum provision 0,50% (Note 21)	4,588	-
Provisions for country risk (Note 21)	1,926	2,669
Allowances on loans and receivables to banks (Note 10)	432	295
Total	460,859	462,695

During the years 2016 and 2015, the Bank has not participated in the purchase, sale, substitution or swap of credits of the loan portfolio, except for operations disclosed in the present Consolidate Financial Statements.

d) Collateral

Non-complied loan portfolio, secured and unsecured, before allowances for loan losses, as of December 31, 2016 and 2015 was as follows:

	As of December 31, 2016				As of December 31, 2015			
	Commercial	Mortgage	Consumer	Total	Commercial	Mortgage	Consumer	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Secured debt	429,986	171,750	69,930	671,666	344,832	167,796	52,452	565,080
Unsecured debt	151,483	3,516	179,859	334,858	177,921	12,976	142,940	333,837
Total	581,469	175,266	249,789	1,006,524	522,753	180,772	195,392	898,917

e) Overdue

The overdue portfolio as of December 31, 2016 and 2015 was as follows:

	As of December 31, 2016				As of December 31, 2015			
	Commercial	Mortgage	Consumer	Total	Commercial	Mortgage	Consumer	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Secured debt	141,836	71,397	4,903	218,136	16,612	-	-	16,612
Unsecured debt	67,227	2,481	32,523	102,231	177,874	74,681	32,330	284,885
Total	209,063	73,878	37,426	320,367	194,486	74,681	32,330	301,497

f) Current, overdue and past due loans by normal and non-compliant portfolio:

As of December 31, 2016

	Normal portfolio				Non-compliant portfolio				Total			
	Commercial	Mortgage	Consumer	Total non - Impaired	Commercial	Mortgage	Consumer	Total Impaired	Commercial	Mortgage	Consumer	Total Portfolio
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Current and overdue, but not past due	14,072,866	4,823,002	2,390,737	21,286,605	443,324	154,837	217,111	815,272	14,516,190	4,977,839	2,607,848	22,101,877
Past due for 1 to 29 days	17,332	1,080	2,735	21,147	5,172	1,212	3,058	9,442	22,504	2,292	5,793	30,589
Past due for 30 to 89 days	7,955	569	1,212	9,736	13,609	2,355	7,169	23,133	21,564	2,924	8,381	32,869
Past due for 90 days or more	-	-	-	-	119,364	16,862	22,451	158,677	119,364	16,862	22,451	158,677
Total portfolio before allowances	14,098,153	4,824,651	2,394,684	21,317,488	581,469	175,266	249,789	1,006,524	14,679,622	4,999,917	2,644,473	22,324,012
Overdue, but not past due loans (less than 90 days in default) as a percentage of the total portfolio	0.18%	0.03%	0.16%	0.14%	3.23%	2.04%	4.09%	3.24%	0.30%	0.10%	0.54%	0.28%
Past due loans (more than 90 days in default) as a percentage of the total portfolio	0.00%	0.00%	0.00%	0.00%	20.53%	9.62%	8.99%	15.76%	0.81%	0.34%	0.85%	0.71%

As of December 31, 2015

	Normal portfolio				Non-compliant portfolio				Total			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total non-Impaired MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total Impaired MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total Portfolio MCh$
Current and overdue, but not past due	12,700,717	4,303,772	2,213,136	19,217,625	371,502	151,784	168,589	691,875	13,072,219	4,455,556	2,381,725	19,909,500
Past due for 1 to 29 days	8,641	-	3,017	11,658	5,878	-	2,229	8,107	14,519	-	5,246	19,765
Past due for 30 to 89 days	4,179	467	1,268	5,914	6,914	788	2,632	10,334	11,093	1,255	3,900	16,248
Past due for 90 days or more	393	474	-	867	138,459	28,200	21,942	188,601	138,852	28,674	21,942	189,468
Total portfolio before allowances	**12,713,930**	**4,304,713**	**2,217,421**	**19,236,064**	**522,753**	**180,772**	**195,392**	**898,917**	**13,236,683**	**4,485,485**	**2,412,813**	**20,134,981**
Overdue, but not past due loans (less than 90 days in default) as a percentage of the total portfolio	0.10%	0.01%	0.19%	0.09%	2.45%	0.44%	2.49%	2.05%	0.19%	0.03%	0.38%	0.18%
Past due loans (more than 90 days in default) as a percentage of the total portfolio	0.00%	0.01%	0.00%	0.00%	26.49%	15.60%	11.23%	20.98%	1.05%	0.64%	0.91%	0.94%

NOTE 12 – FINANCIAL INVESTMENTS

As of December 31, 2016 and 2015, financial investments available for sale and held to maturity are as follows:

	As of December 31, 2016			As of December 31, 2015		
	Available for sale MCh$	Held to maturity MCh$	Total MCh$	Available for sale MCh$	Held to maturity MCh$	Total MCh$
Financial investments quoted in an active markets:						
Of the State and the Central Bank of Chile (a):						
Instruments of the Central Bank of Chile	218,189	-	218,189	292,132	-	292,132
Bonds or promissory notes of the Treasury	516,271	-	516,271	321,142	-	321,142
Other fiscal instruments	11,757	-	11,757	14,145	-	14,145
Other domestic instruments						
Financial instruments in instruments issued by other domestic	254,201	-	254,201	121,308	-	121,308
Banks						
Bonds and corporate commercial papers	20,407	-	20,407	24,783	-	24,783
Other domestic instruments (b)	1,901	-	1,901	2,477	-	2,477
Foreign instruments:						
Instruments issued by foreign states and central banks (c)	634,697	872	635,569	565,433	708	566,141
Other foreign instruments	867,077	-	867,077	1,066,462	-	1,066,462
Total	2,524,500	872	2,525,372	2,407,882	708	2,408,590

(a) As of December 31, 2016 and 2015, the Bank has no investment instruments sold under reverse repurchase agreements with the State or Central Bank of Chile.

(b) Other domestic instruments include shares that the Bci Corredor de Bolsa S.A., Bank subsidiary, has in Santiago Stock Exchange, in Chilean Electronic Stock Exchange and in Valparaiso Stock Exchange. These shares are measured according to their last transaction value.

(c) Financial investments held to maturity correspond to portfolio of the Bank subsidiary, Bci Financial Group, INC, and Subsidiaries, that holds investments in state bonds on the balance sheet of CNB, and intends to hold them to maturity.

NOTE 13 - INVESTMENTS IN OTHER COMPANIES

a) As of December 31, 2016 and 2015, principal investments in associates, joint ventures and other entities are detailed below:

	As of December 31, 2016				As of December 31, 2015			
Company	Equity	Participation	Investment value	Income / Loss	Equity	Participation	Investment value	Income / Loss
	MCh$	%	MCh$	MCh$	MCh$	%	MCh$	MCh$
Investment accounted for using equity method:								
Redbanc S.A.	6,422	12.71	816	141	5,419	12.71	689	82
Combanc S.A.	5,472	10.33	565	68	4,956	10.33	512	92
Transbank S.A.	49,518	8.72	4,318	454	40,302	8.72	3,514	438
Nexus S.A.	10,809	12.90	1,395	246	9,472	12.90	1,222	225
Servicios de Infraestructura de mercado OTC S.A.	11,000	13.61	1,497	149	9,831	11.48	1,128	(119)
AFT S.A.	13,907	20.00	2,781	230	12,758	20.00	2,552	323
Centro de Compensación Automatizado S.A.	3,985	33.33	1,328	394	3,252	33.33	1,084	353
Sociedad Interbancaria de Depósitos de Valores S.A.	3,101	7.03	218	47	2,656	7.03	178	39
Credicorp Ltda	3,844,309	1.93	109,730	13,341	3,304,601	1.93	101,278	10,942
Investment measured at cost:								
SWIFT Shares			34	-			34	-
FED and FHLB Shares (*)			60,032	3,059			53,102	414
Other Shares			11	(21)			13	2
Bladex Shares			219	178			219	146
Total			182,944	18,286			165,525	12,937
Investments in joint ventures								
Servipag Ltda	8,596	50.00	4,298	409	7,778	50.00	3,889	248
Artikos Chile S.A.	1,431	50.00	716	441	1,378	50.00	689	310
Total			5,014	850			4,578	558
Total investments associates, joint ventures and other entities			187,958	19,136			170,103	13,495

(*) These are shares that holds Bci Financial Group, Inc. and Subsidiaries subsidiary on its balance sheet, related to equity securities Federal Reserve (FED) and Federal Home Bank Loans (FHBL) acquired by CNB in order to participate in the funding program of United States banks, realized by these state agencies established in the State of Florida.

b) The reconciliation of investments in other companies for the years ended December 31, 2016 and 2015, is as following:

	2016	2015
	MCh$	MCh$
Balance at the beginning of the year	170,103	101,086
Acquisition of investments	7,469	2,607
Translation differences (*)	(2,031)	3,338
Share of profit/loss of investments accounted using the equity method	19,136	13,495
Effect of acquisition of Bci Financial Group Inc., and Subsidiaries	-	53,102
Sale of investments in other companies	-	(28)
Dividends received	(5,977)	(2,946)
Adjustment for minimum dividend provision	(403)	(249)
Minimum dividends provision	(339)	(302)
Total	187,958	170,103

(*) Corresponds to the exchange difference resulted from investments in foreign companies (Credicorp Ltda., FEI and FMLB shares)

As of December 31, 2016 and 2015, no impairment was recognized on the investments.

c) Summary financial information of principal associates and joint ventures.

1) Summary financial information of the principal associates and joint ventures as of December 31, 2016 is as follows:

Investment in Associate or Joint Venture	Share %	Current Assets MCh$	Non - Current Assets MCh$	Current Liabilities MCh$	Non- Current Liabilities MCh$	Interest Income MCh$	Operating Expenses MCh$	Net Profit (Loss) MCh$
Redbanc S.A.	12.71	4,642	15,285	7,884	5,620	33,529	(26,059)	1,115
Combanc S.A.	10.33	5,731	368	625	-	3,143	(1,985)	657
Servicio de Infraestructura de Mercado OTC S.A.	13.61	21,722	7,536	15,192	3,066	6,260	(3,216)	1,094
Transbank S.A.	8.72	647,384	63,091	660,720	237	152,294	(142,233)	5,209
Nexus S.A.	12.90	10,915	19,123	15,140	4,088	48,150	(45,658)	1,911
AFT S.A.	20.00	53,415	838	39,543	803	3,293	-	1,612
Centro de Compensación Automatizado S.A.	33.33	1,748	3,760	1,145	377	7,926	(5,788)	744
Servipag Ltda.	50.00	49,477	17,350	53,545	4,686	39,569	(25,482)	818
Artikos Chile S.A.	50.00	1,150	1,029	748	-	3,574	(822)	882
Sociedad Interbancaria de Depósitos de Valores S.A.	7.03	71	3,133	103	-	2	(30)	666

2) Summary financial information of the principal associates and joint ventures at December 31, 2015 is as follows:

Investment in Associate or Joint Venture	Share %	Current Assets MCh$	Non- Current Assets MCh$	Current Liabilities MCh$	Non- Current Liabilities MCh$	Interest Income MCh$	Operating Expenses MCh$	Net Profit (Loss) MCh$
Redbanc S.A.	12.71	5,222	15,074	12,360	2,518	32,242	(25,025)	642
Combanc S.A.	10.33	5,328	401	775	-	3,062	(1,870)	889
Servicio de Infraestructura de Mercado OTC S.A.	11.48	6,653	10,978	4,815	2,985	2,569	(1,716)	(1,038)
Transbank S.A.	8.72	548,230	53,397	561,184	141	130,454	(120,364)	5,024
Nexus S.A.	12.90	9,388	13,766	10,230	3,452	44,632	(42,630)	1,741
AFT S.A.	20.00	41,203	1,315	29,325	435	3,168	-	1,612
Centro de Compensación Automatizado S.A.	33.33	1,273	3,875	1,371	526	6,465	(4,661)	635
Servipag Ltda.	50.00	50,119	17,523	55,128	4,737	38,863	(25,820)	497
Artikos Chile S.A.	50.00	1,224	755	602	-	3,147	(735)	620
Sociedad Interbancaria de Depósitos de Valores S.A.	7.03	100	2,614	58	-	4	(26)	563

NOTE 14 - INTANGIBLE ASSETS

a) The composition of intangible assets as of December 31, 2016 and 2015 was the following:

Concept	Total useful life Years	Remaining average useful life Years	Gross balance MCh$	Accumulated amortization and impairment MCh$	Net balance MCh$
Intangible assets acquired separately (a)	5	3	51.650	(33.577)	18.073
Intangible generated internally (b)	5	3	213.724	(115.242)	98.482
Intangible assets acquired in business combination – amortizable (c):					
Core deposits	9	8	41.917	(6.236)	35.681
Leasehold interest	30	29	2.689	(263)	2.426
Others	-	-	39.051	(39.051)	-
Intangible assets acquired in business combination - indefinite life (c):					
Trademark	-	-	12.072	-	12.072
Goodwill	-	-	10.782	-	10.782
Total			371.885	(194.369)	177.516

Concept	Total useful life Years	Remaining average useful life Years	Gross balance MCh$	Accumulated amortization and impairment MCh$	Net balance MCh$
Intangible assets acquired separately (a)	6	4	45.722	(28.034)	17.688
Intangible generated internally (b)	6	4	194.265	(97.229)	97.036
Intangible assets acquired in business combination – amortizable (c):					
Core deposits	9	9	44.234	(1.135)	43.099
Leasehold interest	30	30	2.838	(48)	2.790
Others	-	-	39.051	(39.051)	-
Intangible assets acquired in business combination - indefinite life (c):					
Trademark	-	-	12.740	-	12.740
Goodwill	-	-	2.198	-	2.198
Total			341.048	(165.497)	175.551

(a) Correspond to software purchased from parties other than the Bank or its subsidiaries held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

(b) Represent an identifiable non-monetary assets without physical substance, internally developed by the

Bank or its subsidiaries held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

(c) Correspond to intangible assets acquired in business combinations: Banco Conosur acquisition in previous years and Financial Group, Inc. and Subsidiaries acquisition disclosed in Note 4.

The intangible assets indicated above, are measured according to Note 1.s of the Consolidated Financial Statements.

b) The movements of the intangible assets for the years ended December 31, 2016 and 2015 are the following:

	Intangible assets acquired separately	Intangibles generated internally	Amortizable intangible assets acquired in business combination			Not amortizable intangible assets acquired in business combination		
			Core Deposit	Leasehold Interest	Others	Trade Name	Goodwill	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2016	45,722	194,265	44,234	2,838	39,051	12,740	2,198	341,048
Additions	4,820	19,314	-	-	-	-	-	24,134
Disposals / transfers	(1)	(956)	-	-	-	-	-	(957)
Increase (decrease) from net foreign exchange differences	-	-	(2,317)	(149)	-	(668)	51	(3,083)
Adjustment of Goodwill (See Note 4.vi)	-	-	-	-	-	-	8,533	8,533
Other changes	1,109	1,101	-	-	-	-	-	2,210
Impairment (1)	-	-	-	-	-	-	-	-
Gross balance as of December 31, 2016	51,650	213,724	41,917	2,689	39,051	12,072	10,782	371,885
Amortization for the year	(5,508)	(18,013)	(5,206)	(219)	-	-	-	(28,946)
Accumulated amortization for previous periods	(28,034)	(97,229)	(1,135)	(48)	(39,051)	-	-	(165,497)
Others	(35)	-	105	4	-	-	-	74
Impairment (1)	-	-	-	-	-	-	-	-
Total accumulated amortization and impairment	(33,577)	(115,242)	(6,236)	(263)	(39,051)	-	-	(194,369
Balance as of December 31, 2016	18,073	98,482	35,681	2,426	-	12,072	10,782	177,516

As of December 31, 2016 the Bank performed impairment test in accordance with the instructions of Chapter A-2 of the Compendium of Accounting Rules of the SBIF. The reports issued by two independent appraisers concluded that there was no indicators of impairment of goodwill as well as of trademark recognized on the acquisition of CNB.

	Intangible assets acquired separately	Intangibles generated internally	Amortizable intangible assets acquired in business combination			Not amortizable intangible assets in business combination		
			Core Deposit	Leasehold Interest	Others	Trade Name	Goodwill	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2016	32,517	163,905	-	-	39,051	-	-	235,473
Additions	9,172	37,536	-	-	-	-	-	46,708
Disposals / transfers	(12)	(3,860)	-	-	-	-	-	(3,872)
Increase (decrease) from net foreign exchange differences	-	-	44,234	2,838	-	12,740	2,189	62,001
Goodwill (See Note 4)	4,045	1,684	-	-	-	-	-	5,729
Others	-	(5,000)	-	-	-	-	-	(5,000)
Impairment	-	-	-	-	-	-	106	106
Gross balance as of December 31, 2016	-	-	-	-	-	-	(97)	(97)
Balance as of January 1, 2016	45,722	194,265	44,234	2,838	39,051	12,740	2,198	341,048
Amortization for the year	(3,582)	(16,173)	(1,135)	(48)	-	-	-	(20,938)
Accumulated amortization for previous years	(24,452)	(80,940)	-	-	(39,051)	-	-	(144,443)
Others	-	(116)	-	-	-	-	-	(116)
Impairment	-	-	-	-	-	-	-	-
Total accumulated amortization and impairment	(28,034)	(97,229)	(1,135)	(48)	(39,051)	-	-	(165,497
Balance as of December 31, 2015	17,688	97,036	43,099	2,790	-	12,740	2,198	175,551

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

a) The composition of property, plant and equipment as of December 31, 2016 and 2015 is the following:

As of December 31, 2016

Concept	Total useful life Years	Remaining average useful life Years	Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and buildings	33	30	290,898	(63,244)	227,654
Equipment	4	4	131,519	(103,202)	28,317
Others	8	6	52,768	(29,243)	23,525
Total			475,185	(195,689)	279,496

As of December 31, 2015

Concept	Total useful life Years	Remaining average useful life Years	Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and buildings	32	30	288,330	(54,653)	233,677
Equipment	5	4	118,014	(92,102)	25,912
Others	8	6	50,633	(27,666)	22,967
Total			456,977	(174,421)	282,556

b) The movements of property, plant and equipment for the years ended December 31, 2016 and 2015 are the following:

	Land and buildings MCh$	Equipment MCh$	Others MCh$	Total MCh$
Balance as of January 1, 2016	288,330	118,014	50,633	456,977
Additions	1,694	6,532	1,418	9,644
Disposals	-	(2,249)	(2,247)	(4,496)
Transfers	3,201	7,719	1,987	12,907
Others	(2,327)	1,503	1,069	245
Impairment	-	-	(92)	(92)
Gross Balance as of December 31, 2016	290,898	131,519	52,768	475,185
Depreciation for the period	(8,591)	(13,851)	(3,720)	(26,162)
Other adjustments	-	2,751	2,143	4,894
Accumulated depreciation for the previous years	(54,653)	(92,102)	(27,666)	(174,421)
Impairment	-	-	-	
Total Accumulated Depreciation	(63,244)	(103,202)	(29,243)	(195,689)
Net Property, plant and equipment Balance as of December 31, 2016	227,654	28,317	23,525	279,496

	Land and buildings MCh$	Equipment MCh$	Others MCh$	Total MCh$
Balance as of January 1, 2015	231,070	109,017	49,961	390,048
Additions	1,433	9,849	7,576	18,858
Disposals	(144)	(8,428)	(464)	(9,036)
Transfers				
Effect of acquisition of Bci Financial Group Inc., and	3,848	3,923	(5,043)	2,728
Subsidiaries	52,123	1,117	-	53,240
Others	-	2,536	499	3,035
Impairment	-	-	(1,896)	(1,896)
Gross Balance as of December 31, 2015	288,330	118,014	50,633	456,977
Depreciation for the period	(7,904)	(10,844)	(3,764)	(22,512)
Other Adjustments	71	6,950	333	7,354
Accumulated depreciation for previous periods	(46,820)	(88,208)	(24,235)	(159,263)
Impairment	-	-	-	-
Total Accumulated Depreciation	(54,653)	(92,102)	(27,666)	(174,421)
Net Property, plant and equipment Balance as of December 31, 2015	233,677	25,912	22,967	282,556

c) As of December 31, 2016 and 2015, the impairment of MCh$ 92 and MCh$ 1,896, respectively, affected gross value of property, plant and equipment.

d) As of December 31, 2016 and 2015, the Bank had non-cancellable finance lease agreements. The information on future payments related to such agreements is detailed as follows:

	Future payments on non-cancellable finance lease agreements			
	Up to 1 year MCh$	1 to 5 years MCh$	Over 5 years MCh$	Total MCh$
As of December 31, 2016	11	-	-	11
As of December 31, 2015	107	12	-	119

Furthermore, the balances of property, plant and equipment under finance leases as of December 31, 2016 amounted to MCh$ 1,647 (MCh$ 1,606 as of December 31, 2015) and are presented as part of “Property, plant and equipment”.

NOTE 16 - CURRENT AND DEFERRED TAX

a) Current Tax

As of December 31, 2016 and 2015, the Bank implemented the provision of first-category income tax and the provision of Unique Tax of Article No. 21 of the Income Tax Law, which was determined based on the current tax legislation, and recognized assets amounting to MCh$ 31,247 as of December 31, 2016 (and liabilities amounting MCh$ 5,093 as of December 31, 2015). The detail of current tax assets net of current tax liabilities is provided as follows:

	As of December 31	
	2016 MCh$	2015 MCh$
Income Tax (tax rate of 24% for 2016 and 22.5% by 2015)	(76,691)	(83,128)
Prior year provision excess	(6,862)	(3,814)
35% Provision for Income Tax	(111)	(299)
Less:		
Monthly tax provisional payments	84,023	79,869
Credit for training expenses	1,821	1,694
Credit for acquisition of property, plant and equipment	9	12
Credit for donations	802	911
Income tax to be recovered	27,509	9,260
Other taxes and withholdings to be recovered	747	588
Total	31,247	5,093

b) Income Tax

The detail of income tax expense for the years ended December 31, 2016 and 2015, is as follows:

	For the year ended December 31	
	2016 MCh$	2015 MCh$
Income tax charges:		
Current year tax	(76,691)	(83,128)
Surplus/ Deficit of prior year provisions	-	-
(76,691)	(83,128)	
Credit (charge) for deferred taxes:		
Origination and reversal of temporary differences	(7,891)	13,436
	(7,891)	13,436
Subtotal	(84,582)	(69,692)
Tax for rejected expenses in accordance with Article No. 21	(142)	(197)
Others	-	-
Income tax expense	(84,724)	(69,889)

c) Reconciliation of the effective income tax rate

The following is the reconciliation of the nominal income tax rate with the effective income tax rate for the years ended December 31, 2016 and 2015:

	For the year ended December 31			
	2016		2015	
	Tax rate %	Amount MCh$	Tax rate %	Amount MCh$
Income before income tax		424,889		400,712
Nominal tax rate	24.00		22.5	
Income tax calculated in accordance with statutory tax rate		101,973		90,160
Tax effect of non-deductible expenses in calculation of taxable income:				
Permanent differences	(3.397)	(14,433)	(4.657)	(18,660)
Unique tax (rejected expenses)	0.033	142	0.049	197
Others	(0.696)	(2,958)	(0.451)	(1,808)
Effective income tax rate and income tax expense	19.940	84,724	17.441	69,889

The effective income tax rate for year 2016 and 2015 was 19.940% and 17.441%, respectively.

For the purpose of deferred income tax calculation as of December 31, 2016, the income tax rates prescribed by Partially Integrated System were applied, resulting in recognition of a gain of MCh$ 2,958 due to changes in tax rates applied.

d) Effect of deferred taxes recognized in equity

The deferred tax recognized in shareholder's equity as of December 31, 2016 and 2015 is composed of the following:

	Accumulated as of As of December 31,		Effect for the yearFor the year ended December 31,	
	2016 MCh$	2015 MCh$	2016 MCh$	2015 MCh$
Financial investments available for sale	(3,198)	4,588	(7,786)	7,986
Cash flow hedges	4,512	4,004	508	1,541
Effect of deferred tax in shareholder's equity	1,314	8,592	(7,278)	9,527

e) Effect of deferred taxes recognized in the Consolidated Statements of Income

During the years ended December 31, 2016 and 2015, the Bank recognized in its Consolidated Financial Statements the effects of deferred taxes according to IAS 12.

The detail of deferred tax assets and liabilities and allocated results for temporary differences is as follows:

	As of December 31, 2016			As of December 31, 2015		
	Assets MCh$	Liabilities MCh$	Net MCh$	Assets MCh$	Liabilities MCh$	Net MCh$
Concepts:						
Allowance for loan losses	67,424	-	67,424	62,757	-	62,757
Provision for staff vacation & bonuses	25,798	-	25,798	23,446	-	23,446
Derivative contracts operations	-	-	-	-	-	-
Leasing operations (net)	814	-	814	4,775	-	4,775
Others	12,993	(2,779)	10,214	886	(507)	379
Property, plant and equipment	-	(15,075)	(15,075)	-	(14,461)	(14,461)
Transitory assets	-	(34,604)	(34,604)	-	(32,232)	(32,232)
Trading securities	-	-	-	-	-	-
Derivative contract operations	-	(4,511)	(4,511)	-	(4,003)	(4,003)
Temporary differences related to Bci						
Financial Group, Inc. and Subsidiaries (*)	91,065	-	91,065	111,822	-	111,822
Total assets (liabilities) net	198,094	(56,969)	141,125	203,686	(51,203)	152,483
Effect of deferred tax recognized in equity	-	1,314	1,314	-	8,592	8,592
Net effect of changes in deferred tax assets and liabilities	198,094	(55,655)	142,439	203,686	(42,611)	161,075

(*) The deferred tax asset has been recognized by the subsidiary Bci Financial Group, Inc. and Subsidiaries as of December 31, 2016 and it mainly consists of a tax loss carry-forward and some differences on intangible assets.

f) Current and Deferred tax complementary information

As of December 31, 2016 and 2015, the Bank has the following tax effects related to provisions, penalties, loans renegotiations and re-issuance. Provided information includes the operations of the Bank and subsidiaries, which have been excluded therefore.

a. Loans and receivables to customers

Loans and receivable to customers As of December 31, 2016	Financial Statements Value Assets	Tax value assets		
		Total	Secured Past-due portfolio	Unsecured Past-due portfolio
	MCh$	MCh$	MCh$	MCh$
Commercial Loans	9,664,108	9,662,801	128,054	99,394
Consumer Loans	2,529,081	2,537,012	7,266	37,240
Mortgage Loans	4,397,665	4,398,122	212,191	2,951

Loans and receivable to customers As of December 31, 2015	Financial Statements Value Assets	Tax value assets		
		Total	Secured Past-due portfolio	Unsecured Past-due portfolio
	MCh$	MCh$	MCh$	MCh$
Commercial Loans	8,895,022	8,898,245	143,112	110,096
Consumer Loans	2,289,305	2,299,017	6,495	30,805
Mortgage Loans	3,918,128	3,918,514	201,099	3,275

b. Allowances

Allowances on past due portfolio	Balance as of 1.01.2016	Write-off against Allowance	Provisions	Reversal of Provisions	Balance as of 31.12.2016
	MCh$	MCh$	MCh$	MCh$	MCh$
Commercial Loans	110,096	(57,923)	117,996	(70,775)	99,394
Consumer Loans	30,805	(110,407)	143,624	(26,782)	37,240
Mortgage Loans	3,275	-	3,772	(4,096)	2,951

Allowances on past due portfolio	Balance as of 1.01.2015	Write-off against Allowance	Provisions	Reversal of Provisions	Balance as of 31.12.2015
	MCh$	MCh$	MCh$	MCh$	MCh$
Commercial Loans	163,000	(96,179)	159,591	(116,316)	110,096
Consumer Loans	32,320	(101,807)	128,158	(27,866)	30,805
Mortgage Loans	3,850	-	3,507	(4,082)	3,275

c. Write-offs and recoveries

Write-offs and recoveries as of December 31,2016	MCh$
Direct Write-offs Art. 31 No. 4, second clause	14,998
Remissions that originated reversal of provisions	-
Recoveries or renegotiations of loans previously written off	48,612

Application of Art. 31 No. 4 first and third clause	MCh$
Write-offs according to first clause	-
Recoveries according to third clause	-

Write-offs and recoveries as of December 31,2015	MCh$
Direct Write-offs Art. 31 No. 4 second clause	20,890
Remissions that originated reversal of provisions	-
Recoveries or renegotiations of loans previously written off	54,603

Application of Art. 31 No. 4 first and third clause	MCh$
Write-offs according to first clause	-
Recoveries according to third clause	-

NOTE 17 - OTHER ASSETS

a) As of December 31, 2016 and 2015 the composition of the other assets is as follows:

	As of December 31,	
	2016	2015
	MCh$	MCh$
Assets acquired to transfer to leasing (a)	92,638	29,055
Repossessed or awarded assets:		
Repossessed assets	1,477	4,986
Assets awarded from judicial auctions	3,389	1,586
Impairment of repossessed or awarded assets (b)	(76)	(240)
Other assets:		
Cash deposits held as guarantee	259,700	425,034
Investment in gold	3,515	3,404
VAT	8,186	5,799
Prepaid expenses	54,120	40,752
Property, plant and equipment held for sale	-	400
Assets recovered from lease agreements held for sale (c)	14,427	17,774
Account receivables	42,846	39,904
Amounts to be recovered	13,653	36,676
Macro hedge valuation adjustment	4,251	-
Prepayments of insurance rights on City National Bank of Florida (CNB) (d)	135,343	70,949
Other assets	52,661	112,037
Total	686,130	788,116

(a) Correspond to property, plant and equipment available to be used in finance lease.

(b) Impairment of repossessed or awarded assets is recognized in accordance with the Accounting Standards Compendium Chapter B-5 No. 3, which implies recognition of impairment for the difference between the carrying value and the net realizable value, when the first is higher.

(c) Correspond to Assets recovered from leasing and available for sale, principally real estate. These assets are available for sale, which is considered highly likely to occur. For most assets, it is expected that the sale will be completed within one year period from the date on which the asset is classified as "Property, plant and equipment held for sale" and/or "Assets recovered from lease agreements held for sale".

(d) Correspond to life insurance contracts for certain senior management of CNB, where CNB is the owner and beneficiary. CNB invests in these contracts, better known as BOLI (Bank Owned Life Insurance), considering that they provide an efficient way of funding retirement and other long term employee benefits.

b) The changes in the impairment of repossessed or awarded assets, during the years 2016 and 2015, is as follows:

	Impairment
	MCh$
Balance as of January 1, 2016	240
Impairment	76
Reversal of impairment	(240)
Balance as of December 31, 2016	76
Balance as of January 1, 2015	21
Impairment	240
Reversal of impairment	(21)
Balance as of December 31, 2015	240

NOTE 18 - BORROWINGS FROM CUSTOMERS

As of December 31, 2016 and 2015, the composition of borrowings from customers is the following:

	As of December 31	
	2016	2015
	MCh$	MCh$
Current accounts and demand deposits		
Current accounts	7,345,946	7,196,875
Other deposits and accounts payable on demand	549,227	549,787
Other liabilities payable on demand	299,090	300,626
Total current accounts and demand deposits	8,194,263	8,047,288
Term deposits and savings accounts		
Term deposits	9,906,299	9,250,938
Saving accounts	50,186	49,844
Guarantees	1,203	1,114
Total term deposits and savings accounts	9,957,688	9,301,896

NOTE 19 - BORROWINGS FROM FINANCIAL INSTITUTIONS

As of December 31, 2016 and 2015 the composition of borrowings from financial institutions is as follows:

	As of December 31	
	2016	2015
	MCh$	MCh$
Loans received from financial institutions and Central Bank of Chile:		
Other liabilities to Central Bank of Chile	1,959	1,732
Subtotal	1,959	1,732
Loans received from domestic financial institutions:		
Interbank loans	355,515	395,951
Other liabilities to domestic financial institutions	265,437	183,788
Subtotal	620,952	579,739
Loans received from foreign financial institutions:		
Foreign trade financing	398,596	615,286
Loans and other liabilities to foreign financial institutions	627,257	593,333
Subtotal	1,025,853	1,208,619
Total	1,648,764	1,790,090

NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITIES

a) As of December 31, 2016 and 2015, details of the debt issued and other financial liabilities are as follows:

	As of December 31	
	2016	2015
	MCh$	MCh$
Other financial liabilities:		
Public bonds	33,943	40,178
Other domestic bonds	39,119	33,942
Foreign bonds	880,184	672,826
Total	953,246	746,946
Debt issued:		
Letters of credit	24,996	33,552
Ordinary bonds	3,475,056	2,903,143
Subordinated bonds	898,378	885,955
Total	4,398,430	3,822,650

b) As of December 31, 2016 and 2015, the maturities of the ordinary and subordinated bonds are as follows:

	As of December 31, 2016		
	Long term	Short term	Total
	MCh$	MCh$	MCh$
By long and short term:			
Ordinary bonds	2,954,835	520,221	3,475,056
Subordinated bonds	898,378	-	898,378
Total	3,853,213	520,221	4,373,434

	As of December 31, 2015		
	Long term	Short term	Total
	MCh$	MCh$	MCh$
By long and short term:			
Ordinary bonds	2,759,907	143,236	2,903,143
Subordinated bonds	881,099	4,856	885,955
Total	3,641,006	148,092	3,789,098

c) Details of placements of ordinary and subordinated bonds as of December 31, 2016 are as follows:

ORDINARY BONDS IN NOMINATED IN CHILEAN PESOS

Series	Amount issued Ch$	Amount placed Ch$	Date of issue	Maturity date	Average rate	Balance owed due Ch$	Balance MCh$
SERIE_AG	228,500,000,000	228,500,000,000	01-05-2013	01-05-2018	4.96%	219,542,877,155	219,543
SERIE_AK	500,000,000,000	51,636,058,698	01-11-2014	01-11-2019	5.31%	52,317,528,419	52,318
Serie _ AM	50,000,000,000	50,000,000,000	01-06-2016	01-06-2023	4.90%	47,797,884,553	47,798
Fair Value Adjustment						3,581,043,966	3,581
Subtotal	778,500,000,000	330,136,058,698				323,239,334,093	323,240

ORDINARY BONDS NOMINATED IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)

Series	Amount issued UF	Amount placed UF	Date of issue	Maturity date	Average rate	Balance owed due UF	Balance MCh$
SERIE_AB	10,000,000	10,000,000	01/07/2008	01/07/2018	3.67%	9,462,771	249,325
SERIE_AE2	10,000,000	10,000,000	01/08/2011	01/08/2021	3.73%	9,647,225	254,185
SERIE_AF1	10,000,000	5,740,000	01/08/2012	01/08/2017	3.51%	2,974,410	78,370
SERIE_AF2	10,000,000	10,000,000	01/08/2012	01/08/2022	3.43%	9,699,783	255,570
SERIE_AI1	15,000,000	-	01/03/2014	01/03/2019	-	-	-
SERIE_AI2	5,000,000	-	01/03/2014	01/03/2024	-	-	-
SERIE_AJ1	20,000,000	13,310,000	01/10/2014	01/10/2019	2.04%	13,247,029	349,032
SERIE_AJ2	20,000,000	13,375,000	01/10/2014	01/10/2024	2.47%	12,999,184	342,502
SERIE_AL1	3,000,000	3,000,000	01/06/2016	01/06/2022	2.26%	3,101,123	81,708
SERIE_AL2	3,000,000	3,000,000	01/06/2016	01/06/2023	2.26%	3,070,762	80,908
SERIE_AL3	3,000,000	3,000,000	01/06/2016	01/06/2024	2.26%	3,028,975	79,807
SERIE_AL4	3,000,000	3,000,000	01/06/2016	01/06/2028	2.26%	3,051,821	80,409
SERIE_AL5	3,000,000	3,000,000	01/06/2016	01/06/2031	2.26%	3,011,239	79,340
Fair Value Adjustment							15,121
Subtotal	115,000,000	77,425,000				73,294,322	1,946,277

ORDINARY BONDS NOMINATED IN FOREIGN CURRENCY - US DÓLAR

Series	Amount issued USD	Amount placed USD	Date of issue	Maturity date	Average rate	Balance owed due USD	Balance MCh$
USP32133CE16	600,000,000	600,000,000	13-09-2012	13-09-2017	3.54%	604,127,154	405,176
USP32133CG63	500,000,000	500,000,000	11-02-2013	11-02-2023	4.35%	503,157,330	337,458
Fair Value Adjustment						(29,097)	(20)
Subtotal	1,100,000,000	1,100,000,000 (*)				1,107,255,387	742,614

(*) These amounts are amortized in accordance with the effective interest method and therefore the initial transaction costs have been amortized over the expected life of the financial instrument.

ORDINARY BONDS NOMINATED IN FOREIGN CURRENCY - EURO

Series	Amount issued EU	Amount placed EU	Date of issue	Maturity date	Average rate	Balance owed due EU	Balance MCh$
XS1493734971	20,000,000	20,000,000	23/09/2016	23/09/2024	0.888%	19,732,095	13,967
Fair Value adjustment	-	-					
Subtotal	20,000,000	20,000,000	19,732,095	13,967			

ORDINARY BONDS NOMINATED IN FOREING CURRENCY - SWISS FRANCS (CHF)

Series	Amount issued CHF	Amount placed CHF	Date of issue	Maturity date	Average rate	Balance owed due CHF	Balance MCh$
CH0246788183	150,000,000	150,000,000	26/06/2014	26/06/2019	1.125%	150,114,684	99,130
CH0260296618	150,000,000	150,000,000	25/11/2014	23/11/2018	0.875%	149,482,943	98,713
CH0278875965	150,000,000	150,000,000	17/06/2015	17/06/2020	0.250%	149,643,477	98,819
XS1520623627	90,000,000	90,000,000	17/11/2016	17/11/2021	0.000%	88,909,434	58,713
Fair Value adjustment						(1,206,898)	(794)
Subtotal	540,000,000	540,000,000				536,943,640	354,581

ORDINARY BONDS NOMINATED IN FOREING CURRENCY – YEN

Series	Amount issued YEN	Amount placed YEN	Date of issue	Maturity date	Average rate	Balance owed due YEN	Balance MCh$
XS1144348411	4,900,000,000	4,900,000,000	04/12/2014	04/12/2017	0.700%	4,888,163,230	28,080
XS1144348841	10,100,000,000	10,100,000,000	04/12/2014	04/12/2019	0.810%	10,044,621,936	57,702
XS1144350821	1,500,000,000	1,500,000,000	04/12/2014	04/12/2017	0.669%	1,496,180,471	8,595
Subtotal	16,500,000,000	16,500,000,000				16,428,965,637	94,377

Total ordinary bonds		3,475,056

SUBORDINATED BONDS NOMINATED IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)

Series	Amount issued UF	Amount placed UF	Date of issue	Maturity date	Average rate	Balance owed due UF	Balance MCh$
SERIE_E	1,500,000	1,500,000	01/11/1997	01/11/2018	7.37%	280,098	7,380
SERIE_F	1,200,000	1,200,000	01/05/1999	01/05/2024	7.73%	597,883	15,753
SERIE_G	400,000	400,000	01/05/1999	01/05/2025	7.92%	216,836	5,713
SERIE_L	1,200,000	1,200,000	01/10/2001	01/10/2026	6.39%	749,221	19,740
SERIE_M	1,800,000	1,800,000	01/10/2001	01/10/2027	6.43%	1,172,592	30,895
SERIE_N	1,500,000	1,500,000	01/06/2004	01/06/2029	5.25%	1,051,819	27,713
SERIE_O	1,500,000	1,500,000	01/06/2004	01/06/2030	3.93%	1,038,618	27,365
SERIE_R	1,500,000	1,500,000	01/06/2005	01/06/2038	4.72%	692,376	18,243
SERIE_S	2,000,000	2,000,000	01/12/2005	01/12/2030	4.86%	1,419,153	37,392
SERIE_T	2,000,000	2,000,000	01/12/2005	01/12/2031	4.52%	1,484,975	39,126
SERIE_U	2,000,000	2,000,000	01/06/2007	01/06/2032	4.19%	1,886,943	49,717
SERIE_Y	4,000,000	4,000,000	01/12/2007	01/12/2030	4.25%	2,240,400	59,030
SERIE_W	4,000,000	4,000,000	01/06/2008	01/06/2036	4.05%	1,849,600	48,733
SERIE_AC	6,000,000	6,000,000	01/03/2010	01/03/2040	3.96%	5,544,223	146,079
SERIE_AD 1	4,000,000	4,000,000	01/06/2010	01/06/2040	4.17%	3,569,619	94,052
SERIE_AD 2	3,000,000	3,000,000	01/06/2010	01/06/2042	4.14%	2,664,089	70,193
SERIE_AH	15,000,000	9,000,000	01/09/2013	01/09/2043	3.63%	7,638,227	201,254
Total subordinated bonds	52,600,000	46,600,000				34,096,672	898,378
TOTAL BONDS							4,373,434

d) Details of placements of ordinary and subordinated bonds as of December 31, 2015 are as follows:

ORDINARY BONDS NOMINATED IN CHILEAN PESOS

Series	Amount issued Ch$	Amount placed Ch$	Date of issue	Maturity date	Average rate	Balance owed due Ch$	Balance MCh$
SERIE_AG	228,500,000,000	228,500,000,000	01/05/2013	01/05/2018	4.96%	156,490,116,960	156,490
SERIE_AK	500,000,000,000	51,636,058,698	01/11/2015	01/11/2019	5.31%	49,053,242,483	49,053
Fair Value Adjustment							(1,141)
Subtotal	728,500,000,000	282,879,058,198				205,543,359,443	204,402

ORDINARY BONDS NOMINATED IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)

Series	Amount issued UF	Amount placed UF	Date of issue	Maturity date	Average rate	Balance owed due UF	Balance MCh$
SERIE_AB	10,000,000	10,000,000	01/07/2008	01/07/2018	3.67%	9,135,169	234,126
SERIE_AE2	10,000,000	10,000,000	01/08/2011	01/08/2021	3.73%	9,555,884	244,909
SERIE_AF1	10,000,000	5,740,000	01/08/2012	01/08/2017	3.51%	5,724,256	93,445
SERIE_AF2	10,000,000	10,000,000	01/08/2012	01/08/2022	3.43%	9,634,173	246,915
SERIE_AI1	15,000,000	-	01/03/2014	01/03/2019	-	-	-
SERIE_AI2	5,000,000	-	01/03/2014	01/03/2024	-	-	-
SERIE_AJ1	20,000,000	13,310,000	01/10/2014	01/10/2019	2.04%	13,357,562	342,342
SERIE_AJ2	20,000,000	7,890,000	01/10/2014	01/10/2024	2.89%	7,505,631	192,362
Fair Value Adjustment							2,247
Subtotal	100,000,000	56,940,000				54,912,675	1,356,346

ORDINARY BONDS NOMINATED IN FOREIGN CURRENCY - US DÓLAR

Series	Amount issued USD	Amount placed USD	Date of issue	Maturity date	Average rate	Balance owed due USD	Balance MCh$
USP32133CE16	600,000,000	600,000,000	13/09/2012	13/09/2017	3.54%	602,258,758	426,249
USP32133CG63	500,000,000	500,000,000	11/02/2013	11/02/2023	4.35%	502,574,249	355,697
Fair Value Adjustment						11,336	8
Total	1,100,000,000	1,100,000,000				1,104,844,343	781,954

(*) These amounts are amortized in accordance with the effective interest method and therefore the initial transaction costs have been amortized over the expected life of the financial instrument.

ORDINARY BONDS NOMINATED IN FOREING CURRENCY - SWISS FRANCS (CHF)

Series	Amount issued CHF	Amount placed CHF	Date of issue	Maturity date	Average rate	Balance owed due CHF	Balance MCh$
CH0222435429	200,000,000	200,000,000	26/09/2013	26/09/2016	1.250%	200,252,464	143,236
CH0246788183	150,000,000	150,000,000	26/06/2014	26/06/2019	1.125%	149,846,223	107,181
CH0260296618	150,000,000	150,000,000	25/11/2014	23/11/2018	0.875%	149,178,107	106,703
CH0278875965	150,000,000	150,000,000	17/06/2015	17/06/2020	0.250%	149,533,143	106,957
Fair Value Adjustment						242,254	173
Subtotal	650,000,000	650,000,000				649,052,191	464,250

ORDINARY BONDS NOMINATED IN FOREING CURRENCY – YEN

Series	Amount issued YEN	Amount placed YEN	Date of issue	Maturity date	Average rate	Balance owed due YEN	Balance MCh$
XS1144348411	4,900,000,000	4,900,000,000	04/12/2014	04/12/2017	0.700%	4,872,282,597	28,600
XS1144348841	10,100,000,000	10,100,000,000	04/12/2014	04/12/2019	0.810%	10,023,267,129	58,836
XS1144350821	1,500,000,000	1,500,000,000	04/12/2014	04/12/2017	0.669%	1,491,497,065	8,755
Subtotal	16,500,000,000	16,500,000,000				16,387,046,791	96,191
Total ordinary bonds							2,903,143

SUBORDINATED BONDS NOMINATED IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)

Series	Amount issued UF	Amount placed UF	Date of issue	Maturity date	Average rate	Balance owed due UF	Balance MCh$
SERIE_C y D	2,000,000	2,000,000	01/12/1995	01/12/2016	6.92%	189,461	4,856
SERIE_E	1,500,000	1,500,000	01/11/1997	01/11/2018	7.37%	405,821	10,401
SERIE_F	1,200,000	1,200,000	01/05/1999	01/05/2024	7.73%	655,159	16,791
SERIE_G	400,000	400,000	01/05/1999	01/05/2025	7.92%	234,237	6,003
SERIE_L	1,200,000	1,200,000	01/10/2001	01/10/2026	6.39%	801,552	20,543
SERIE_M	1,800,000	1,800,000	01/10/2001	01/10/2027	6.43%	1,244,335	31,891
SERIE_N	1,500,000	1,500,000	01/06/2004	01/06/2029	5.25%	1,110,225	28,454
SERIE_O	1,500,000	1,500,000	01/06/2004	01/06/2030	3.93%	1,096,047	28,091
SERIE_R	1,500,000	1,500,000	01/06/2005	01/06/2038	4.72%	661,043	16,942
SERIE_S	2,000,000	2,000,000	01/12/2005	01/12/2030	4.86%	1,488,777	38,156
SERIE_T	2,000,000	2,000,000	01/12/2005	01/12/2031	4.52%	1,553,105	39,805
SERIE_U	2,000,000	2,000,000	01/06/2007	01/06/2032	4.19%	1,878,415	48,142
SERIE_Y	4,000,000	4,000,000	01/12/2007	01/12/2030	4.25%	2,148,800	55,072
SERIE_W	4,000,000	4,000,000	01/06/2008	01/06/2036	4.05%	1,777,200	45,548
SERIE_AC	6,000,000	6,000,000	01/03/2010	01/03/2040	3.96%	5,523,177	141,554
SERIE_AD 1	4,000,000	4,000,000	01/06/2010	01/06/2040	4.17%	3,552,100	91,037
SERIE_AD 2	3,000,000	3,000,000	01/06/2010	01/06/2042	4.14%	2,652,172	67,973
SERIE_AH	15,000,000	9,000,000	01/09/2013	01/09/2043	3.63%	7,596,725	194,696
Total subordinated bonds	54,600,000	48,600,000				34,568,351	885,955
TOTAL BONDS							3,789,098

NOTE 21 - PROVISIONS

a) The provisions established as of December 31, 2016 and 2015 are as follows:

	As of December 31	
	2016 MCh$	2015 MCh$
Provisions for staff benefits and remuneration	48,906	39,151
Provisions for minimum dividends	102,049	99,247
Provisions for credit commitments	20,179	18,525
Provisions for contingencies (*)	90,435	95,540
Provisions for country risk	1,926	2,669
Total	263,495	255,132

(*) Provisions for contingencies as of December 31, 2016 include additional provisions for MCh$ 64,068 (MCh$ 76,754 as of December 31, 2015), recognized according SBIF instructions and approved by the Board of Directors of the Bank (see Note 1.aa.i and Note 11).

Additionally provisions for contingencies include a provision to comply with the minimum of 0.50% required by the SBIF for the normal portfolio of individuals for the amount of MCh$ 4,588 as of December 31, 2016 (MCh$ 0 as of December 31, 2015) (see Note 1.aa. ii and Note 11).

b) Provisions for staff benefits and remunerations

	As of December 31	
	2016 MCh$	2015 MCh$
Provisions for staff benefits	38,700	29,045
Provisions for vacations	10,206	10,106
Total	48,906	39,151

The provisions for other staff benefits include bonuses related to the achievement of goals which will be paid in the following year.

c) Provisions credit commitments

The detail of provisions for credit commitments as of December 31, 2016 and 2015 is as follows:

	As of December 31	
Provisions for credit commitments	2016 MCh$	2015 MCh$
Endorsements and performance bonds	717	989
Confirmed foreign letters of credit	2	-
Issued documentary letters of credit	293	191
Guarantees	9,805	6,223
Available credit lines	8,149	8,896
Other credit commitments	1,213	2,226
Total	20,179	18,525

d) Movements of provisions for the years 2016 and 2015 are as follows:

	PROVISIONS FOR					
	Staff benefits and remuneration MCh$	Minimum dividends MCh$	Credit Commitments MCh$	Contingencies MCh$	Country risk MCh$	Total MCh$
Balance as of January 1, 2016	39,151	99,247	18,525	95,540	2,669	255,132
Provisions	24,331	102,049	5,811	66,877	157	99,978
Use of provisions	(14,192)	(99,247)	(3,870)	(71,870)	(771)	(90,703)
Reversal of provisions	(384)	-	(287)	(112)	(129)	(912)
Balance as of December 31, 2016	48,906	102,049	20,179	90,435	1,926	263,495
Balance as of January 1, 2015	33,851	102,891	17,017	82,881	2,555	239,195
Provisions	22,504	99,247	2,903	22,618	-	48,025
Use of provisions	(17,454)	(102,891)	(2,344)	(9,959)	(273)	(33,674)
Reversal of provisions	250	-	949	-	387	1,586
Balance as of December 31, 2015	39,151	99,247	18,525	95,540	2,669	255,132

NOTE 22 - OTHER LIABILITIES

As of December 31, 2016 and 2015, the detail of other liabilities is as follows:

	As of December 31	
	2016	2015
	MCh$	MCh$
Account payables and notes payable	196,447	164,933
Unearned income	22,785	24,044
Sundry creditors	278,198	229,208
Other liabilities	9,819	18,959
Total	507,249	437,144

NOTE 23 - CONTINGENCIES AND COMMITMENTS

a) Commitments and liabilities recognized on off-balance sheet memorandum accounts

The Bank and its subsidiaries have recognized the following balances related to contingencies and commitments, on off-balance sheet memorandum accounts:

	As of December 31	
	2016	2015
	MCh$	MCh$
CONTINGENT RECEIVABLES		
Collateral and guarantees:		
Collateral and guarantees in foreign currency	81,627	168,577
Confirmed foreign letters of credit	3,694	458
Issued documentary letters of credit	215,431	142,941
Performance bonds and credit lines:		
Performance bonds in Chilean currency	975,211	779,549
Performance bonds in foreign currency	332,504	218,493
Immediately available Credit Lines	4,573,760	3,841,174
Other credit commitments:		
Higher education loans in accordance with Law No. 20,027	30,288	47,398
Others	184,060	197,474
THIRD PARTY OPERATIONS		
Collections:		
Foreign collections	517,756	236,488
Domestic collections	170,531	157,304
CUSTODY OF SECURITIES		
Securities in custody with the bank	150,427	118,065
Total	7,235,289	5,907,921

b) Lawsuits and legal proceedings.

Bci Bank

The Bank and its subsidiaries are involved in various pending legal lawsuits related to their businesses and which, in the opinion of the Management and their internal legal advisers, will not result in additional liabilities to those already recognized by the Bank and its subsidiaries in its financial statements. Hence, Management did not consider that allocation of additional provisions to those already recognized for these contingencies is necessary.

Bci Corredor de Bolsa S.A.

As of December 31, 2016 Bci Corredora de Bolsa S.A. direct subsidiary of the Bank, has a bankruptcy revocation demand dated August 8, 2011 in summary proceedings before the Twenty-Third Civil Court of Santiago, No. ROL-C 10251-2008, between Inversiones Acson Ltda., Bci Corredor de Bolsa S.A. and others. Action seeks to declare the unenforceability of certain operations of liquidation performed by Alfa Corredores de Bolsa S.A. before being declared bankrupt for the amount of MCh$ 8,330. On May 26, 2015, the Twenty- Third Civil Court of Santiago delivered a judgment rejecting the action imposed by Acson Investments Limited. That ruling was appealed on June 9, 2015 by Acson Investments Limited, and, subsequently to review of the case, was decisively rejected by the court on December 2, 2015, in respect of which Inversiones Acson Ltda. filed on December 18 of the same year an appeal, which favourably passed the first instance procedure in the Court of Appeals of Santiago. Notwithstanding the above, on June 21, 2016, the Supreme Court, at the request of the intervening parties, ordered the suspension of the proceeding for up to 17 working days from June 17, 2016. On July 19, 2016, the allegations took place in the First Chamber of the Supreme Court regarding the appeal filed by Inversiones Acson Limitada, whose judgment was in agreement, but pending. On October 26, 2016, the Supreme Court rejected the appeal filed against the ruling of the 9th Chamber of the Court of Appeals that had confirmed the sentence of first degree that rejected the action deduced by Acson Investments Limited.

The probability of losing the lawsuit is low. No provisions have been made.

c) Operating guarantees granted:
- Direct commitments

The Bank as for December 31, 2016 has no such types of guarantees.

- Operating guarantees

Bci Corredor de Bolsa S.A.

As of December 31, 2016 Bci Corredor de Bolsa S.A., the subsidiary of the Bank has acquired guarantee to ensure compliance with the commitments for simultaneous operations on the Santiago Stock Exchange for MCh$ 115,935 (MCh$ 120,252 as of December 31, 2015).

As of December 31, 2016 Bci Corredor de Bolsa S.A., the subsidiary of the Bank, acquired guarantee to ensure compliance with the proper performance of operations in the CCLV settlement system of the Santiago Stock Exchange for MCh$ 3,491 (MCh$ 3,594 as of December 31, 2015).

As of December 31, 2016 Bci Corredor de Bolsa S.A., the subsidiary of the Bank, acquired guarantee to ensure compliance with the proper performance of operations in the CCLV settlement system in financial derivatives of the Santiago Stock Exchange for MCh$ 400.

As of December 31, 2016 Bci Corredor de Bolsa S.A., the subsidiary of the Bank, acquired guarantee to ensure compliance with the proper performance of operations in the CCLV settlement system in financial derivatives of the Santiago Stock Exchange for MCh$ 246 (MCh$ 246 as of December 31, 2015).

As of December 31, 2016 Bci Corredor de Bolsa S.A., the subsidiary of the Bank, acquired foreign guarantee to ensure compliance with the international market operations for MCh$ 67 (MCh$ 71 as of December 31, 2015).

As of December 31, 2016 Bci Corredor de Bolsa S.A., the subsidiary of the Bank, acquired guarantee to ensure compliance with the lending commitments and short selling shares on the Electronic Stock Exchange of Chile for MCh$ 1,125 (MCh$ 6,163 as of December 31, 2015).

As of December 31, 2016 Bci Corredor de Bolsa S.A., the direct subsidiary of the Bank, acquired performance bonds to ensure contract with SOMA for MCh$ 277 (MCh$ 266 as of December 31, 2015).

As of December 31, 2016 Bci Corredor de Bolsa S.A., the subsidiary of the Bank, acquired an upward UF 20,000 warranty to ensure compliance with the provisions of Article No. 30 of Law No. 18,045, in order to ensure proper and full compliance with all its obligations as securities intermediary. The beneficiaries of this guarantee are current or future creditors, which it has or will have as a result of stockbroker operations. This warranty applies to a policy taken on August 19, 2016 No. 330-14-00004975 and is valid until August 19, 2017. The insurer is the Company Mapfre Insurance, and Santiago Stock Exchange is the representative of potential beneficiaries.

- Insurance for employee loyalty

Bci Corredor de Bolsa S.A.

As of December 31, 2016, Bci Corredor de Bolsa S.A., the subsidiary of the Bank; contracted insurance from Bci Seguros General S.A., which covers Banco de Crédito e Inversiones and its subsidiaries under Integral Banking Policy No. 3106568-2, valid from November 30, 2016 to November 30, 2017, with a coverage of UF 100,000.

Bci Corredores de Seguros S.A.

As of December 31, 2016 Bci Corredora de Seguros S.A., the subsidiary of the Bank, has taken the following insurance policies in order to comply with the provisions of paragraph d of Article

No. 58 of Decree-Law No. 251 of 1931, to ensure the correct and complete fulfilment of all obligations under its activity:

- Guarantee Policy for Insurance Brokers No. 10031788 for an insured amount of UF 500 contracted with Compañía de Seguros Generales Consorcio Nacional de Seguros S.A. valid from April 15, 2016 to April 14, 2017, establishing as right of insurance company to request reimbursement from broker, of all sums paid or to pay to third parties affected by poor trading brokerage.

- Professional Liability Policy for Insurance Brokers No. 10031788 for an insured amount of UF 60,000 with Deductible UF 500 contracted with Compañía de Seguros Generales Consorcio Nacional de Seguros S.A., valid from April 15, 2016 to April 14, 2017, in order to protect the broker against any claims of third parties establishing the right of insurance company to request reimbursement of brokerage paid to the third party claims.

Bci Factoring S.A.
As of December 31, 2016 Bci Factoring S.A., the subsidiary of the Bank, has approved guarantee lines for operators with Factor Chain International for MCh$ 3,090 (MCh$ 10,115 as of December 31, 2015), equivalent to US$ 4,630,000.00 (US$ 14,300,000.00 as of December 31, 2015) of which MCh$ 1,257 (MCh$ 2,545 as of December 31, 2015) have been used, equivalent to US$ 1,883,476.00 (US$ 3,598,377.5 as of December 31, 2015).

Bci Corredora de Productos S.A.
As of December 31, 2016 Bci Corredora de Productos S.A. has delivered performance bond No. 25831 together with Banco de Crédito e Inversiones amounting for UF 2,000 to Bolsa de Productos Agropecuarios S.A. to guarantee proper performance of all obligations as broker dealer in the agricultural products stock exchange. The payment of this guarantee is ensured by a "credit line opening contract" intended to cover possible guarantee payments issued in Chilean currency or in foreign currency, which is held by the financial institution.

As of December 31, 2016 Bci Corredora de Productos S.A. has delivered performance bond No. 252832 together with Banco de Crédito e Inversiones amounting for UF 6,000 to Bolsa de Productos Agropecuarios S.A. to guarantee proper performance of all obligations as broker dealer in the agricultural products stock exchange. The payment of this guarantee is ensured by a "credit line opening contract" intended to cover possible guarantee payments issued in Chilean currency or in foreign currency, which is held by the financial institution.

d) Credit commitments

In order to satisfy the needs of its customers, the Bank assumed several irrevocable commitments and contingent liabilities. Although these obligations are not recognized in the Consolidate Financial Statements, they are subject to credit risks and, therefore, are part of the Bank's overall risk.

The table below presents the contractual amounts of the transactions that require the Bank to grant loans and the amount of the provisions made for the credit commitment risk assumed:

	As of December 31,	
	2016	2015
	MCh$	MCh$
Endorsements and deposits performance bonds	81,627	168,577
Documentary letters of credit	215,431	142,941
Guarantees	1,307,715	998,042
Amount available for credit cards users	4,573,760	3,841,174
Provisions (Note 21)	(20,179)	(18,525)
Total	6,158,354	5,132,209

e) Documents in custody and for collection on the part of the Bank

The Bank and its subsidiaries have the following operations derived in the normal course of business:

	As of December 31,	
	2016	2015
	MCh$	MCh$
Documents in collection	688,287	393,792
Custody of assets	150,427	118,065
Total	838,714	511,857

f) Lawsuits and legal proceedings and guarantees of main support companies

The business support companies: Sociedad Interbancaria de Depósito de Valores S.A., Centro de Compensación Automatizado S.A., Combanc S.A., Servicio de Infraestructura de Mercado OTC S.A., and Artikos Chile S.A., as of December 31, 2016 and 2015 do not have assets pledged for commitments or contingencies.

Transbank S.A.

a) Lawsuits

There is no current lawsuits that may significantly affect the financial statements of the Transbank S.A.

b) Bank guarantees

(i) Bank guarantees provided
Transfank S.A. has provided guarantees by the customers' requests in order to allow their business operation for MCh$ 229 as of December 31, 2016 (MCh$ 164 as of December 31, 2015).

(ii) Bank guarantees received

Transbank S.A. has received guarantees for MCh$ 69,875 as of December 31, 2016 (MCh$ 56,883 as of December 31, 2015). These guarantees have been provided by issuers, commercial establishments and suppliers of guarantee contractual obligations.

Redbanc S.A.

a) Lawsuits

As of December 31, 2016 there is no current lawsuits that may significantly affect the financial statements of the Redbanc S.A.

b) Bank guarantees

As of December 31, 2016, the following guarantees have been received by Redbank S.A.:

Supplier	Currency	Amount	Maturity Date	Concept
Banco Consorcio	MCh$	1,700	30/04/2017	To guarantee requirements of third paragraph, clause VII of inter license agreement.
Banco Ripley	MCh$	34	27/04/2017	To guarantee requirements of third paragraph, clause VII of inter license agreement.
CAR S.A.	MCh$	300	27/04/2017	To guarantee requirements of third paragraph, clause VII of inter license agreement.
Claro Chile S.A.	UF	1,058	31/08/2017	To guarantee proper performance of telephone service contract.
Gtd Teleductos S.A.	UF	5,000	31/08/2017	To guarantee proper performance of telephone service contract.
Telefónica Empresas Chile S.A.	UF	5,000	31/08/2017	To guarantee proper performance of telephone service contract.
NCR Chile Ind. y Comercial Ltda.	US$	124,812	31/01/2017	To guarantee correct performance of services and fulfilment of the defined levels for the regular operation of the ATM Contract.

Nexus S.A.

As of December 31, 2016, Nexus S.A. did not register any labour lawsuits; there is one lawsuit related to civil matters that had no significant financial impact.

As of December 31, 2016 Nexus S.A. maintains current liability insurance contract for directors and managers approved by the SVS under POL 1 01 021, covering US$ 10,000,000. In addition, Professional Liability insurance (employee's loyalty) for Financial Institutions remains in force, covering US$ 10 million.

As of December 31, 2016 the Nexus S.A. has the following guarantees:

Operational assurance

	2016 MCh$
Bank guarantees received:	
Received in favour of Nexus	174
Bank guarantees provided:	
Promissory note of Nexus taken to ensure contractual services	-
In cash by Nexus to ensure contractual services	-

Servipag Ltda.

a) Bank guarantees provided

Servipag Ltda. provided guarantee for the lease of branches amounting to MCh$ 246 as of December 31, 2015 (MCh$ 217 as of December 31, 2015).

Bank guarantees received

Servipag Ltda. has not received any guarantee.

b) Lawsuits

According to what was defined by legal advisers of the Servipag Ltda., there are no material lawsuits to be disclosed in the financial statements at the date on which these were approved.

c) Other commitments and contingencies

There are no other commitments or contingencies that should be presented in the financial statements

d) Due to Banks commitments

The Company has commitments to its partner banks for custody managed securities.

Administrador Financiero del Transantiago S.A. (AFT)

With respect of AFT following is a detail of relevant information:

Contingent liabilities

With respect to AFT's contingent assets and liabilities as of the date of the financial statements, the amounts detailed below correspond to the amounts under litigation and there is no reliable estimation of the disbursements that should be made under these concepts.

a) Guarantees

As of December 31, 2016 there are eight performance bonds taken by AFT, for a total of UF 96,000, in order to ensure the proper performance of the contract subscribed with the Chilean Ministry of Transport and Telecommunications, and two performance bonds taken by AFT, for a total of UF 4,000 in order to guarantee the fulfilment of labour and social security obligations of AFT.

b) Lawsuits

Pending lawsuits that could have a significant impact on the financial position of AFT are as follows: (b.1) Manuel José Vial Vial:

- Subject matter: Counterclaim initiated by AFT against Buses Gran Santiago S.A. for contract performance.
- Amount: MCh$ 294.
- Current status: the period of providing evidence has been terminated and further procedures suspended by both parties.

Assessment: It is not possible to reliably estimate the outcome of this contingency or its amount.

(b.2) IVU Traffic Technologies AG and IVU Chile Limitada with AFT and Chilean Treasury Department:

- 19° Civil Court C-26424-2014.
- Subject matter: Ordinary lawsuit for contractual and pre-contractual civil responsibility.
- Amount: € 8,539,309, equivalent to MCh$ 6,363 as of the date of the lawsuit (November 26, 2014), plus lawsuit costs.
- Current status: On December 13, 2016, the Court summons the parties for hearing.

Assessment: It is not possible to reliably estimate the outcome of this contingency or its amount.

c) Other administrative actions – tax

On August 25, 2011 the Internal Revenue Service ("SII" for its acronym in Spanish) notified a tax remission for the 2008 fiscal year, arguing an erroneous qualification of certain performance bonds and penalties collected by the Ministry of Transport and Telecommunications during 2007, which the SII considers as non-deductible expenses. AFT has filed, within the legally established time limit, administrative and judicial remedies against this remission, since it considers that there is a history of facts and law precedents that support its initial classification of expenses. The Regional Director of the SII Santiago Centre issued a resolution of the first instance, rejecting the claim filed by AFT, requesting the payment. This resolution was appealed by AFT within the established time limit. The Court of Appeals of Santiago resolved that the case should be returned to the Court of First Instance in order for the Court to supplement the judgement and, to date, the SII has not responded.

NOTE 24 - EQUITY

a) Issued capital and preference shares

Movements of common shares during the years 2016 and 2015 are the following:

	For the year ended December 31	
	2016	2015
	N°	N°
Issued as of January 1	**110,806,999**	**108,701,164**
Issued bonus shares	2,019,920	2,105,835
Shares subscribed and paid for capital increase	10,737,300	-
Total issued	123,564,219	110,806,999

The Ordinary Shareholders' Meeting held as of March 22, 2016 approved the distribution of net income for the year 2015, for the amount of MCh$ 330,819, as follows:

- Distribute a dividend of Ch$ 1,000 per share among the total 110,806,999 shares issued and registered in the Register of Shareholders, which amounts to the sum of MCh$ 110,803.
- Allocate the remaining balance of MCh$ 220,016 to future capitalization reserve fund, as follows:
  1) MCh$ 165,411 transferred from retained earnings; and
  2) MCh$ 54,605 raised through the issuance of 2,019,920 bonus shares.

This capital increase was approved by the SBIF by means of Resolution No. 163 on May 13, 2016, which extract was ratified on June 16, 2016. Both documents were published in the Official Gazette on May 20 and July 4, 2016, respectively.

Extraordinary Shareholders' Meeting held on October 27, 2015 approved the annulment of capital increase of MCh$ 198,876, which was previously approved by the Extraordinary Shareholders' Meeting held on September 26, 2013, and which has never been subscribed nor paid. Additionally, it was agreed to increase the share capital through the issuance of 10,737,300 shares for cash, which shall be subscribed and paid within three years from the date of the aforesaid meeting. Such increase was subscribed and paid during 2016 as follows:

- 308,023 shares were subscribed and paid on March 31, 2016 for a total amount of MCh$ 7,494.
- On April 19, 2016 ended the period for preferential option, during which entitled shareholders subscribed and paid a total of 10,148,941 shares for MCh$ 260,205.
- On April 26, 2016 the remaining balance of 280,336 shares was subscribed and paid for a total of MCh$ 7,709.

This completes the total increase agreed at the Extraordinary Shareholders Meeting held on October 27, 2015, raising a total of MCh$ 275,408. As a result, the Bank's approved and issued capital comprises 123,564,219 single-series shares with no par value equivalent to MCh$ 2,276,820 as of December 31, 2016.

b) As of December 31, 2016 and 2015, the distribution of shareholders is as follows:

As of December 31, 2016	Shares	
	No. of Shares	Ownership, %
Empresas Juan Yarur S.P.A.	68,128,157	55.14%
Banco de Chile on behalf of non-resident third parties	4,801,320	3.89%
Jorge Yarur Bascuñán	4,760,582	3.85%
Banco Itaú on behalf of investors	3,391,456	2.74%
AFP Habitat S.A.	2,939,570	2.38%
AFP Provida S.A.	2,684,859	2.17%
Credicorp LTD	2,286,328	1.85%
Bci Corredor de Bolsa S.A. on behalf of third parties	2,201,738	1.78%
AFP Capital S.A.	2,143,120	1.73%
AFP Cuprum S.A.	1,932,089	1.56%
Imsa Financiera S.P.A.	1,909,945	1.55%
Banco Santander on behalf of foreign investors	1,876,209	1.52%
Inversiones Cerro Sombrero Financiero S.P.A.	1,762,390	1.43%
Inversiones Tarascona Corporation Agencia en Chile	1,659,674	1.34%
Luis Enrique Yarur Rey	1,315,604	1.06%
Banchile Corredores de Bolsa S.A.	1,155,815	0.94%
Inversiones Nueva Altamira Limitada	1,121,002	0.91%
Victoria Ines Yarur Rey	858,657	0.69%
Maria Eugenia Yarur Rey	858,646	0.69%
Empresas JY S.A.	731,667	0.59%
Larraín Vial S.A. Corredora de Bolsa	719,044	0.58%
Inversiones VYR Ltda.	657,595	0.53%
Valores Security S.A. Corredora de Bolsa	646,651	0.52%
Inmobiliaria e Inversiones Chosica S.A.	539,709	0.44%
Jorge Alberto Yarur Rey	511,367	0.41%
Other shareholders	11,971,025	9.71%
Subscribed and paid shares	123,564,219	100,00%

As of December 31, 2015	Shares	
	No. of Shares	Ownership, %
Empresas Juan Yarur S.P.A.	61,030,794	55.08%
Jorge Yarur Bascuñán	4,682,760	4.23%
Credicorp LTD	4,497,906	4.06%
Sociedad Financiera del Rimac S.A.	3,849,983	3.47%
Banco de Chile on behalf of non-resident third parties	3,473,278	3.13%
Banco Itaú on behalf of investors	3,112,436	2.81%
Bci Corredor de Bolsa S.A. on behalf of third parties	2,067,074	1.87%
AFP Habitat S.A.	1,977,723	1.78%
AFP Provida S.A.	1,738,324	1.57%
Banco Santander on behalf of foreign investors	1,669,093	1.51%
Inversiones Tarascona Corporation Agencia en Chile	1,632,543	1.47%
AFP Capital S.A.	1,474,579	1.33%
AFP Cuprum S.A.	1,410,741	1.27%
Imsa Financiera SPA	1,348,093	1.22%
Inmobiliaria e Inversiones Cerro Sombrero S.A.	1,215,770	1.10%
Yarur Rey Luis Enrique	1,082,348	0.98%
Banchile Corredores de Bolsa S.A.	970,601	0.88%
Larraín Vial S.A. Corredores de Bolsa	831,330	0.75%
Empresas JY S.A.	719,706	0.65%
Inversiones VYR Ltda.	589,702	0.53%
Inmobiliaria e Inversiones Chosica S.A.	483,987	0.44%
Penta Corredores de Bolsa S.A.	472,782	0.43%
Corpbanca Corredores de Bolsa S.A.	400,128	0.36%
Bolsa de Comercio de Santiago Bolsa de Valores	369,893	0.33%
Inversiones Lo Recabarren Ltda.	353,127	0.32%
Other shareholders	9,352,298	8.43%
Subscribed and paid shares	110,806,999	100,00%

c) Dividends

The following dividends were declared by the Bank during the year ended December 31, 2016 and 2015:

	For the year ended December 31	
	2016	2015
	Ch$	Ch$
Ch$ per common share	1,000	1,000

The provision for mandatory dividend as of December 31, 2016 was MCh$ 102,049 (MCh$ 99,247 as of December 31, 2015).

d) For the year ended December 31, 2016 and 2015, the composition of basic and diluted earnings per share is as follows:

	For the year ended December 31	
	2016	2015
Net income for the year attributable to the equity holders of the Bank, MCh$	340,121	330,819
Income available for Shareholders, MCh$	340,121	330,819
Weighted average number of shares	119,920,219	110,328,138
Basic and diluted earnings per share (Ch$/Share)	2,836	2,999

e) Cumulative translation adjustment reserve

As of December 31, 2016 and 2015, the reconciliation of the cumulative translation adjustment reserve as a separate component of shareholders' equity is as follows:

	MCh$
Balance as of January 1, 2015	14,876
Exchange differences	6,990
Balance as of December 31, 2015	21,866
Balance as of January 1, 2016	21,866
Exchange differences	(3,416)
Balance as of December 31, 2016	18,450

Reconciliation of the investment revaluation reserve and cash flow hedge reserve is as follows:

	Investment revaluation reserve MCh$	Cash flow hedge reserve MCh$
Accumulated comprehensive income 2014	9,275	(9,460)
Transferred to statements of income	2,733	(41)
Market to market adjustment	(39,389)	(6,366)
Accumulated comprehensive income 2015	(27,381)	(15,867
Transferred to statements of income	(3,989)	35
Market to market adjustment	31,540	(846)
Accumulated comprehensive income 2016	170	(16.678)

f) Nature of valuation reserves

- Cumulative translation adjustment reserve:
  Originated by exchange rate differences arising from the conversion of a net investment in a foreign entity which has a different functional currency.

- Cash flow hedges reserve:
  Originated by the valuation at fair value of the derivative contracts designated as hedging instruments in cash flow hedges. Over the contractual period of these cash flow hedges, these reserves must be adjusted based on the valuation at each reporting date.

- Investments revaluation reserve:
  Originated by the valuation at fair value of financial

investments available for sale. When the investment is impaired, sold or disposed of (as a whole or in part), the accumulated revaluation is transferred from this reserve to Consolidated Statements of Income and recognized as part of the loss or gain related to investments.

g) Capital requirements

The regulatory capital as of December 31, 2016 is defined as equivalent to the net amount that should be shown in the Consolidated Financial Statements as Shareholders' equity attributable to equity holders. As indicated in the Compendium of Accounting Regulations, according to General Banking Law, the Bank should maintain a minimum ratio of effective stockholders' equity to consolidated risk-weighted assets, net of required loan loss allowances and provisions and deductions, of 8%, and a minimum ratio of basic capital to consolidated total assets, net of required loan loss allowances and provisions and deductions, of 3%. Regulatory capital for these purposes is defined as basic capital (which represents paid-in capital and reserves) adjusted to: a) aggregate subordinated bonds issued by the Bank valued at their placement price for an amount up to 50% of its basic capital commencing six years prior to their maturity, b) aggregate additional required allowances and provisions as stipulated, c) deduct all goodwill and share premium, and d) deduct assets that correspond to investments in non-consolidated subsidiaries.

The assets are weighted according to a risk category to which a risk percentage is assigned according to the amount of capital necessary to support each of these assets. Five risk categories are applied (0%, 10%, 20%, 60% and 100%). For example, cash, deposits in banks, and financial instruments issued by the Central Bank of Chile have 0% risk, which means that according to the regulations in force, capital is not needed to maintain these assets. Property, plant and equipment have 100% risk, which means that a minimum capital, equivalent to 8% of these assets, should be held.

All OTC derivative securities are considered in the determination of risk assets with a conversion factor over the notional values, thus obtaining the amount of credit risk exposure (or "credit equivalent"). Off-balance contingent credits are also considered as a "credit equivalent".

All OTC derivative instruments form part of risk-weighted assets, as a result of application of conversion factor to notional values of all such derivatives in order to get the amount of credit risk exposure (or "credit equivalent") that complies with Chapter 12-1 of Updated Compilation of Standards issued by SBIF. Credit Commitments recognized off balance sheet also considered as "credit equivalents" for the purpose to calculate portion forming part of risk-weighted assets.

The regulated and basic capital as of December 31, 2016 and 2015 are the following:

	As of December 31			
	Consolidated assets and off- balance sheet items		Risk-weighted assets	
	2016 MCh$	2015 MCh$	2016 MCh$	2015 MCh$
Consolidated Balance sheet assets (net of allowances and provisions)				
Cash and deposits in banks	1,577,565	1,272,552	-	-
Items in course of collection	264,265	434,550	38,543	64,343
Trading portfolio financial assets	1,267,979	1,298,131	195,843	164,032
Investment under agreements to resell	116,461	206,105	116,461	206,105
Derivative financial agreements	1,360,247	1,499,423	777,467	1,065,534
Loans and receivables to banks, net	223,228	169,416	216,210	154,412
Loans and receivables to customers, net	21,954,346	19,770,529	19,879,359	17,983,213
Financial investments available for sale	2,524,500	2,407,882	1,032,309	1,208,055
Financial investments held to maturity	872	708	174	708
Investments in other companies	187,958	170,103	187,958	170,103
Intangible assets	177,516	175,551	166,733	173,354
Property, plant and equipment, net	279,496	282,556	279,496	282,556
Current income tax	116,574	93,458	11,658	9,346
Deferred income taxes	198,094	203,686	19,809	20,369
Other assets	686,130	788,116	488,003	460,849
Off-balance sheets items				
Credit commitments	2,548,549	2,802,922	1,529,129	1,681,753
Additions and deductions	(124,888)	58,800	-	(1,516)
Total assets	33,358,892	31,634,488	24,939,152	23,643,216

	As of December 31	
	2016	2015
	MCh$	MCh$
Basic capital	2,518,257	2,000,287
Regulatory capital	3,344,119	2,832,980
Consolidated assets	33,358,892	31,634,488
Risk-weighted assets	24,939,152	23,643,216

Concepts:	Ratio As of December 31	
	2016	2015
	%	%
Basic capital /Consolidated assets	7.55	6.32
Basic capital / Risk-weighted assets	10.10	8.46
Regulatory capital / Risk-weighted assets	13.41	11.98

NOTE 25 - INCOME AND EXPENSES FROM INTEREST AND INDEXATION FOR INFLATION

a) For the years 2016 and 2015, the composition of income from interest and indexation for inflation is the following:

Concept	For the year ended December 31, 2016			For the year ended December 31, 2015		
	Interest MCh$	Indexation for inflation MCh$	Total MCh$	Interest MCh$	Indexation for inflation MCh$	Total MCh$
Repurchase agreements	2,239	725	2,964	1,279	2	1,281
Interbank loans	4,709	-	4,709	3,399	-	3,399
Commercial loans	712,871	99,665	812,536	566,712	137,819	704,531
Mortgage loans	163,376	110,553	273,929	149,371	144,033	293,404
Consumer loans	344,290	349	344,639	319,296	1,202	320,498
Investment instruments	72,670	4,818	77,488	43,685	6,623	50,308
Other income (*)	10,252	1,327	11,579	11,732	2,354	14,086
Hedge accounting effect	(14,505)	-	(14,505)	(42,665)	-	(42,665)
Total income from interest and indexation for inflation	1,295,902	217,437	1,513,339	1,052,809	292,033	1,344,842

(*) Includes interest on overnight deposits, liquidity current account with Central Bank of Chile, and others.

For the years 2016 and 2015, the detail of the interest expenses and indexation for inflation is as follows:

Concept	For the year ended December 31	
	2016	2015
	MCh$	MCh$
Demand deposits	(12,853)	(7,849)
Repurchase agreements	(14,359)	(12,878)
Term deposits and borrowings	(333,734)	(274,047)
Borrowings from financial institutions	(24,770)	(18,930)
Issued debt instruments	(202,844)	(221,070)
Other financial liabilities	(5,394)	(2,196)
Accounting hedge effect	(3,764)	(3,110)
Other interest expenses indication for inflation	(10,568)	(4,256)
Total interest expenses and –indexation for inflation	(608,286)	(544,336)

b) For the year ended December 31, 2016 and 2015 the detail of income and expenses related to hedge accounting is as follows:

	For the year ended December 31, 2016			For the year ended December 31,2015		
	Gain MCh$	Loss MCh$	Total MCh$	Gain MCh$	Loss MCh$	Total MCh$
Hedge of Assets						
Fair Value Hedge	63,287	35,143	28,144	24,170	2,002	22,168
Cash Flow Hedge	27,382	70,031	(42,649)	125,491	190,324	(64,833)
Subtotal	90,669	105,174	(14,505)	149,661	192,326	(42,665)
Hedge of Liabilities						
Fair Value Hedge	13,821	24,389	(10,568)	39,520	43,776	(4,256)
Subtotal	13,821	24,389	(10,568)	39,520	43,776	(4,256)
Total	104,490	129,563	(25,073)	189,181	236,102	(46,921)

NOTE 26 - FEE AND COMMISSION INCOME AND EXPENSES

For the year ended December 31, 2016 and 2015, the composition of fee and commission income and expenses is the following:

	For the year ended December 31	
	2016 MCh$	2015 MCh$
Fee and commission income:		
Commissions for credit lines and overdrafts	6,407	4,107
Commissions for guarantees and letters of credit	20,991	20,311
Commissions for credit card services	77,420	68,210
Commissions for administration of accounts	42,930	36,236
Commissions for collection services	52,698	50,521
Commissions for securities brokerage	5,607	9,197
Commissions for management of mutual and investment funds	58,778	47,544
Commissions for insurance brokerage	42,234	35,504
Commissions for other services provided	26,951	23,149
Other commissions	10,491	9,510
Total fee and commission income	344,507	304,289
Fee and commission expenses:		
Commissions on operations with credit cards	(38,180)	(35,539)
Commissions on securities trading	(12,561)	(16,526)
Other commissions	(22,137)	(17,954)
Total fee and commission expenses	(72,878)	(70,019)

NOTE 27 - TRADING AND INVESTMENT INCOME

For the years ended December 31, 2016 and 2015, the detail of trading and investment income is the following:

	For the years ended December 31	
	2016	2015
	MCh$	MCh$
Trading instruments	78,409	83,154
Derivative financial agreements	58,826	27,867
Other instruments at fair value through profit or loss (1)	2,532	66
Sale of financial investments available for sale	6,120	80
Others	(14)	111
Total	145,873	111,278

(1) As of December 31, 2016, gain on other instruments at fair failure through profit or loss includes the result of the sale of the Bank's loan provided to the company Pacificos Rubiales to JP Morgan bank in the United States, which generated a gain of MCh$ 3,197. This loan sold was recognized net of allowances for loan losses for the amount of MCh$ 30,301, established in accordance with requirements of chapter C-3 of the Compendium of Accounting Standards of the SBIF.

NOTE 28 - FOREIGN EXCHANGE RESULTS

For the years ended December 31, 2016 and 2015 the detail of the foreign exchange results is the following:

	For the years ended December 31,	
	2016	2015
	MCh$	MCh$
Exchange difference		
Gains from exchange differences	24,316,553	22,448,544
Losses from exchange differences	(24,323,467)	(22,609,894)
Subtotal	(6,914)	(161,350)
Foreign currency fluctuation effect for assets and liabilities denominated in foreign currency		
Net results for assets and liabilities in foreign currency	(7,684)	30,874
Subtotal	(7,684)	30,874
Hedge Accounting Result		
Assets hedge results	(49,293)	73,522
Liabilities hedge results	(1,718)	37,576
Subtotal	(51,011)	111,098
Total	(65,609)	(19,378)

This item includes income accrued in the period, related to holding of assets and liabilities in foreign currency or indexed to the exchange rate, the forex trading and results of derivatives used to hedge foreign currency.

NOTE 29 - PROVISIONS FOR LOAN LOSSES AND IMPAIRMENT

The detail of provisions for loan losses and impairment for the years ended December 31, 2016 and 2015 is as follows:

For the year ended December 31, 2016	Interbank loans MCh$	Loans and receivables to customers Commercial loans MCh$	 Mortgage loans MCh$	 Consumer Loans MCh$	Credit commitments MCh$	Additional provisions MCh$	Minimum provisions adjustment for the normal portfolio MCh$	Total MCh$
Provisions:								
Individual provisions	287	40,999	-	-	5,379	-	4,588	51,253
Collective provisions	-	63,900	10,719	139,017	432	-	-	214,068
Total provisions	287	104,899	10,719	139,017	5,811	-	4,588	265,321
Impairment:								
Individual impairment	-	-	-	-	-	-	-	-
Collective impairment	-	-	-	-	-	-	-	-
Total impairment	-	-	-	-	-	-	-	-
Reversal of provisions:								
Individual provisions	(92)	(7,751)	-	-	(1,182)	-	-	(9,026)
Collective provisions	-	(6,394)	(2,465)	(34)	(2,688)	(15,808)	-	(27,389)
Total reversal of provisions	(92)	(14,145)	(2,465)	(34)	(3,870)	(15,808)	-	(36,415)
Recovery of assets previously written off	-	(19,623)	(2,579)	(23,292)	-	-	-	(45,494)
Reversal of impairment	-	-	-	-	-	-	-	-
Net provisions for loan losses	194	71,131	5,675	115,691	1,941	(15,808)	4,588	183,412

For the year ended December 31, 2015	Interbank loans MCh$	Loans and receivables to customers Commercial loans MCh$	 Mortgage loans MCh$	 Consumer loans MCh$	Contingent loans MCh$	Additional provisions MCh$	Minimum provisions adjustment for the normal portfolio MCh$	Total MCh$
Provisions:								
Individual provisions	305	84,086	-	-	2,719	-	-	87,110
Collective provisions	-	60,787	2,872	118,046	184	19,000	-	200,889
Total provisions	305	144,873	2,872	118,046	2,903	19,000	-	287,999
Impairment:								
Individual impairment	-	-	-	-	-	-	-	-
Collective impairment	-	-	-	-	-	-	-	-
Total impairment	-	-	-	-	-	-	-	-
Reversal of provisions:								
Individual provisions	(825)	(26,695)	-	-	(927)	-	(7,688)	(36,135)
Collective provisions	-	(10,283)	-	(335)	(1,417)	-	-	(12,035)
Total reversal of provisions	(825)	(36,978)	-	(335)	(2,344)	-	(7,688)	(48,170)
Recovery of assets previously written off	-	(24,076)	(2,475)	(24,072)	-	-	-	(50,623)
Reversal of impairment	-	-	-	-	-	-	-	-
Net provisions for loan losses	(520)	83,819	397	93,639	559	19,000	(7,688)	189,206

In Management's opinion, the provisions for loan losses and impairment cover all eventual losses that may occur as a result of the non-recovery of assets, according to the information analysed by the Bank.

NOTE 30 - STAFF COSTS

The composition of staff costs for the years ended December 31, 2016 and 2015 is as follows:

	For the years ended December 31,	
	2016 MCh$	2015 MCh$
Staff remunerations	190,154	146,554
Bonuses or awards	144,792	127,022
Severance payments	10,874	8,172
Training expenses	3,474	3,708
Other staff expenses	23,337	19,155
Total	372,631	304,611

NOTE 31 - ADMINISTRATIVE EXPENSES

For the years ended December 31, 2016 and 2015, the composition of administrative expenses is as follows:

	For the years ended December 31,	
	2016 MCh$	2015 MCh$
General administrative expenses		
Maintenance and repairs of the bank's property, plant and equipment	12,106	9,339
Office rent	25,907	23,707
Equipment rent	269	386
Insurance premiums	6,345	5,032
Office materials	5,749	5,197
Computer and communications expenses	36,986	28,205
Lighting, heating and other services	8,320	6,231
Security and custody transportation services	12,629	11,641
Travel expenses	4,768	4,527
Judicial and notarial expenses	3,348	2,784
Fees for technical reports	3,186	2,480
Audit fees	2,952	2,111
Cleaning services	4,516	4,298
Consulting	19,095	17,699
Postal-related expenses	1,523	1,646
Other general administrative expenses	24,309	18,939
Sub-contracted services		
Data processing	5,396	5,481
Sale of products	-	-
Credit evaluation	366	10
Other	7,387	6,521
Board of Directors expenses		
Board of Directors remuneration	3,492	2,928
Other Board of Directors expenses	178	132
Publicity and advertising	22,069	20,500
Taxes, property taxes and contributions		
Real estate contributions	1,579	1,317
Licenses	1,529	1,491
Other taxes	3,775	804
Contribution to SBIF	7,710	6,036
Total	225,489	189,442

NOTE 32 - DEPRECIATION, AMORTIZATION AND IMPAIRMENT

a) For the years ended December 31, 2016 and 2015, depreciation and amortization expenses are detailed bellow:

	For the years ended December 31,	
	2016 MCh$	2015 MCh$
Depreciation and amortization		
Depreciation of property, plant and equipment	(26,162)	(22,512)
Amortization of intangible assets	(28,946)	(20,938)
Total	(55,108)	(43,450)

b) For the years ended December 31, 2016 and 2015, the impairment of property, plant and equipment and intangible assets is detailed as follows:

	For the years ended December 31,	
	2016 MCh$	2015 MCh$
Impairment		
Property, plant and equipment (1)	(92)	(1,896)
Intangible asset	-	(5,000)
Total	(92)	(6,896)

(1) As of December 31, 2016 and 2015 impairment of property, plant and equipment for MCh$ 92 and MCh$ 1,896 was recognized against gross value of property, plant and equipment.

c) The reconciliation of accumulated depreciation, amortization and impairment for the years ended December 31, 2016 and 2015 is as follows:

	Depreciation, amortization and impairment					
	For the years ended December 31, 2016			For the years ended December 31, 2015		
	Accumulated depreciation of property Plant and Equipment MCh$	Accumulated amortization of intangible assets MCh$	Total MCh$	Accumulated depreciation of property Plant and Equipment MCh$	Accumulated amortization of intangible assets MCh$	Total MCh$
Balance as of January 1	174,421	165,497	339,918	159,263	144,443	303,706
Charges for depreciation and amortization for the year	26,162	28,946	55,108	22,512	20,938	43,450
Sales	(4,382)	-	(4,382)	-	-	-
Others	(512)	(74)	(586)	(7,354)	116	(7,238)
Balance as of December 31	195,689	194,369	390,058	174,421	165,497	339,918

NOTE 33 - OTHER OPERATING INCOME AND EXPENSES

a) Other operating income

For the years ended December 31, 2016 and 2015 the composition of other operating income is as follows:

Concept	For the years ended December 31, 2016 MCh$	2015 MCh$
Income from repossessed assets		
Gain on sale of repossessed assets	2,610	4,224
Other income	1,198	479
Subtotal	3,808	4,703
Reversal of provisions for credit commitments		
Reversal of provisions for country risk	771	274
Reversal of other provisions for credit commitments	-	2,851
Subtotal	771	3,125
Other income		
Gains on sale of property, plant and equipment	248	600
Insurance claims	847	1,330
Leasing income	5,987	3,446
Other income	16,715	18,166
Subtotal	23,797	23,542
Total	28,376	31,370

b) Other operating expenses

During the years 2016 and 2015, the composition of other operating expenses is as follows:

Concept	For the years ended December 31, 2016 MCh$	2015 MCh$
Impairment and expenses for repossessed assets		
Impairment of repossessed asset	s-	219
Write-offs of repossessed assets	6,500	2,398
Maintenance expenses for repossessed assets	416	1,051
Subtotal	6,916	3,668
Establishment of provisions for credit commitments		
Provisions for country risk	157	-
Other provisions for credit commitments	7,297	11,257
Subtotal	7,454	11,257
Other expenses		
Loss on sale of property, plant and equipment	472	340
Contributions and donations	2,166	2,202
Penalties for judicial and notary expenses	3,734	3,455
Leasing expenses	7,633	4,934
Non-operating expenses	8,814	7,209
Agreement expenses	780	780
Other expenses	4,868	3,379
Subtotal	28,467	22,299
Total	42,837	37,224

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES

a) Loans granted to related parties

Loans granted to related parties are detailed as follows:

	As of December 31, 2016			As of December 31, 2015		
	Operating Companies MCh$	Investment Companies MCh$	Individuals MCh$	Holding MCh$	Investment Companies MCh$	Individuals MCh$
Loans and receivables to customers						
Commercial loans	69,203	83,934	13,959	110,050	43,093	10,951
Mortgage loans	-	-	28,311	-	-	26,937
Consumer loans	-	-	4,537	-	-	4,198
Loans and receivables to customers, gross	69,203	83,934	46,807	110,050	43,093	42,086
Allowances for loan losses	(215)	(133)	(58)	(275)	(68)	(33)
Loans and receivables to customers, net	68,988	83,801	46,749	109,775	43,025	42,053
Credit commitments	80,161	16,302	11,521	131,244	16,994	10,650
Provisions for credit commitments	(78)	(39)	(7)	(147)	(55)	(5)
Credit commitments, net	80,083	16,263	11,514	131,097	16,939	10,645

b) Other transactions with related parties

During the years ended December 31, 2016 and 2015, the Bank has undertaken the following transactions with related parties:

For the year ended December 31, 2016

Company	Relationship with the Group	Description	Balance assets MCh$	Effect on statements of income	
				Expense MCh$	Income MCh$
Administración e Inversiones Centinela Ltda.	Other	Advisory	34	34	-
Archivos Credenciales e Impresos Archivert S.A.	Other	Card production	191	191	-
Artikos Chile S.A.	Joint Venture	Acquisitions services	970	970	-
Bolsa de Comercio de Santiago	Other	Rent of terminals	153	153	-
Bci Seguros de Vida S.A.	Control	Service revenue and channel usage	5,634	-	5,634
		Financial Instruments: Term deposits	525	35	-
		Marketing	1,003	-	1,003
		Premium Payment	90	90	-
		Subordinated bond	927	52	-
		Expenditures and income - Premiums reject credits	114	-	-
		Brokerage Fees BCI CCSS	16,148	-	16,148
		Brokerage Awards BCI CCSS	131	-	131
Bci Seguros Generales S.A.	Control	Commission for collection and PAC	480	-	480
		Channel usage	584	-	491
		Sinister	1,771	-	1,771
		Financial Instruments: Term deposits	4,710	8	-
		Bank Bonds	1,017	8	-
		Brokerage Fees BCI CCSS	18,959	-	18,959
		Intermediation Awards BCI CCSS	3,317	-	3,317
		Call Centre Services BCI CCSS	100	100	-
		Brokerage Awards BCI CCSS	271	-	271
Centro de Compensación Automatizado S.A.	Other	Electronic banking transactions	1,267	1,101	-
Cia, Nacional de Telefonos Telefonica del Sur S.A.	Other	Communications Service	48	48	-
Combanc S.A.	Associate	Compensation and high value payment	331	331	-
Comder Contraparte Central S.A.	Associate	Bank processing	965	965	-
Comunicaciones Capitulo Ltda.	Other	Communications Service	49	49	-
Conexxion Spa	Other	Service mail	359	357	-
DCV Registros S.A.	Other	Administration of shareholders register	107	106	-
Depósitos Central de Valores S.A.	Other	Financial Instruments Custody	290	286	-
Digitech Solutions S.A.	Other	Digital documentation	327	314	-
Diseño y Desarrollo Computacional Ltda.	Other	Development and maintenance of applications	612	576	-
Engage S.A. Servicios y Asesorías en Comunicaciones Public Marketing	Other	Internal marketing consulting	152	152	-
EMC Chile S.A.	Other	Computer solutions	1,207	994	-
Galeria de Arte Patricia Ready Ltda.	Other	Institutional marketing	54	54	-
GTD Teleductos S.A.	Other	Communications services	496	496	-
IBM Chile S.A.	Other	Computer equipment and solutions	2,349	1,326	-
Irarrazabal Ruiz-Tagle Goldenberg Lagos & Silva Abogados Ltda.	Other	Legal advice	99	99	-
Imagemaker S.A.	Other	Development of application and solution	495	484	-
Inmobiliaria Anya S.A.	Other	Real estate projects	46	46	-
Jordan (Chile) S.A.	Control	Forms printing	2,851	2,267	-
Let´s Talk Spa	Other	Communications services	30	30	-
Mario Gomez D.	Other	Advice and consultancy	215	215	-
Oliver Wyman	Other	Advisory	754	625	-
Operadoras de Tarjetas de Crédito Nexus S.A.	Associate	Card processing	8,079	8,079	-
PB Soluciones Ltda.	Other	ATMs installation and cleaning service	183	145	-
Redbanc S.A.	Associate	ATMs operation	6,232	5,229	-
Salcobrand S.A.	Control	Rent of places for ATMs	206	206	-
Santo Producciones Ltda.	Other	Events production	301	274	-
Servicios de Información avanzada S.A.	Other	Trade information service	864	855	-
Servipag Ltda.	Joint Venture	Collection and payment services	8,788	7,225	-
Sistema Nacional de Com, Financieras S.A. (Sinacofi)	Other	Financial information services	508	454	-
Telesat Compañía de Teléfonos S.A.	Other	Communications services	35	35	-
Transbank S.A.	Other	Credit cards management	46,174	10,489	35,685

For the year ended December 31, 2015

Company	Relationship with the Group	Description	Balance assets MCh$	Effect on statements of income Expense MCh$	Effect on statements of income Income MCh$
Administración e Inversiones Centinela Ltda.	Other	Advisory	108	108	-
Archivos Credenciales e Impresos Archivert S.A.	Other	Cards production	207	207	-
Artikos Chile S.A.	Joint Venture	Acquisitions services	837	800	-
Bolsa de Comercio de Santiago S.A.	Other	Rent of terminals	162	102	-
Bci Seguros de Vida S.A.	Control	Service revenue and channel usage	5,370	-	5,370
		Marketing	1,194	-	1,194
		Premiums payment	182	158	-
		Financial Instrument: Term deposit	6,874	2	-
		Brokerage Fees BCI CCSS	16,392	-	16,392
		Brokerage Awards BCI CCSS	-	-	-
Bci Seguros Generales S.A.	Control	Commission for collection and PAC	785	-	660
		Channel usage	533	-	448
		Sinister	1,627	-	1,627
		Financial Instruments: Term deposits	153	-	-
		Brokerage Fees BCI CCSS	15,984	-	15,984
		Brokerage Awards BCI CCSS	2,172	-	2,172
Centro de Compensación Automatizado S.A.	Other	Electronic banking transactions	996	862	-
Cia, Nacional de Teléfonos Telefónica del Sur S.A.	Other	Lease of data links	47	47	-
Comunicaciones Capitulo Ltda.	Other	Lease of data links	44	44	-
Combanc S.A.	Associate	Compensation and high value payment	362	362	-
Comder Contraparte Central S.A.	Associate	Clearing house of derivatives	431	431	-
Conexxion Spa	Other	Service mail	402	393	-
DCV Registros S.A.	Other	Bank processing	93	93	-
Depósitos Central de Valores S.A.	Other	Financial instruments custody	294	294	-
Digitech Solutions S.A.	Other	Document digitalization	256	254	-
Diseño y Desarrollo Computacional Ltda.	Other	Development and maintenance applications	689	508	-
Engage S.A. Servicios y Asesorias en Comunicaciones, Public Marketing	Other	Internal marketing consultations	148	141	-
EMC Chile S.A.	Other	Computer solutions	910	272	-
Galeria de Arte Patricia Ready Ltda.	Other	Institutional marketing	63	57	-
GTD Teleductos S.A.	Other	Communications services	468	468	-
IBM Chile S.A.	Other	Computer equipment and solutions	9,909	8,913	-
Abogados Ltda.	Other	Legal advice	137	137	-
Imagemaker IT S.A.	Other	Multipass devices purchase	572	535	-
Imagemaker S.A.	Other	Development and application solution	881	656	-
Jordan (Chile) S.A.	Control	Printing forms	2,816	2,315	-
Mario Gomez D.	Other	Advice and consultancy	218	218	-
Operadoras de Tarjetas de Crédito Nexus S.A.	Associate	Card processing	6,609	6,030	-
		ATMs installation services and cleaning services			
PB Soluciones Ltda.	Other	ATMs installation and cleaning services	267	202	-
Redbanc S.A.	Associate	ATMs operation	5,999	5,098	-
Salcobrand S.A.	Control	Rent of places for ATMs	313	248	-
Santo Producciones Ltda.	Other	Events production	200	183	-
Servicios de Información avanzada S.A.	Other	Trade information services	831	802	-
Servipag Ltda.	Joint Venture	Collection and payment services	8,804	7,437	-
Sistema Nacional de Com, Financieras S.A. (Sinacofi)	Other	Financial information services	449	402	-
Telesat Compañía de Teléfonos S.A.	Other	Lease of data links			
		Credit card and income management	36	36	-
Transbank S.A.	Other	Credit card management	41,568	9,508	32,060

Note: only transactions over UF1,000 are disclosed.

All of these transactions were undertaken under prevailing market conditions at the date on which they were entered into.

c) Other assets and liabilities with related parties

	As of December 31 2016 MCh$	2015 MCh$
ASSETS		
Derivative financial agreements	-	-
Other assets	-	-
LIABILITIES		
Derivative financial agreements	-	-
Demand deposits	70,183	82,471
Term deposits and saving accounts	39,649	95,397
Other liabilities	-	-

d) Income/expense recognized on transactions with related parties:

		For the year ended December 31,			
		2016		2015	
Type of income or expense recognized	Entity	Income MCh$	Expense MCh$	Income MCh$	Expense MCh$
Income and expenses	Sundry	10,409	(1,766)	10,689	(1,094)
Operational support expenses	Companies supporting the line of business	83,890	(45,553)	75,907	(48,383)
Total		94,299	(47,319)	86,596	(49,477)

e) Remunerations of the Board of Directors and key management personnel.

Compensation earned by key management personnel corresponds to the following categories:

	For the year ended December 31, 2016 MCh$	2015 MCh$
Short-term remunerations of key management personnel (*)	11,438	10,100
Severance indemnities for termination of contract	-	4,487
Total	11,438	14,587

(*) For the year ended December 31, 2016, total expenses corresponding to the remuneration of the Board of Directors of the Bank and subsidiaries amounted to MCh$ 3,670 (MCh$ 3,060 for the year ended December 31, 2015).

f) Composition of key management personnel

As of December 31, 2016 and 2015, the composition of the key management personnel of the Bank and its subsidiaries is as follows:

Position	N° of executives
Director	20
General manager	15
Division and Area Manager	22
Total	57

g) Transactions with key management personnel

For the year ended December 31, 2016 and 2015, the Bank has undertaken the following transactions with key management personnel, as specified below:

	For the year ended December 31,					
	2016			2015		
	Balance Owed MCh$	Total remuneration MCh$	Income of key executives MCh$	Balance Owed MCh$	Total remuneration MCh$	Income of key executives MCh$
Credit cards and other services	2,171	1,239,410	13	1,572	1,051,438	13
Mortgage loans	1,718	273,929	101	1,650	293,404	86
Guarantees provided	2,772	-	-	1,982	-	-
Total	6,661	1,513,339	114	5,204	1,344,842	99

As of December 31, 2016, the Bank has the following contracts:

Nº	Related company	The service involved	Concept	Description of the Contract	Term
1	Bolsa de Comercio de Santiago	Processing the stock exchange management system, through which Bci Corredor de Bolsa S.A.	Lease of terminals.	Contract to use the stock exchange management software.	Indefinite
2	Centro de Automatizado S.A.(CCA)	Electronic transactions adjustment centre.	Centre adjustment Services.	Participation in and incorporation into the electronic transfer centre to expedite the completion of fund transfer operations. The Bank operates in the CET as an IFO (Originating Banking Institution) and as an IFR (Receiving Banking Institution).	Indefinite
3	Compañía de Formularios Continuos Jordan (Chile) S.A.	Printing and making checkbooks.	Printing of forms.	Printing services are contracted for basic lists, special forms, and revenue stamped forms, such as checks and at sight promissory notes.	Indefinite
4	Operadoras de Tarjetas de Crédito Nexus S.A.	Processing credit card operations (issuer list)	Card processing.	Operations of Mastercard, Visa credit cards and debit card with regard to processing the issuer list.	Indefinite
5	Redbanc S.A.	Administration of the operations of ATMs, Redcompra and RBI.	Operation of ATMs.	In fulfilling its corporate purpose, the company will offer the participant, for the use of its customers or users, the electronic data transfer service via automatic tellers or other actual or virtual electronic means.	Indefinite
6	Servipag Ltda.	Collection and payment of services, payment of checks and receipt of deposits and administration of our teller service.	Collection and payment of services.	The service is contracted for resolution of collection transactions captured by Bci tellers for processing and rendition to customers.	Indefinite
7	Transbank S.A.	Processing credit card operations (user list)	Administration of credit cards.	Provision of Visa, Mastercard credit card services with regard to the user list.	Indefinite
8	Artikos Chile S.A.	Purchases and logistics services portal.	Purchase of supplies.	Electronic purchase service for assets and/or logistics services.	Indefinite
9	Bci Seguros de Vida S.A.	Insurance.	Insurance premiums.	Individual life insurance policy for executives and guards.	Annual
10	Bci Seguros Generales S.A.	Insurance.	Insurance premiums.	Individual policies for the Bank's physical assets, leased assets and comprehensive banking policy.	Annual
11	Archivos Credenciales e Impresos Archivert Ltda.	Production of Credit and Debit Card Plastics	Credit and Debit Card Production.	Production of credit and debit plastic cards.	Indefinite
12	Combanc S.A.	Clearing and settlement of High Amounts payments, SWIFT Messaging (Order and / or receive balance information from Central Bank of Chile, for daily transfer client funds.	Settlement of High Amounts payments.	Clearing and settlement of High Amounts payments. SWIFT Messaging (Order and / or receive balance information from Central Bank of Chile, for daily transfer client funds.	Indefinite
13	Conexxion Spa	Postal mail service (normal and registered letter). Messaging (internal courier service and motorbikes).	Mail and Messaging.	Postal mail service (normal and registered letter) messaging (internal courier service and motorbikes).	Indefinite
14	Depósitos Central de Valores S.A.	Service Deposit and Securities Custody.	Securities Custody.	Service Deposit and Securities Custody.	Indefinite
15	Diseño y Desarrollo Computacional Ltda.	Software development and maintenance of Lotus Notes platform and Aprocred system (credit approval).	Technological Developments.	Software development and maintenance of Lotus Notes platform and Aprocred system (credit approval).	Indefinite
16	GTD Teleductos S.A.	Telephone Services & Data Communications, Rent of links, continuity links, Fixed and mobile, mainly in Metropolitana Region.	Telephone Service.	Telephone Services & Data Communications, Rent of links, continuity links, fixed and mobile, mainly in Metropolitana Region.	Indefinite
17	Imagemaker IT S.A.	Sale of Computational Security Devices (Multipass).	Technological Developments.	Sale of Computational Security Devices (Multipass).	Indefinite
18	Imagemaker S.A.	Software Development, Maintenance and Support Internet and Mobile Applications.	Technological Developments.	Software Development, Maintenance and Support Internet and Mobile Applications.	Indefinite
19	PB Soluciones Ltda.	Cleaning and electrical maintenance of ATM enclosure in public places.	Cleaning and maintenance of ATM.	Cleaning and electrical maintenance of ATM enclosure in public places.	Indefinite
20	Salcobrand S.A.	Lease of ATM's site (affordable).	Lease of ATM's site.	Lease of ATM's site (affordable).	Indefinite
21	Santo Producciones Ltda.	Events Production.	Events,	Events Production.	Indefinite
22	Servicios de Información avanzada S.A.	Bureau Service: financial and business people information.	Financial and business Information.	Bureau Service: financial and business people information.	Indefinite

23	Sistema Nacional de Compensación Financieras S.A. (Sinacofi)	Electronic Messaging Service: secure information exchange. Clearing Service: Corresponds to the electronic exchange.	Financial and business Information.	Electronic Messaging Service: secure information exchange. Clearing Service: Corresponds to the electronic exchange.	Indefinite
24	ComDer Contraparte Central S.A.	Operating systems clearing and settlement of Financial Instruments.	Clearing house of Derivatives.	Clearing and Settlement as Central counterparty mode of Financial Instruments.	Indefinite
25	Administración e Inversiones Centinela Ltda.	Provision of administrative, accounting and financial advisory services	Financial Advising	Provision of administrative, accounting and financial advisory services	End April 2016
26	Cia. Nacional de Telefonos Telefónica del Sur S.A.	Fixed telephony service continuity and Internet service Broadband	Telephone service	Fixed telephony service continuity and Internet service Broadband	Undefined
27	Comunicaciones Capítulo Ltda.	Private telephone service	Telephone service	Private telephone service	2 Years from July 2016
28	DCV Registros S.A.	Administration of shareholders register	Administration of shareholders register	Comprehensive and personalized attention of the shareholders of Bci and brokers.	Undefined
29	Digitech Solutions S.A.	Document digitalization	Document Scanning Service	Digitizing documents Back Office, Comex, document management Mortgage and Corporate Banking	Undefined
30	Engage S.A. Servicios y Asesorías en Comunicaciones Publicas Marketing	Internal Marketing Consulting	Advisory	Consulting and Advertising Agency Services	Undefined
31	EMC Chile S.A.	Government and Migration	Data	Government of Migration and Data Centre Moving	Undefined
32	Galería de Arte Patricia Ready Ltda.	Exhibition Hall Art Gallery	Auspice	Ensure Bci brand presence in all invitations printed for each exhibition and in the invitation in digital format. Include the Bci logo in all catalogues.	Undefined
33	GTD Teleductos S.A.	Lease of data links	Telephone service	Telephone Supply	Finished
34	IBM Chile S.A.	Computer Equipment and Solutions	Technology support service	Computer Equipment and Solutions and support staff (specialists)	Undefined
35	Irarrazabal Ruiz-Tagle Goldenberg Lagos & Silva Abogados Ltda.	Intangible Services Lawyers Presidency	Advisory	Professional Advice in General to the Bank and Subsidiaries	Undefined
36	Inmobiliaria Anya S.A.	Rent for Bci branch	Lease	Lo Echevers branch lease	8 years
37	Let´s Talk Spa	Electronic messaging	Messaging services	Instant Messaging	3 months
38	Mario Gómez D.	Advisory and consultancy	Advisory	Development of Banking Plan. Integral Consulting to the Bank Management.	Undefined
39	Oliver Wyman	Advisory	Advisory	Strategic Consulting Services - Project “Transaction Banking”	Undefined
40	Telesat Compañía de Teléfonos S.A.	Lease of data links	Telephone service	Local Service Measured traffic	Undefined

NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE

a) Financial instruments measured at fair value and that are not measured at fair value in the Consolidated Financial Statements

The following table summarizes the carrying amounts and fair values of the principal financial assets and liabilities which are measured at their fair value as well as which are not measured at their fair value in the Bank's Consolidated Financial Statements.

	As of December 31, 2016		As of December 31, 2015	
	Carrying amount MCh$	Fair value MCh$	Carrying amount MCh$	Fair value MCh$
Assets				
Cash and deposits in banks	1,577,565	1,577,565	1,272,552	1,272,552
Items in course of collection	264,265	264,265	434,550	434,550
Trading portfolio financial assets	1,267,979	1,267,979	1,298,131	1,298,131
Investments under agreements to resell	116,461	116,461	206,105	206,105
Derivative financial agreements	1,360,247	1,360,247	1,499,423	1,499,423
Loans and receivables to banks, net	223,228	223,228	169,416	169,416
Loans and receivables to customers, net	21,954,346	24,020,556	19,770,529	23,310,617
Commercial loans	14,459,695	14,648,198	12,994,394	14,325,693
Mortgage loans	4,967,162	6,067,665	4,462,499	5,779,691
Consumer loans	2,527,489	3,304,693	2,313,636	3,205,233
Financial investments available for sale	2,524,500	2,524,500	2,407,882	2,407,882
Financial investments held to maturity	872	872	708	708
TOTAL ASSETS	29,289,463	31,355,673	27,059,296	30,599,384
Liabilities				
Current accounts and demand deposits	8,194,263	8,194,263	8,047,288	8,047,288
Items in course of collection	132,507	132,507	255,800	255,800
Liabilities under agreements to repurchase	799,844	799,844	449,128	449,128
Term deposits and savings accounts	9,957,688	9,994,254	9,301,896	9,479,252
Derivative financial agreements	1,420,086	1,420,086	1,535,191	1,535,191
Borrowings from financial institutions	1,648,764	1,648,764	1,790,090	1,790,179
Debt issued	4,398,430	5,064,358	3,822,650	4,343,151
Other financial liabilities	953,246	953,246	746,946	746,946
TOTAL LIABILITIES	27,504,828	28,207,322	25,948,989	26,646,935

The fair value estimates presented above, do not attempt to estimate the value of the bank's profits generated by their business or future activities and therefore, do not represent the value of the Bank as a going concern.

Methods used to estimate financial instruments' fair value are detailed below:

Loans and receivable to customers.
Loans and receivables to customers are presented net of their allowance for loan losses and impairment.

The estimated fair value represents the discounted future cash flows expected to be received.

Cash flows are discounted at market interest rate, using an interbank rate that considers the relevant term and currency.

The approaches used for the incorporation of credit risk of the assets are:

1. Based on the models of estimation of expected loss, it is possible to infer the credit quality of the portfolio (at least in qualitative terms) specifically, for the remaining term of the operations comprising the asset accounts considered (commercial loans, mortgage loans and consumer loans).
2. In quantitative terms, the provision percentage assigned to an operation results in an estimate of the provision based on the credit profile of the operation.
3. The resulting amount when applying the 'provisions/total loans' factor mentioned in 2) to the current principal and accrued interest outstanding of the respective loan is an approximation of the adjustment for credit risk (in other words, resulting in the allowance calculation).

Deposits and other borrowings
The estimated fair value of demand accounts and deposits, for which maturity is not established, including non- interest bearing accounts, is the amount payable when the customer demands it. The redeemed cost of these deposits is a reasonable approximation of their fair value.

The fair value of term deposits has been estimated on the basis of discounted future cash flows based on interest- rate structures adjusted from transactions observed at the valuation date.

Interbank borrowings
The fair value of liabilities to financial institutions has been determined using discounted cash flow models, based on the relevant interest-rate curve for the remaining term of the instrument to its maturity.

Issued debt instruments
The aggregated fair value of the bonds has been calculated based on the effective market rates at the closing of each period.

Fixed Income Securities and Derivatives
The fair value of debt instruments classified as trading and available for sale, as well as derivative instruments, is estimated using valuation techniques detailed in the c) below.

Other balance sheet accounts
For other balance sheet accounts the carrying amount was used, because they are items with very short-term flows and therefore their discounted value does not differ significantly from their carrying amount.

b) Financial instruments measured at fair value

Please refer to Note 1.h for further details on the criteria used to determine the fair value.

c) Hierarchy used for determining the fair value

The regulation distinguishes among different types of inputs used for the valuation techniques, differentiating between "observable" or "unobservable" inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the assumptions of the Bank and subsidiaries in relation to market behaviour. The following hierarchy has been established based on these types of inputs:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes the debt instruments (whether fixed or variable income), equity instruments, and financial derivative instruments traded on domestic or international stock markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Prices may require interpolation among a price structure (e.g., derivative instruments belong to this level). The same occurs with bonds assessed using a valuation technique like interpolation or matrix pricing, based on observable inputs.

Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity and debt instruments whose valuation uses significant unobservable inputs.

This hierarchy requires maximise the use of relevant observable inputs and minimise unobservable inputs. The Bank and its subsidiaries consider the relevant observable market data in their valuations whenever it is possible.

Financial assets and liabilities classified by valuation levels
The following chart shows the assets and liabilities that are presented at fair value in the Consolidated Financial Statements, classified in their respective levels of hierarchy previously described.

Financial Assets	Level 1		Level 2		Level 3		Total	
	December 2016 MCh$	December 2015 MCh$	December 2016 MCh$	December 2015 MCh$	December 2016 MCh$	December 2015 MCh$	December 2016 MCh$	December 2015 MCh$
Trading portfolio financial assets								
State and Central Bank of Chile	712,788	903,976	-	-	-	-	712,788	903,976
Other domestic institutions	495,393	352,971	-	-	-	-	495,393	352,971
Foreign institutions	1,309	158	-	-	-	-	1,309	158
Investments in mutual funds	58,489	41,026	-	-	-	-	58,489	41,026
Subtotal	1,267,979	1,298,131	-	-	-	-	1,267,979	1,298,131
Trading derivative contracts	-	-						
Forwards	-	-	125,632	240,951	-	-	125,632	240,951
Swaps	-	-	918,642	1,002,210	25,240	31,043	943,882	1,033,253
Call options	-	-	1,147	4,889	-	-	1,147	4,889
Put options	-	-	3	2,519	-	-	3	2,519
Futures	-	-	137	50	-	-	137	50
Subtotal	-	-	1,045,561	1,250,619	25,240	31,043	1,070,801	1,281,662
Hedging Derivatives								
Forwards	-	-	22,552	16,541	-	-	22,552	16,541
Fair value hedges (Swap)	-	-	85,932	87,160	-	-	85,932	87,160
Cash flow hedges (Swap)	-	-	196,397	125,002	-	-	196,397	125,002
Subtotal	-	-	304,881	228,703	-	-	304,881	228,703
Financial investment available for sale	-	-						
State and Central Bank of Chile	746,217	627,419	-	-	-	-	746,217	627,419
Other domestic institutions	276,509	148,568	-	-	-	-	276,509	148,568
Foreign institutions	1,501,774	1,631,895	-	-	-	-	1,501,774	1,631,895
Subtotal	2,524,500	2,407,882	-	-	-	-	2,524,500	2,407,882
Total Financial Assets	3,792,479	3,706,013	1,350,442	1,479,322	25,240	31,043	5,168,161	5,216,378
Financial liabilities								
Trading derivative contracts								
Forwards	-	-	123,748	239,325	-	-	123,748	239,325
Swaps	-	-	978,143	1,057,366	-	-	978,143	1,057,366
Call options	-	-	653	6,089	-	-	653	6,089
Put options	-	-	2,293	2,341	-	-	2,293	2,341
Futures	-	-	-	-	-	-	-	-
Subtotal	-	-	1,104,837	1,305,121	-	-	1,104,837	1,305,121
Hedging Derivatives								
Forwards	-	-	19,352	22,001	-	-	19,352	22,001
Fair value hedges (Swap)	-	-	47,366	76,167	-	-	47,366	76,167
Cash flow hedges (Swap)	-	-	248,531	131,902	-	-	248,531	131,902
Subtotal	-	-	315,249	230,070	-	-	315,249	230,070
Total Financial Liabilities	-	-	1,420,086	1,535,191	-	-	1,420,086	1,535,191

The above values do not include adjustments for CVA and Bid Offer, amounted as of December 31, 2016 for MCh$ 15,435 (MCh$ 10,942 as of December 31, 2015). Transfers between Levels 1 and 2 Bank and its subsidiaries have not made any transfers of financial assets or liabilities between Levels 1 and 2 during the year 2016.

Level 3 valuation reconciliation

As of December 31, 2016 the Consolidated Statements of Financial Position has assets classified as Level 3 which relate to Swap TAB contracts for which there are no market observable inputs.

d) Valuation of La Polar Bonds

As of December 31, 2016, the Bank has applied valuation techniques to determine the fair value of the financial instruments “BLAPO-F” and “BLAPO-G”. This enhancement builds on the IRR of the last transaction of the existing market between the closing date of the Consolidated Financial Statements and the date of redemption of the financial instrument.

NOTE 36 - RISK MANAGEMENT

1. Introduction

The Bank business activities involve identifying, evaluating, accepting and managing different kinds of risk or combinations of them. The main categories of risk to which the corporation is exposed are credit, liquidity, market, operations, and legal and reputation risks.

The Bank policies are designed to identify and analyse these risks, to establish adequate limits and controls, and to monitor the risks and compliance of established limits through the use of reliable and updated information systems. The Bank periodically reviews its risk management policies and systems to incorporate changes in the markets, regulations, products and new best practices.

In relation to financial risks, the organizational structure is designed to manage these risks efficiently, transparently and timely. It is formed by strategic units composed by the Board of Directors, the Executive Committee, the Finances and Risk Committee, and the Asset and Liabilities Committee ("ALCO"). These are divided into operative units such as the Corporate Risk Management, Trading and Institutional, and Distribution and Corporate areas, parts of the Investment and Finance Banking division. The flow of this information is processed and analysed by various support units such as Accounting, Middle and Back Office, Management and Process Control and Computers and Systems.

The senior strategic unit is the Board of Director. Its main responsibilities regarding financial risk management are establishing adequate policies and levels of risk, establishing exposure limits, the monitoring of risks, and ensuring best practices through the permanent evaluation of the actions of the Finances and Investment Banking and the Corporate Risk Management areas. The Board of Directors delegates to the Executive Committee and the Finances and Risk Committee the supervision and support to carry out the Bank's strategic objectives in their interactions with corporate Management.

The Finances and Risk Committee also analyses in detail the strategies and models associated with the treasury function, both in the trading portfolio and the Bank's books, and the performance and risks associated with such strategies.

ALCO (Assets & Liabilities Committee) is the committee where the corporation's assets and liabilities policy is discussed and agreed for the approval of the Board of Directors or the Executive Committee. The general objectives of the ALCO Committee are to ensure the Bank's adequate liquidity, protect the capital, make decisions on the financing of loans, and maximize the financial margin subject to the risk restrictions imposed by the Board of Directors and the Finances and Risk Committee.

The Corporate Risk Management and its Operational Risk, Credit Risk, and Market Risk units are responsible for the integral management of the Bank's risk. While a few years ago it was common in the industry to have an independent, internal department manage these risks, the development of derivative markets and the acceptance of common methodologies, such as the concept of maximum loss, value at risk, etc., have made limits increasingly more subject to fluctuation. Therefore, this management area has a corporate reach, with a comprehensive vision of the risks involved.

Financial Risk Management has the role of evaluating and controlling the Bank's exposure to market risk, both on or off the Consolidated Statements of Financial Position, pricing risks associated with interest rates, exchange rates, volatility, maximum loss, etc., are measured and monitored. This is complemented by the analysis of scenarios and simulations to obtain a better measure of the risk. The Financial Risk Management is also responsible for defining the valuation methodologies for the financial assets and liabilities measured at fair value held by the corporation on or off the Consolidated Statements of Financial Position.

In accordance with best practices, the Bank defines the segregation of activities between areas that could present conflicts of interest in their objectives, such as:

i. Investment and Finance Banking division.
ii. Support areas, operative departments (Back Office, Middle Office).
iii. Financial Control and Planning (Accounting, Management Control).
iv. Financial Risk and Credit Risk, components of Corporate Risk Management.

The total segregation of duties implies a physical and organizational separation of the areas.

2. Liquidity and financing

The policy and liquidity management models seek to guarantee, even in front of unexpected events, the Bank's capacity to respond adequately to its short-term obligations. In this regard, the Bank has continuously monitored the impact of recent events on financial markets, introducing more conservative assumptions when justified. The model has four central elements:

1. Presence of a minimum reserve of liquid assets to face stress situations.
2. Regulatory and internal liquidity indicators.
3. Accounting mismatches (relating to maturity).
4. Alert and contingency plans.

The management of liquidity and funding is basically carried out by Treasury in accordance with practices and limits reviewed periodically by ALCO and authorized by the Board of Directors.

These limits may vary according to the depth and liquidity shown by the markets in order to anticipate unlikely capital expenditures while providing funding at a competitive cost.

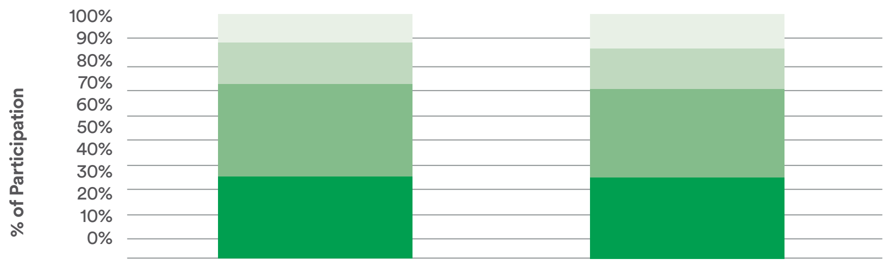
The Bank has internally set explicit minimum limits for the liquidity level, parallel to the limits of Technical Reserve, which are periodically subject to simulations of stress financing for balances of current accounts and deposits, which are the Bank's main sources of liquidity. This is performed using a periodic evaluation framework of the additional needs of financing due to events of tight liquidity, together with the monitoring of the market, In this way, the periodic generation, projection, evaluation, and analysis of liquidity stress scenarios facilitate the anticipation of future difficulties and the agile and reliable execution of preventive actions before unfavourable scenarios.

At the regulatory level, liquidity is measured and reported to the SBIF through the standardized reports. According to bank regulations, the Bank has been authorized to use an adjusted liquidity model, generating procedures and models that allow an evaluation of future income and liabilities that affect the Bank's liquidity position, keeping in control the internal and external limits that the regulatory purposes, especially for mismatches between assets and liabilities at 30 and 90 days.

The Bank has set strict limits, forcing itself to maintain a large amount of liquid assets on its Consolidated Statements of Financial Position which, in the event of any unexpected requirement, can maintain liquidity through repurchase agreements with the Central Bank of Chile. The counter-cyclical nature of this liquidity reserve is adjusted to the spirit of the latest recommendations proposed by Basel.

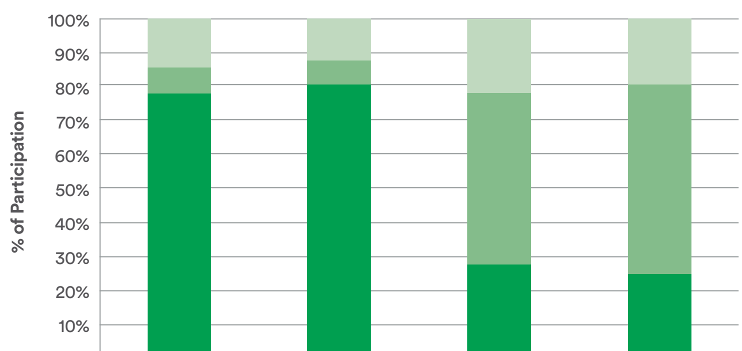
In the measurement of liquidity, both internal and regulatory, a reasonable level of liquidity was observed in line with the Bank's policies. Even in the moments of highest uncertainty due to the global financial crisis, there were no events indicative of a loss of confidence of the people, nor mass removal of accounts or deposits by customers, confirming the confidence of the people towards the Chilean banking system in general.

Fig. 1. Evolution of principal funding sources
As of December 31, 2016 and 2015,
Banco de Crédito e Inversiones and City National Bank (CNB)



	dic-16	dic-15
OTHER LIABILITIES	11%	14%
DEBT ISSUED	17%	16%
TIME DEPOSITS AND SAVING ACCOUNTS	38%	36%
SIGHY DEPOSIT	34%	34%

Fig. 2. Diversification of liquidity sources by segment,
As of December 31, 2016 and 2015 (%),
Banco de Crédito e Inversiones and City National Bank of Florida (CNB)



	dic-16	dic-15	dic-16	dic-15
	DEPOSITOS VISTAS		DEPOSITOS Y CAPTACIONES A PLAZO	
OTHER WHOLESALE	15%	12%	22%	20%
FINANCIAL	8%	6%	50%	55%
RETAIL	78%	81%	28%	25%

a. Year 2016 Variations (domestic consolidation)

The rates of short-term mismatch remained bounded, keeping a certain amount of slack with respect to regulatory limits given the capital base measured at 30 days and two times capital (for measurement at 90 days).

Fig. 3. Liquidity Ratios
As of December 31, 2016 and 2015 (maximum = 1)

(a) Short-term mismatch (% on basic capital)

	December 31, 2016				December 31, 2015			
	Average	Maximum	Minimum	Closure	Average	Maximum	Minimum	Closure
Mismatch 30 days	52.74%	87.35%	19.96%	57.23%	18.6%	85.9%	(24.5%)	85.9%
Mismatch 90 days (*)	60.56%	81.96%	43.02	52.88%	44.6%	68.6%	28.3%	68.6%

(*) Measurement in relation to 2 times basic capital.

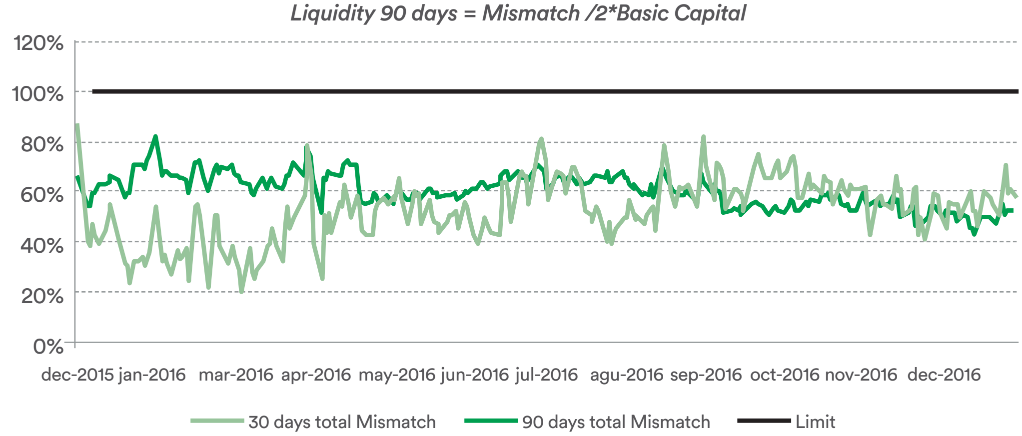
(b) Short-term mismatch Ch$-UF (% on basic capital),

	December 31, 2016				December 31, 2015			
	Average	Maximum	Minimum	Closure	Average	Maximum	Minimum	Closure
Mismatch 30 days	40,74%	68,01%	3,38%	38,94%	15,3%	66,2%	(23,6%)	66,2%

(c) Short-term mismatch FX (% on basic capital),

	December 31, 2016				December 31, 2015			
	Average	Maximum	Minimum	Closure	Average	Maximum	Minimum	Closure
Mismatch 30 days	12,00%	35,46%	(20,22%)	18,29%	3,3%	27,9%	(35,5%)	19,8%

Fig. 4, Liquidity Evolution (domestic consolidation) during 2016 (maximum = 1)
Liquidity 30 days = Mismatch/Basic Capital
*Liquidity 90 days = Mismatch /2*Basic Capital*



3. Market Risk

Market risk is the risk inherent in the price variations of financial assets.

Variations in interest rates, the exchange rate, commodities and shares prices, credit spreads, volatility, etc., constitute a risk known as market risk. This is expressed in the possibility of incurring losses that will be translated to the statements of income or the balance sheet depending on the type of financial instrument and its respective accounting treatment.

The Bank manages its exposure to market risk between trading portfolios and portfolios available for sale or held-to-maturity, Trading portfolios include positions coming from sales to corporate and institutional clients, positions coming from market making business, and hedge or trading positions. The AFS and held to maturity portfolios hold positions mainly related to interest rate management associated with personal and commercial banking loans, in addition to a portfolio of financial investments. These portfolios have less rotation and their change in fair value does not affect the Consolidated Statements of Income for the year until maturity.

A series of tools are used to monitor the market risk of positions in each category, these include value-at-risk (VaR), CVaR, simulation, and stress analysis. The corporation uses the algorithmic platform to support the measurement and management of the market risk and counterparty risk.

a) Top holdings

The principal positions of the Consolidation Statements of Financial Position as of December 31, 2016 are listed by maturity band or repricing and their comparison to the year 2015.

Fig. 5. Carrying amount to maturity range or re-pricing by currency
Positions as of December 31, 2016 (MCh$)

ASSETS	1Y	5Y	10Y	10Y+	Total
Ch$	8,171,804	4,183,709	1,047,259	27,023	13,429,795
UF	3,831,611	3,810,344	2,569,311	1,911,780	12,123,046
MX	6,072,766	2,406,341	1,181,559	216,156	9,876,822
TOTAL	18,076,181	10,400,394	4,798,129	2,154,959	35,429,663

LIBIALITIES	1Y	5Y	10Y	10Y+	Total
Ch$	10,354,038	3,501,342	53,000	-	13,908,380
UF	2,060,951	3,045,726	2,280,892	1,297,351	8,684,920
MX	5,438,516	3,561,334	544,904	52,122	9,596,876
TOTAL	17,853,505	10,108,402	2,878,796	1,349,473	32,190,176

MISMATCH	1Y	5Y	10Y	10Y+	Total
Ch$	(2,182,234)	682,367	994,259	27,023	(478,585)
UF	1,770,660	764,618	288,419	614,429	3,438,126
MX	634,250	(1,154,993)	636,655	164,034	279,946
TOTAL	222,676	291,992	1,919,333	805,486	3,239,487

Fig. 6. Carrying amount to maturity range or re-pricing by currency positions
As of December 31, 2016 (MCh$)

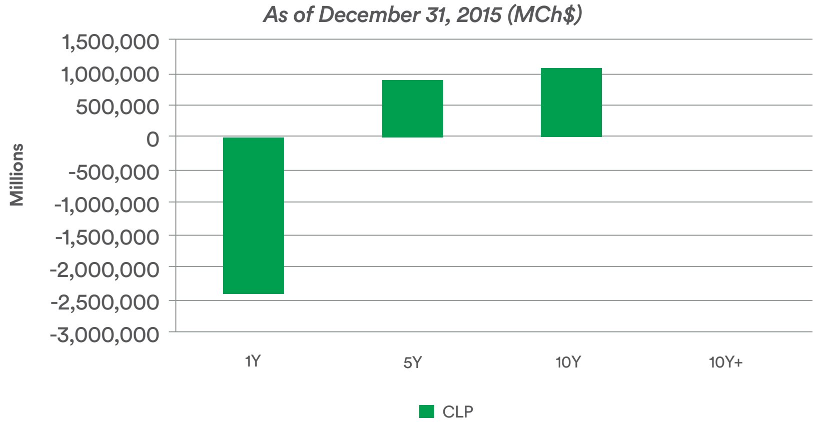
Fig. 7. Carrying amount to maturity range or re-pricing by currency positions
As of December 31, 2015 (MCh$)

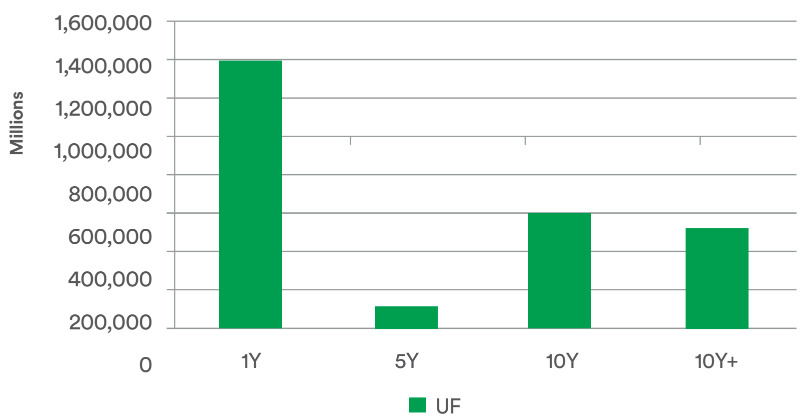
ASSETS	1Y	5Y	10Y	10Y+	Total
CLP	7,898,612	4,499,710	1,048,340	33,036	13,479,698
UF	3,633,918	3,412,111	2,391,880	1,706,710	11,144,619
MX	5,844,826	2,119,083	1,196,583	247,359	9,407,851
TOTAL	17,377,356	10,030,904	4,636,803	1,987,105	34,032,168

LIABILITIES	1Y	5Y	10Y	10Y+	Total
CLP	10,331,245	3,640,984	5	-	13,972,234
UF	2,245,063	3,301,122	1,813,274	1,189,107	8,548,566
MX	4,435,594	4,139,748	392,899	18,212	8,986,453
TOTAL	17,011,902	11,081,854	2,206,178	1,207,319	31,507,253

MISMATCH	1Y	5Y	10Y	10Y+	Total
CLP	(2,432,633)	858,726	1,048,335	33,036	(492,536)
UF	1,388,855	110,989	578,606	517,603	2,596,053
MX	1,409,232	(2,020,665)	803,684	229,147	421,398
TOTAL	365,454	(1,050,950)	2,430,625	779,786	2,524,915

Fig. 8. Carrying amount to maturity range or re-pricing by currency positions
As of December 31, 2015 (MCh$)





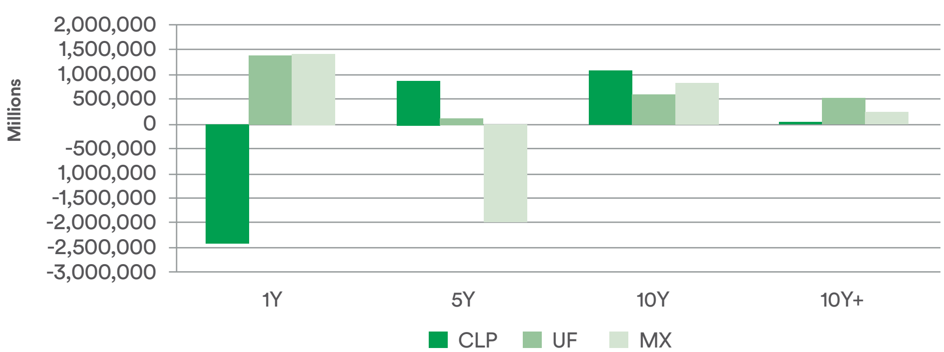


Fig. 9. Carrying amount to maturity range or re-pricing by Account positions
As of December 31, 2016 (MCh$)

ASSETS	1Y	5Y	10Y	10Y+	TOTAL
Central Bank of Chile	12,721	226,141	-	-	238,862
Domestic banks and financial institutions	136,825	131,917	27,216	10,575	306,533
Investments under agreements to resell	-	-	-	-	-
Commercial loans	8,226,445	2,670,792	1,399,234	585,563	12,882,034
Consumer loans	1,025,877	1,560,216	85,003	66,153	2,737,249
Negotiable residential mortgage loans	760,596	2,066,290	1,400,874	1,271,792	5,499,552
Residential mortgage loans with funding notes	26,093	18,565	3,983	2	48,643
Cash	1,604,090	-	-	-	1,604,090
Forwards	448,271	109,320	-	-	557,591
Chilean State	324,968	971,242	240,765	106,460	1,643,435
Consumer leasing	30	-	-	-	30
Commercial leasing operation	384,145	528,238	172,317	42,085	1,126,785
Other domestic entities	-	-	-	-	-
Other foreign entities	26,086	146,431	227,839	4,591	404,947
Other assets	1,695,617	41,305	42,549	64	1,779,535
Other residential mortgage loans	344,986	302,674	103,628	67,674	818,962
Others	-	-	-	-	-
Swaps	3,059,431	1,627,263	1,094,721	-	5,781,415
Total Assets	18,076,181	10,400,394	4,798,129	2,154,959	35,429,663

LIABILITIES	1Y	5Y	10Y	10Y+	TOTAL
Ordinary bonds	674,704	1,756,643	1,330,479	171,921	3,933,747
Subordinated bonds	46,680	172,941	212,563	1,125,427	1,557,611
Deferred-drawing savings accounts	41,807	-	-	-	41,807
Unconditional-drawing savings accounts	90,410	-	-	-	90,410
Demand deposits (*)	2,247,548	5,816,944	-	-	8,064,492
Term deposits	9,177,939	126,978	-	-	9,304,917
Forwards	442,632	105,389	-	-	548,021
Letters of credit	7,295	16,067	5,096	3	28,461
Other liabilities	658,094	-	-	52,122	710,216
Others, except options	-	-	-	-	-
Foreign loans and other obligations	1,618,068	304,246	-	-	1,922,314
Domestic loans and other obligations	137,798	33,784	2,416	-	173,998
Swaps	2,517,738	1,775,410	1,328,242	-	5,621,390
Liabilities under agreements to repurchase	192,792	-	-	-	192,792
Total Liabilities	17,853,505	10,108,402	2,878,796	1,349,473	32,190,176

(*) Determined in accordance with internal models.

Fig. 10. Carrying amount to maturity or re-pricing by account positions
As of December 31, 2015 (MCh$)

ASSETS	1Y	5Y	10Y	10Y+	TOTAL
Central Bank of Chile	14,711	262,837	64,293	-	341,841
Domestic banks and financial institutions	69,250	85,832	31,881	14,131	201,094
Investments under agreements to resell	49,794	-	-	-	49,794
Commercial loans	7,285,639	2,466,180	1,186,647	499,200	11,437,666
Consumer loans	941,598	1,395,249	66,861	57,876	2,461,584
Negotiable residential mortgage loans	723,234	1,807,380	1,237,144	1,124,079	4,891,837
Residential mortgage loans with funding notes	39,974	24,595	6,564	41	71,174
Cash	1,340,177	-	-	-	1,340,177
Forwards	571,631	557,591	-	-	1,129,222
Chilean State	219,560	830,673	457,270	166,877	1,674,380
Consumer leasing	1,272	2,050	46	14	3,382
Commercial leasing operation	399,570	516,911	173,216	40,745	1,130,442
Other domestic entities	-	-	-	-	-
Other foreign entities	23,313	141,668	198,796	5,656	369,433
Other assets	1,965,248	15,580	43,028	37	2,023,893
Other residential mortgage loans	302,370	316,566	102,492	75,360	796,788
Others	-	-	-	-	-
Swaps	3,430,015	1,607,792	1,068,565	3,089	6,109,461
Total Assets	17,377,356	10,030,904	4,636,803	1,987,105	34,032,168

LIABILITIES	1Y	5Y	10Y	10Y+	TOTAL
Ordinary bonds	213,056	1,977,121	1,140,226	-	3,330,403
Subordinated bonds	49,890	172,690	205,144	1,137,278	1,565,002
Deferred-drawing savings accounts	41,735	-	-	-	41,735
Unconditional-drawing savings accounts	91,206	-	-	-	91,206
Demand deposits (*)	2,216,079	5,652,921	-	-	7,869,000
Term deposits	8,327,318	461,378	5	1	8,788,702
Forwards	571,944	533,085	-	-	1,105,029
Letters of credit	8,900	21,033	8,459	91	38,483
Other liabilities	809,858	-	-	18,211	828,069
Others, except options	-	-	-	-	-
Foreign loans and other obligations	1,333,668	535,008	-	-	1,868,676
Domestic loans and other obligations	71,025	37,012	3,637	-	111,674
Swaps	3,215,055	1,691,606	848,707	51,738	5,807,106
Liabilities under agreements to repurchase	62,168	-	-	-	62,168
Total Liabilities	17,011,902	11,081,854	2,206,178	1,207,319	31,507,253

(*) Determined in accordance with internal models.

The principal positions of financial investments available for sale by type of issuer and currency and risk classification as of December 31, 2016 and 2015 are stated below.

Fig. 11. Fair Value of Financial Investments Available for Sale As of December 31, 2016 (MCh$)
Banco de Crédito e Inversiones and City National Bank of Florida (CNB)

	Ch$	UF	USD	EUR	OTHERS
Sovereign bonds	424,613	91,894	82,923	104,232	-
Corporate bonds	12,483	9,053	113,612	-	-
Financial institutions bonds	47,383	1,724	1,286,862	-	-
Mortgage-funding notes	-	62,009	-	-	-
Term deposits	94,831	5,561	-	-	-
Investment funds (*)	-	-	124	-	-
Shares (*)	-	-	686	-	-
Total	579,310	170,241	1,484,207	104,232	-

Fig. 11.b Fair Value of Financial Investments Available for Sale As of December 31, 2015 (MCh$)
Banco de Crédito e Inversiones and City National Bank of Florida (CNB)

	Ch$	UF	USD	EUR	OTHERS
Sovereign bonds	514,492	93,800	70,017	35,655	-
Corporate bonds	15,826	10,815	149,319	-	-
Financial institutions bonds	31,005	8,319	1,266,798	-	-
Mortgage-funding notes	-	77,172	-	-	-
Term deposits	1,697	14,219	-	-	-
Investment funds (*)	-	-	98	-	-
Shares (*)	-	-	501	-	-
Total	563,020	204,325	1,486,733	35,655	-

(*) Investment funds and shares correspond to the CNB's available for sale portfolio.

Fig. 12. Financial Investments Available for Sale
Internationally-Issued Bond Portfolio Credit Rating as of December 31, 2016 (%)
Banco de Crédito de Inversiones and City National Bank of Florida (CNB)

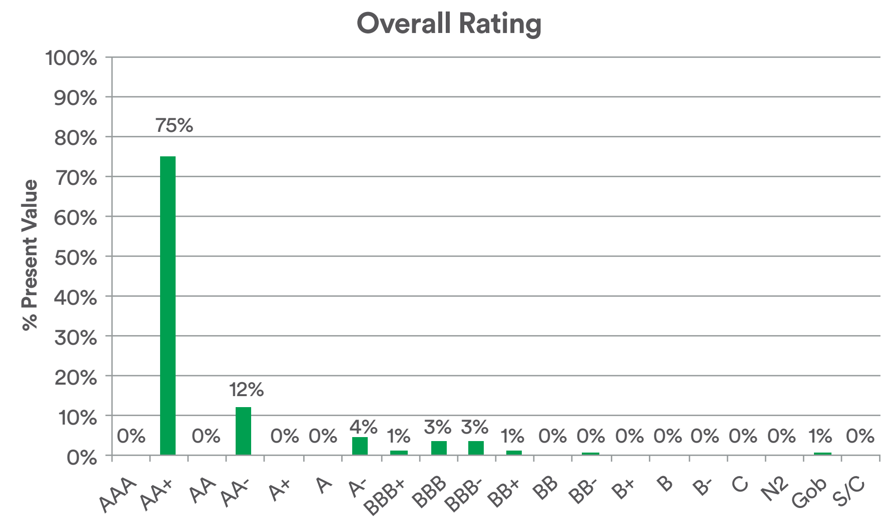
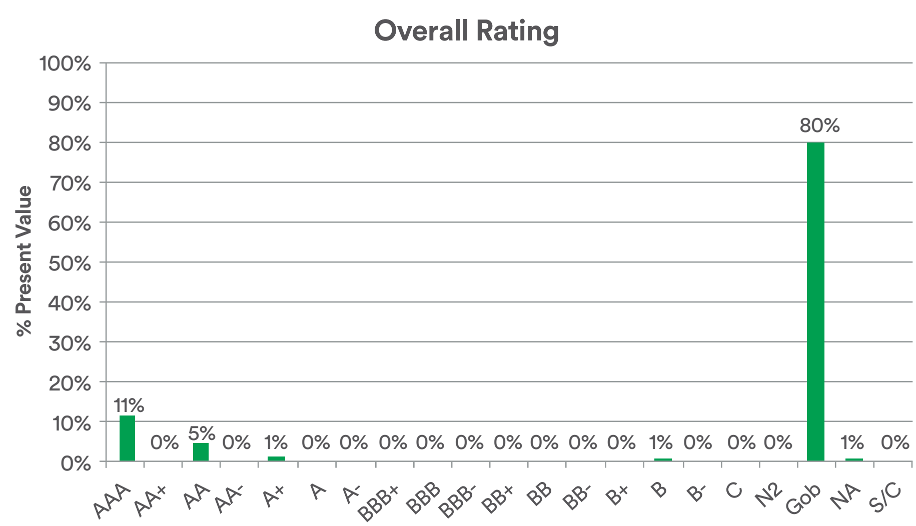


Fig. 13. Financial Investments Available for Sale
Portfolio Risk Classification Bonds and LCH National Emission as of December 31, 2016 (%)
Banco de Crédito de Inversiones



b. Sensitivity analysis

Sensitivity analysis is used to monitor the market risk of positions by sensitivity to each of the risk factors, for example, a change in the present value of 100 basis points in the interest rate is a type of risk factor. This type of model is especially useful for measuring the risk of a mismatch between assets and liabilities, i.e., essentially the banking book.

The regulatory sensitivity measurements perform these analyses by applying interest rates, exchange rates, inflation, commodities positions, shares positions, and exposure to derivative instruments, according to predetermined sensitivities.

The Bank also performs measurements for sub-portfolios and different risk factors.

Among the models used is Market Value Sensitivity or MVS, which measures the change in economic value of equity in the event of a parallel movement of 100 basis points in interest rates.

For a short-term horizon, the Spreads at Risk or SAR model is used, which measures the impact on results in 12 months' time of a parallel movement in rates. For both models, there are explicit internal limits measured as a ratio of capital (for MVS) and of financial margin (for SAR).

The Bank structurally generates risk rate exposure, which is mainly explained by maintaining long-term fixed rate assets and obtaining short-term financing, such as deposits. In this regard, the Bank is an active market participant in managing their interest rate risk strategy using hedge accounting.

Some of the hedging strategies are: a) transforming short-term risk to long-term (taking liabilities from short to long term through interest rate swaps) and b) floating long-term placements using interest rate swap.

In the scenario of 100 basis points increase, holding constant other variables, the effects compared at the end of December 2016 and 2015 for the Bank are the following:

- In the short-term, exposure to interest rates as of December 2016 and 2015, amounted to MCh$ 21,597 and MCh$ 31,567 respectively, equivalent to expect an adverse effect on the financial margin over a 12 months horizon.

- The sensitivity rate risk applied to all items in the banking book and all deadlines, measured by MVS, as of December 2016 and 2015, are MCh$ 130,289 and MCh$ 139,289 respectively. The risk maintained its upward trend as in previous periods.

c. Value at Risk

Value-at-Risk (VaR) is a methodology that estimates potential losses that might affect a portfolio as a result of adverse interest-rate movements and/or market-price changes over a period of time and for a certain level of confidence.

The VaR methodology used is a historic simulation that records the fat-tails property of the financial income, it uses a window of 4 years of daily data, and it is measured at the first percentile of the P&L distribution or VaR at 99% of confidence, which is the same. The volatility up dating technique is used, which records the existence of volatility clusters.

The forecast horizon is of 1 day. The square root rule is used to escalate this value to the regulatory horizon of ten days.

The value-at-risk model is validated by back-testing the daily results, both observed and theoretical. Statistically, excess losses of VaR are expected to be observed on average 1% daily. As of December 31, 2016, back-test places the model in the green area of Basel with three fails in the last 250 business days.

Objectives and limitations of the VaR methodology

The objective of the VaR is to measure the risk of a portfolio of assets by determining how much you can lose of the portfolio over a period of time and with a given confidence level under normal market conditions.

This method is very easy to apply in portfolios that include information on relevant market variables, Furthermore, calculation does not depend on correlations and volatilities, as these are implicitly calculated using historical information. However, this means obtaining the history of associated variables for performing this calculation, which implies an effort to have such data. In addition, to have a certain degree of confidence in the measurement, in this case with VaR at 99%, this leads to the loss of 1 in every 100 days, which will be the least as predicted by the VaR, without a possible limit for this value.

- Stress Testing VaR

There are limitations of the VaR models, particularly in the presence of extreme events that have not been observed in recent historic information or for not capturing the intra-day movements of the portfolio, therefore, stress situations are modelled to evaluate potential impacts on the value of portfolios in the most extreme, although possible, events. The scenarios used are the following:

I. Historic simulation scenarios that incorporate fluctuations observed during historic extreme events.
II. Monte-Carlo simulation scenarios, which generate multiplicity of possible scenarios from the historic data. III. Scenarios of sensitivity that consider movements in risk factors that are not captured by the recent history.

- VaR limits

The Corporation has set specific limits to the corporate VaR, as well as sub-limits to the trading, balance and available for sale investments portfolios.

d. Position Limit

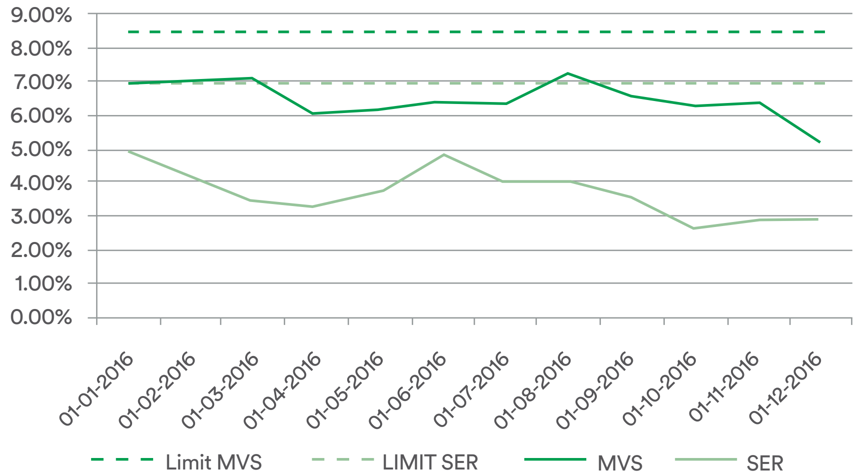
In addition to the limits of risk models predictive character as VaR and sensitivity analysis, there are accounting limits by maximum positions.

e. Variations

- Sensitivity analysis of the banking book.

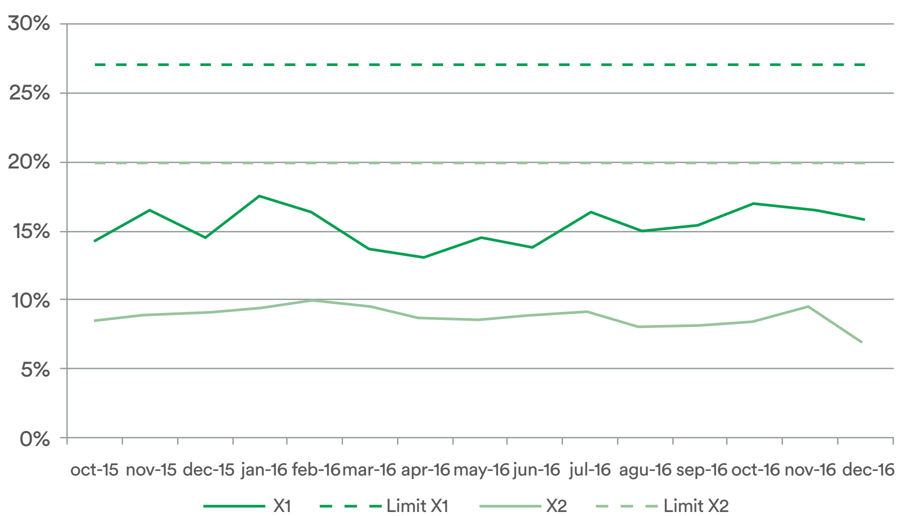
The use of hedge accounting and bond, help keep the risk of interest rate bounded in the banking book. Measuring long-term MVS averaged over 2016 have reached as of December 31, 2016 6.44% (6.27% as of December 31, 2015) of capital over a limit of 8.5%. The SeR, meanwhile, averaged during 2016 3.79% versus an average of 2.64% in 2015. From the June 1, 2015 the SeR limit, which step of 3.35% to 6.50%, was also amended. Both indexes increased rate risk of banking book which are well below the limits.

Fig. 14. MVS - SeR
As of December 31, 2016



The evolution of regulatory ratios X1 (exposure to market risk in the short term) and X2 (exposure to market risk in the long term) recorded clearance with the limits so far 2016, mainly due to the management of the balance sheet hedge accounting.

Fig. 15. Regulatory Market Risk X1 - X2
Banco de Crédito e Inversiones and City national Bank of Florida (CNB)
As of December 31, 2016

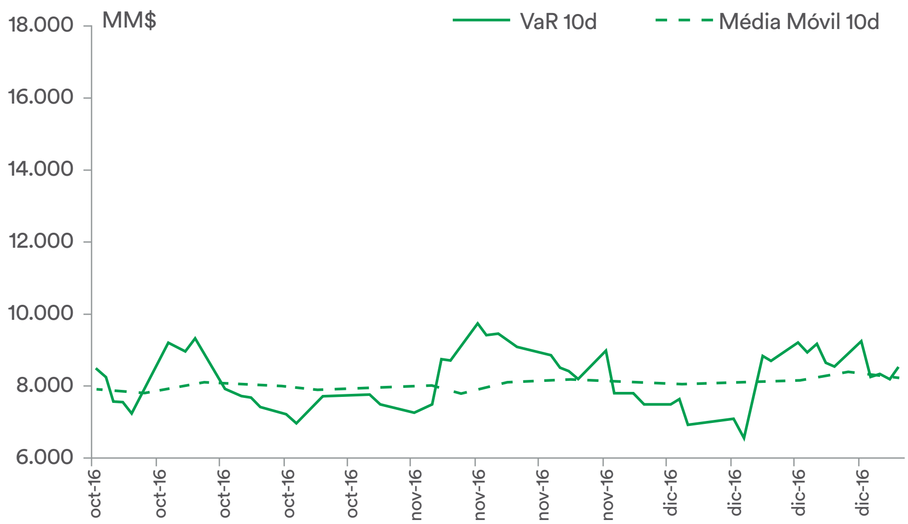


X1: Limit on Financial Margin
X2: Limit on Effective Shareholders Equity

Value at risk

The evolution of the 10-day VaR for the rolling year shown; data as of December 31, 2016.

Fig. 16. Consolidated Value at Risk
As of December 31, 2016 (MCh$)



During 2016, the average consolidated total risk MCh$ 9,554 measured over the regulatory horizon of 10 days experienced an increase of 10% over the 2015 average.

On a consolidated basis, the risk of interest rate averages MCh$ 7,441 while the foreign currency risk averages MCh$ 5,524. In trading the aggregate average was MCh$ 4,963, MCh$ 4,720 for interest rate risk and MCh$ 1,551 for foreign currency risk. Finally, for non-trading portfolios (investments available for sale) the total VaR averaged MCh$ 2,369, MCh$ 1,688 for interest rate risk and MCh$ 1,952 for foreign currency risk.

Fig. 17. Value at risk by portfolio and type of risk
As of December 31, 2016 (MCh$)

a) Consolidated VaR by type of risk (MCh$)

	12 Months ended December 31, 2016			
	Average	Maximum	Minimum	Closure
FX Risk	5,524	13,167	1,636	2,839
Interest rate risk	7,441	11,214	4,405	7,424
Diversification (*)	3,411	7,892	416	1,750
VaR Total	9,554	16,489	6,457	8,513

b) VaR trading portfolio by type of risk (MCh$)

	12 Months ended December 31, 2016			
	Average	Maximum	Minimum	Closure
FX Risk	1,551	5,339	73	129
Interest rate risk	4,720	7,983	2,780	4,904
Diversification (*)	1,308	4,658	487	104
VaR Total	4,963	8,664	3,340	4,929

c) VaR non-trading portfolio by type of risk (MCh$)

	12 Months ended December 31, 2016			
	Average	Maximum	Minimum	Closure
FX Risk	1,952	7,080	379	1,066
Interest rate risk	1,688	3,685	594	1,510
Diversification (*)	1,271	3,891	365	903
VaR Total	2,369	6,874	1,338	1,673

(*) Diversification is defined as the effect of correlation of total VaR.

Fig. 18. Value at Risk by portfolio and type of risk
As of December 31, 2015 (MCh$)

a) Consolidated VaR by type of risk (MCh$)

	12 Months ended December 31, 2015			
	Average	Maximum	Minimum	Closure
FX Risk	4,214	16,491	1,339	4,707
Interest rate risk	7,057	10,241	388	8,264
Diversification (*)	2,804	13,580	6,485	3,558
VaR total	8,467	13,152	4,758	9,413

b) VaR trading portfolio by type of risk (MCh$)

	12 Months ended December 31, 2015			
	Average	Maximum	Minimum	Closure
FX Risk	2,037	8,210	1,435	1,278
Interest rate risk	4,911	6,820	973	5,004
Diversification (*)	1,483	6,658	3,612	1,581
VaR total	5,465	8,372	3,150	4,701

c) VaR non-trading portfolio by type of risk (MCh$)

	12 Months ended December 31, 2015			
	Average	Maximum	Minimum	Closure
FX Risk	1,645	7,527	134	1,242
Interest rate risk	2,076	3,179	79	2,040
Diversification (*)	945	4,554	698	985
VaR total	2,776	6,252	643	2,297

(*) Diversification is defined as the effect of correlation of total VaR.

While VaR captures the Bank's daily exposure to the risks of currency and interest rate sensitivity analysis, it also evaluates the impact of a reasonably possible change in interest rates and exchange rates over one year, The longer time frame of sensitivity analysis complements VaR and helps the Bank to assess their exposure to market risk, The details of the sensitivity analysis for the risk of exchange rate and interest rate risk are set out below.

Sensitivity of interest rate

The following table shows the sensitivity of the fair values to reasonably possible alternative assumptions:

	Recognition in statements of income		Recognition in statements of other comprehensive income	
	Favourable change MCh$	Not favourable change MCh$	Favourable change MCh$	Not favourable change MCh$
As of December 31, 2016				
Securities backed by assets held for trading	9	(9)	-	-
Other non-derivative assets held for trading	(25)	25	-	-
Securities backed by available for sales assets	-	-	(128)	128
As of December 31, 2015				
Securities backed by assets held for trading	(107)	107	-	-
Other non-derivative assets held for trading	6	(6)	-	-
Securities backed by available for sales assets	-	-	(156)	156

Currency Risk

The currency risk is defined as the risk that the value of a financial instrument will fluctuate true to changes in exchange rates. The Bank is exposed to the effects of fluctuations in prevailing exchange rates regarding its financial position and cash flows.

The Bank's exposure to the risk of exchange rates of foreign currencies is presented in the table below:

As of December 31, 2016

MCh$ Assets	USD	EUR	Others
Cash	441,302	32,809	2,578
Commercial loans	2,025,710	27,943	651
Investments under agreement to resell	-	-	-
Commercial leasing operations	58,628	-	-
Mortgage loans LC	-	-	-
Mortgage loans MHE	-	-	-
Other mortgage loans	-	-	-
Residential leasing	-	-	-
Consumer loans	16,366	-	-
Consumer leasing	-	-	-
Commercial loans LCS	-	-	-
Consumer loans LCS	-	-	-
Central Bank of Chile	-	-	-
State of Chile	-	-	-
Domestic banks and financial institutions	-	-	-
Other domestic entities	1,618	-	-
State and governments bodies MX	-	-	-
Foreign banks	-	-	-
Other foreign entities	150,562	107,659	-
Forward	5,933,173	128,593	57,902
Futures	19,869	-	-
Swaps	10,133,742	112,798	98,348
Other, excluding options	-	-	-
Other assets	977,551	3,719	371
Delta options	81,860	-	473
Total Assets	19,840,381	413,521	160,323

Liabilities	USD	EUR	Others
Demand deposits	679,829	44,752	581
Term deposits	937,044	6,519	-
Saving accounts with deferred withdrawal	-	-	-
Savings accounts with unconditional withdrawal	-	-	-
Liabilities under agreements to repurchase	7,377	-	-
Loans and other liabilities contracted MN	8,407	-	-
Loans and other liabilities contracted MX	1,019,354	944	-
Letters of credit	-	-	-
Ordinary bonds	737,748	14,924	96,173
Subordinated bonds	-	-	-
Forward	5,919,009	137,385	59,511
Futures	19,732	-	-
Swaps	10,227,777	216,304	-
Other, excluding options	-	-	-
Other liabilities	413,814	2,334	87
Delta Options	12,221	-	473
Total Liabilities	19,982,312	423,162	156,825
Net	(141,931)	(9,641)	3,498

As of December 31, 2015

MCh$ Assets	USD	EUR	Others
Cash	450.794	43.713	3.792
Commercial loans	4.161.843	20.952	302
Investments under agreement to resell	35.388	-	-
Commercial leasing operations	58.774	-	-
Mortgage loans LC	-	-	-
Mortgage loans MHE	567.356	-	-
Other mortgage loans	-	-	-
Residential leasing	-	-	-
Consumer loans	135.711	-	-
Consumer leasing	-	-	-
Commercial loans LCS	-	-	-
Consumer loans LCS	-	-	-
Central Bank of Chile	-	-	-
State of Chile	-	-	-
Domestic banks and financial institutions	-	-	-
Other domestic entities	1.716	-	-
State and governments bodies MX	-	-	-
Foreign banks	-	-	-
Other foreign entities	1.299	35.240	-
Forward	7.373.465	307.706	144.981
Futures	3.051	-	-
Swaps	9.763.773	20.530	101.263
Other, excluding options	-	-	-
Other assets	81.711	5.795	68
Delta options	133.525	5.592	48.557
Total Assets	22.768.406	439.528	298.963

Liabilities	USD	EUR	Others
Demand deposits	3.548.266	45.594	139
Term deposits	1.237.524	11.365	-
Saving accounts with deferred withdrawal	-	-	-
Savings accounts with unconditional withdrawal	-	-	-
Liabilities under agreements to repurchase	62.239	-	-
Loans and other liabilities contracted MN	46.854	-	-
Loans and other liabilities contracted MX	1.844.440	1.475	524
Letters of credit	-	-	-
Ordinary bonds	778.525	-	100.305
Subordinated bonds	-	-	-
Forward	6.813.681	297.358	150.696
Futures	3.024	-	-
Swaps	10.221.787	58.321	-
Other, excluding options	-	-	-
Other liabilities	534.596	18.869	5.634
Delta options	98.791	16.580	42.063
Total Liabilities	25.189.727	449.562	299.361
Net	(2.421.321)	(10.034)	(398)

Sensitivity of currency risk

The following tables detail the Bank's sensitivity against an increase and decrease of 10% in the Chilean peso against the relevant foreign currencies, 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of reasonable possible changes in exchange rates.

The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and it adjusts its conversion at the end of the period, of which it reports a 10% change in the exchange rates. The sensitivity analysis includes external loans as well as loans to foreign operations with the Bank where the loan is denominated in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in earnings and other net equity when the Chilean peso goes up by 10%, compared to the corresponding currency.

In the case of a low of 10% of the Chilean peso against the relevant currency, a comparable impact on the earnings and other equity would be produced, and the balances would be negative, as shown below.

MCh$	As of December 31, 2016			
	Decrease 10%		Increase 10%	
Assets	USD	EUR	USD	EUR
Cash	397,172	29,528	485,432	36,090
Commercial loans	1,823,139	25,149	2,228,281	30,738
Investments under agreement to resell	-	-	-	-
Commercial leasing operations	52,765	-	64,490	-
Mortgage loans LC	-	-	-	-
Mortgage loans MHE	-	-	-	-
Other mortgage loans	-	-	-	-
Residential leasing	-	-	-	-
Consumer loans	14,729	-	18,002	-
Consumer leasing	-	-	-	-
Commercial loans LCS	-	-	-	-
Consumer loans LCS	-	-	-	-
Central Bank of Chile	-	-	-	-
State of Chile	-	-	-	-
Domestic banks and financial institutions	-	-	-	-
Other domestic entities	1,456	-	1,780	-
State and governments bodies MX	-	-	-	-
Foreign banks	-	-	-	-
Other foreign entities	135,506	96,893	165,619	118,424
Forward	5,339,855	115,734	6,526,490	141,453
Futures	17,882	-	21,856	-
Swaps	9,120,368	101,519	11,147,116	124,078
Other, excluding options	-	-	-	-
Other assets	879,796	3,347	1,075,306	4,091
Delta options	73,674	-	90,046	-
Total Assets	17,856,342	372,170	21,824,418	454,874
Liabilities	USD	EUR	USD	EUR
Demand deposits	611,846	40,277	747,812	49,228
Term deposits	843,340	5,867	1,030,748	7,171
Saving accounts with deferred withdrawal	-	-	-	-
Savings accounts with unconditional withdrawal	-	-	-	-
Liabilities under agreements to repurchase	6,640	-	8,115	-
Loans and other liabilities contracted MN	7,566	-	9,248	-
Loans and other liabilities contracted MX	917,419	850	1,121,289	1,039
Letters of credit	-	-	-	-
Ordinary bonds	663,973	13,432	811,523	16,417
Subordinated bonds	-	-	-	-
Forward	5,327,108	123,647	6,510,910	151,124
Futures	17,759	-	21,705	-
Swaps	9,204,999	194,673	11,250,555	237,934
Other, excluding options	-	-	-	-
Other liabilities	372,432	2,101	455,195	2,567
Delta options	10,999	-	13,443	-
Total Liabilities	17,984,081	380,847	21,980,543	465,480
Net	(127,739)	(8,677)	(156,125)	(10,606)

MCh$	As of December 31, 2015			
	Decrease 10%		Increase 10%	
Assets	USD	EUR	USD	EUR
Cash	324,512	39,342	396,626	48,084
Commercial loans	1,765,611	18,857	2,157,968	23,047
Investments under agreement to resell	-	-	-	-
Commercial leasing operations	52,896	-	64,651	-
Mortgage loans LC	-	-	-	-
Mortgage loans MHE	-	-	-	-
Other mortgage loans	-	-	-	-
Residential leasing	-	-	-	-
Consumer loans	13,307	-	16,264	-
Consumer leasing	-	-	-	-
Commercial loans LCS	-	-	-	-
Consumer loans LCS	-	-	-	-
Central Bank of Chile	-	-	-	-
State of Chile	-	-	-	-
Domestic banks and financial institutions	-	-	-	-
Other domestic entities	1,544	-	1,887	-
State and governments bodies MX	-	-	-	-
Foreign banks	-	-	-	-
Other foreign entities	1,169	31,716	1,429	38,764
Forward	6,636,118	276,935	8,110,811	338,476
Futures	2,746	-	3,356	-
Swaps	8,785,836	18,477	10,738,244	22,583
Other, excluding options	-	-	-	-
Other assets	1,127,575	5,215	1,378,147	6,374
Delta options	120,173	5,033	146,878	6,151
Total Assets	18,831,487	395,575	23,016,261	483,479
Liabilities	USD	EUR	USD	EUR
Demand deposits	602,032	41,034	735,816	50,153
Term deposits	850,349	10,228	1,039,315	12,501
Saving accounts with deferred withdrawal	-	-	-	-
Savings accounts with unconditional withdrawal	-	-	-	-
Liabilities under agreements to repurchase	64	-	78	-
Loans and other liabilities contracted MN	42,169	-	51,539	-
Loans and other liabilities contracted MX	1,054,497	1,327	1,288,829	1,622
Letters of credit	-	-	-	-
Ordinary bonds	700,673	-	856,378	-
Subordinated bonds	-	-	-	-
Forward	6,132,313	267,622	7,495,049	327,094
Futures	2,721	-	3,326	-
Swaps	9,198,003	52,489	11,242,004	64,153
Other, excluding options	-	-	-	-
Other liabilities	474,577	16,982	580,039	20,756
Delta options	88,912	4,922	108,670	18,238
Total Liabilities	19,146,310	404,604	23,401,043	494,517
Net	(314,823)	(9,029)	(384,782)	(11,038)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain the same, In fact, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger and smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into account that the Bank's assets and liabilities are actively managed, moreover, the financial position of the Bank may vary at the time that an actual market movement occurs. For example, the strategy of financial risk management of the Bank seeks to manage the exposure to market fluctuations. As investment markets go through different trigger levels, management actions could include selling investments, changing the allocation of the investment portfolio and taking other protective measures.

Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statements of financial position. In these circumstances, the different measurement bases of assets and liabilities could result in volatility of equity.

Price risk - own products

The Bank is exposed to price risks of its products that are subject to general and specific fluctuations in the market.

The Bank manages price risk through the estimation of periodic stress tests, which establish various scenarios of adverse market conditions; on the other hand it has contingency plans that address transverse actions in the corporation in order to face scenarios that expose the corporation to significant loss.

Other Price Risks

The price risk of equity is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to individual value and its issuer or factors affecting all actual market values.

The sensitivity analyses below have been determined based on the exposure to equity price at period over which it is reported.

If equity prices had been 1% higher / lower:

Net income for the as of December 31, 2016 would not have been affected as the equity investments are classified as available for sale and no investment was expropriated or damaged; notwithstanding, the negative effect on equity would have been MCh$ 24,990, similar to 2015 when the negative effect would have been MCh$ 24,103.

f. Fair Value

The area of Market Risk is responsible for defining the methodologies of valuation of assets and liabilities measured at fair value, while operations are responsible for the implementation thereof. The fundamental principle of the task of fair value measurement is to determine the starting price of an asset or liability in an ordinary transaction in a representative market. But not only the accounting information depends on this assessment; risk indicators such as value-at-risk are also based on these prices, so that the implied volatility on any valuation model is also very relevant.

Following international accounting rules, are used - provided they are available- quotations or observable prices of identical assets or liabilities that are measured. These are known as Level 1 Inputs Absent identical assets or liabilities measurement is made based on observable prices. Interpolations typically classified in this group for the case of derivatives and other instruments or matrix pricing models for fixed income instruments, this class is known as Level 2 inputs.

Finally, when it is not possible to rely on the above inputs, the measurement is performed based on inputs that are not directly observable on the market. These are the Level 3 Inputs Note 35 present the classification of financial instruments according to their valuation. Below is a brief explanation of that system.

Positions in foreign currency bonds Central Bank and futures contracts and other instruments traded on exchanges have very liquid markets where prices or prices for identical instruments are usually observable. These instruments are included in Level 1.

Even for liquid instruments, some markets require the existence of brokers to raise supply with demand and allow transactions to be carried out under those circumstances. Normally deposits and derivatives traded over- the-counter are in this segment. These have quotes from different broker, which guarantees the existence of market prices or inputs needed for valuation. Among derivatives instruments are currency forwards and interest rate forwards, interest rate swaps, cross-currency swap and foreign currency options. As usual for those instruments other than those listed, valuation techniques and interpolation curves that are standard in the market are used. Debt instruments are less liquid as some sovereign bonds, corporate bonds and mortgage securities of domestic issue, and are valued - unless there is available pricing - based on fair value models based on directly observable prices or market factors. All these instruments are classified in Level 2 valuation.

The base model for the valuation of fixed income securities without much liquidity in the local market is a dynamic model of interest rates using panel's incomplete data and incorporates all the recent price history of the papers in question and instruments with similar characteristics as to issuer risk rating, duration, etc. The fair value models used both internal and external are tested periodically and back testing audited by independent parties.

Finally, all instruments whose prices or market factors are not directly observable are classified in Level 3.

g. Derivative instruments

As of December 31, 2016 the Bank had MCh$ 59,839 derivative instruments at fair value, Derivatives are classified into two groups according to their accounting treatment: (1) instruments for trading and (2) instruments with special hedge accounting treatment. The trading instruments come from activities of Sales & Trading (S&T), whether from sales to third parties or hedging the risks involved in such sales. The areas responsible for Asset & Liability Management (ALM) also use derivatives to hedge their risks. They can follow the standard treatment for negotiation (trading) or have special hedge accounting treatment. The toppings look according to current accounting standards reduce fluctuations in the value of assets and liabilities or cash flows.

The market risk associated with derivative instruments is measured by VaR and stress tests.

h. Counterparty risk

The Bank manages its counterparty risk by two actions, consumer line in derivatives and Credit Value Adjustment (CVA).

Use of line

Consumption credit line derived over-the-counter (OTC) must match the credit exposure generated by the Bank. The credit risks on these contracts exist when the recovery or mark-to-market (MTM) is positive in favour of the Bank. As these contracts are valued daily, in this there is uncertainty regarding the potential value that can reach the MTM over the life of the operation.

Monte Carlo simulation techniques are used to estimate future peak exposures by counterparty, Specific counterparty limits ensure that the accepted risk levels are not exceeded and proper diversification is achieved, The table below details the use of line segment at the end of December 2016.

Segment	December 31, 2016 MCh$	December 31, 2015 MCh$
Retail Banking	**3,782**	**4,803**
Retail banking	360	-
Small and Medium Enterprises	3,422	4,803
Wholesale Banking	**822,079**	**861,317**
Commercial banking	136,905	158,184
Corporate & Investment Banking Commercial Division	685,174	703,133
Corporate & Investment Banking Finance Division	**679,873**	**711,283**
Total	1,505,734	1,577,403

Adjustment for credit risk in derivatives (CVA)

The objective is to determine the expected loss for counterparty risk in OTC derivative contracts. The CVA of a derivative is defined as the difference between the value of open derivative counterparty risk (equivalent to the original derivative without risk of default of either party) and the value of a derivative (which corresponds to the original derivative, which has an inherent risk) considering the possibility of counterparty default, Thus the CVA of a client can be obtained from the expected exposure (EE) for counterparty risk (how much is expected to lose) and the rate of expected loss (EL) associated with the default of the counterparty. The table below details the provision of CVA segment as of December 31, 2016 and 2015.

Segment	Credit Value Adjustment		
	31.12.2016 MCh$	31.12.2015 MCh$	Variation MCh$
Retail Banking	**300**	**443**	**(143)**
Retail banking	-	-	-
Small and Medium Enterprises	300	443	(143)
Wholesale Banking	**13,895**	**8,179**	**5,716**
Commercial	3,704	5,107	(1,403)
Corporate & Investment Banking Commercial Division	10,191	3,072	7,119
Corporate & Investment Banking Finance Division	**569**	**636**	**(67)**
Total	14,764	9,258	5,506

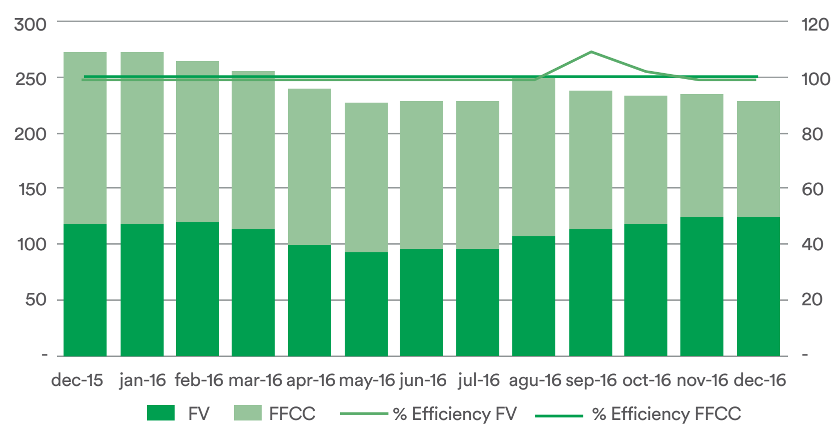
i. Hedge accounting

The Bank uses hedge accounting to manage the risk of fair value and cash flow to which it is exposed. The fair value hedges using derivative instruments to hedge the change in fair value of an asset or liability in the Consolidated Financial Statements.

The cash flow hedges effects meanwhile, recognized in equity changes in fair value of derivatives that are part of the coverage. Treatment of this type of instrument strictly follows international accounting standards IAS 39. Financial Risk Management is responsible for designing and validating the effectiveness of the hedges, generating effectiveness indicators that are monitored and reported to ALCO.

As of December 31, 2016 the total notional amount of cash flow hedges amounted to UF 102,251,050 where as fair value hedges reach UF 125,019,127 (including macro hedge).

Fig. 19. Amount, Type and effectiveness of Hedge Accounting As of December 31, 2016 (UF Millions)



CREDIT RISK

Risk Management structure

The Bank has structured its credit approval process on the basis of personal and non-delegable discretionary limits authorized by the Board of Directors. Based on these credit faculties, the operations are approved at the different levels of Management, always requiring the concurrence of two executives with discretionary limits.

As the amount of the operation increases, pairs of senior executives both from the commercial and risk areas and from the senior management committees must approve the operation, until reaching the highest level represented by approval from the Board of Director's Executive Committee.

Provisions for credit risk

According to the Superintendence of Banks and Financial Institutions (SBIF), the Banks should permanently maintain evaluations of their loans and contingent credit portfolios, in order to establish provisions opportunely and sufficiently, so as to cover possible losses, in accordance with the regulation of said Superintendence, contained on Compendium of Accounting Standards, chapter B1 referring to provisions for credit risk.

The Bank has a series of models both for the individual and the group portfolios, which are applied depending on the type of portfolio and operations. These models are approved by the Board of Directors, which is informed annually about the adequacy of the provisions.

Models based on the individual analysis of borrowers

These models are applied when the companies involved, given their size, complexity or level of exposure with the entity, are required to be identified and analysed in detail, one by one.

These models consider the analysis of issues such as the financial situation of the borrower, payment behaviour, knowledge and experience of the partners and managers in the business, the degree of commitment of the same with the company and the industry in which it operates the company and the relative position of the company on this.

Quality of the loans by type of financial asset

Regarding the quality of the loans, these are described in accordance with the Compendium of Accounting Standards issued by the Superintendence of Banks and Financial Institutions (SBIF):

	As of December 31, 2016					
	BALANCE			ALLOWANCE		
Debt	Loans and receivables to banks MCh$	Loans and receivables to customers MCh$	Total MCh$	Loans and receivables to banks MCh$	Loans and receivables to customers MCh$	Total MCh$
A1	46	176,892	176,938	-	62	62
A2	60,689	880,874	941,563	50	626	676
A3	133,129	2,175,226	2,308,355	291	2,542	2,833
A4	382	1,742,152	1,742,534	7	11,640	11,647
A5	-	1,509,259	1,509,259	-	7,890	7,890
A6	225	681,805	682,030	20	6,212	6,232
B1	-	399,275	399,275	-	22,855	22,855
B2	-	173,152	173,152	-	9,414	9,414
B3	-	16,494	16,494	-	3,042	3,042
B4	-	19,932	19,932	-	3,217	3,217
C1	-	48,528	48,528	-	971	971
C2	-	67,317	67,317	-	6,732	6,732
C3	-	40,298	40,298	-	10,074	10,074
C4	-	10,984	10,984	-	4,393	4,393
C5	-	11,448	11,448	-	7,441	7,441
C6	-	26,065	26,065	-	23,459	23,459
Collective assessment	-	9,319,860	9,319,860	-	207,573	207,573
Subsidiaries	29,189	5,024,451	5,053,640	64	41,523	41,587
Total	223,660	22,324,012	22,547,672	432	369,666	370,098

Debt	BALANCE Loans and receivables to banks MCh$	BALANCE Loans and receivables to customers MCh$	BALANCE Total MCh$	ALLOWANCE Loans and receivables to banks MCh$	ALLOWANCE Loans and receivables to customers MCh$	ALLOWANCE Total MCh$
	As of December 31, 2015					
A1	2,765	163,394	166,159	1	58	59
A2	48,239	921,016	969,255	40	598	638
A3	79,298	2,109,779	2,189,077	173	2,498	2,671
A4	140	1,596,690	1,596,830	2	9,068	9,070
A5	46	1,417,247	1,417,293	2	9,232	9,234
A6	-	537,496	537,496	-	12,172	12,172
B1	-	284,310	284,310	-	8,092	8,092
B2	-	153,634	153,634	-	21,315	21,315
B3	-	17,072	17,072	-	646	646
B4	-	23,288	23,288	-	6,538	6,538
C1	-	35,987	35,987	-	720	720
C2	-	22,723	22,723	-	2,272	2,272
C3	-	10,856	10,856	-	2,714	2,714
C4	-	11,499	11,499	-	4,600	4,600
C5	-	48,509	48,509	-	31,531	31,531
C6	-	32,099	32,099	-	28,889	28,889
Collective assessment	-	8,460,360	8,460,360	-	180,182	180,182
Subsidiaries	39,223	4,289,022	4,328,245	77	43,327	43,404
Total	169,711	20,134,981	20,304,692	295	364,452	364,747

The analysis of the age of past due loans by type of financial assets is the following.

	Less than 30 days		Between 31 and 89 days		90 days or more		Total	
	31.12.2016 MCh$	31.12.2015 MCh$	31.12.2016 MCh$	31.12.2015 MCh$	31.12.2016 MCh$	31.12.2015 MCh$	31.12.2016 MCh$	31.12.2015 MCh$
Loans and receivables to banks	-	-	-	-	-	-	-	-
Loans and receivables to customers	30,589	19,765	32,869	16,248	158,677	189,468	222,135	225,481
Total	30,589	19,765	32,869	16,248	158,677	189,468	222,135	225,481

Maximum exposure to credit risk

The maximum exposure to credit risk varies significantly and depends on both individual risks and general market economy risks.

As of December 31, 2016

	Maximum exposure MCh$	Allowance MCh$	Net exposure after allowances MCh$	Associated collateral MCh$	Net exposure MCh$
Trading portfolio financial assets	1,267,979	-	1,267,979	-	1,267,979
Loans and receivables to banks	223,660	(432)	223,228	-	223,228
Loans and receivables to customers, and credit commitments (1)	28,720,587	(389,845)	28,330,742	(9,605,164)	18,725,578
Financial investments available for sale	2,524,500	-	2,524,500	-	2,524,500
Financial investments held to maturity	872	-	872	-	872
Derivative financial agreements (2)	1,375,681	(15,434)	1,360,247	-	1,360,247

(1) In this line included loans and receivables of MCh$ 22,324,012 (see Note 11) and credit commitments of MCh$ 6,396,575 (see Note 23). Reported collateral is legally pledged to the Bank and there is no uncertainty regarding its possible execution or settlement.

(2) For the year 2016 no collateral was provided in favour of the Bank.

As of December 31, 2015

	Maximum exposure MCh$	Provision MCh$	Net exposure after provision MCh$	Associated guarantees MCh$	Net exposure MCh$
Trading portfolio financial assets	1,298,131	-	1,298,131	-	1,298,131
Loans and receivables to banks	169,711	(295)	169,416	-	169,416
Loans and receivables to customers, and credit commitments (3)	25,531,045	(382,977)	25,148,068	(7,709,571)	17,438,497
Financial investments available for sale	2,407,882	-	2,407,882	-	2,407,882
Financial investments held to maturity	708	-	708	-	708
Derivative financial agreements (4)	1,508,682	(9,259)	1,499,423	-	1,499,423

(3) In this line included loans and receivables of MCh$ 20,134,981 (see Note 11) and credit commitments of MCh$ 5,396,064 (see Note 23). Reported collateral is legally pledged to the Bank and there is no uncertainty regarding its possible execution or settlement.

(4) For the year 2015 no collateral was provided in favour of the Bank.

Operational Risk

The Bank manages its operational risks through specific committees with the active participation of those responsible for the areas and processes. These committees are: a) committee for operational risks b) security of information and technological risk, c) continuity of business and d) externalized services. These committees meet periodically and their objective is overseeing the proper execution of programs for the identification and evaluation of risks, as well as managing the identification of causes in order to mitigate such risks.

Information Security

The Bank has a security strategy based on the best practices of the industry which is sustained in the regulatory frame and whose main component is the General Policy for Information Security, approved by the Board of Directors Committee, an organization consisting of specialized areas, where the recent creation of a dedicated unit to manage cybersecurity risks is highlighted, adding to the existing units oriented to the administration and operation of security and focused on the administration and operation of security and the management of technological risks, and an Information Security Committee consisting of representatives of several areas of the Bank that monitor compliance with the annual plan of security and the approval of specific policies for security.

This strategy is implemented by various investments during 2016 in order to strengthen technological infrastructure and specific procedures of operation and monitoring of cybersecurity, oriented towards preventing, identifying and stop attacks on the information security of the clients and the Bank.

Business continuity

The continuity strategies developed during the last several years have been consolidated, adding new risk scenarios and increasing the coverage plan to the different units that need to continue operating in situations of contingency.

The Bank is constantly working on strengthening of its business continuity plan. Plan coverage has increase according to the requirements of the Bank, including the processes that according to it are critical.

During 2016, significant investments have been made in order to strengthen information and communication technologies and improve the Bank's capacity to maintain the continuity of its services to clients and the community, in the face of contingency scenarios that may occur. At the same time, activities has been carried out for maintaining and improving business continuity including updating, testing and training of employees. The tests were carried out during working hours, with customer service in order to validate the effectiveness of the procedures and continuity strategies that were established, giving a constant and satisfactory customer service. Tests carried out involve the implementation of operational procedures, technological tests and drills.

Capital calculation according to Basel

The Bank has participated in the capital calculation exercises according to the standards of Basel II (QIS), a calculation integrating the operating risk with credit and market risks, as a global indicator of risk exposure, however, the Bank during 2016 and 2015 made the calculation of Operational Risk Capital under the Advanced Model and the Standard Model.

NOTE 37 - MATURITIES OF ASSETS AND LIABILITIES

As of December 31, 2016 and 2015, the breakdown of maturities of assets and liabilities is as follows:

December 31, 2016	NIB MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal up to 1 year MCh$	Between 1 and 5 years MCh$	More than 5 years MCh$	Subtotal over 1 year MCh$	Total MCh$
Assets									
Cash and deposits in banks	1,577,565	-	-	-	1,577,565	-	-	-	1,577,565
Items in course of collection	264,265	-	-	-	264,265	-	-	-	264,265
Trading portfolio financial assets	-	1,267,979	-	-	1,267,979	-	-	-	1,267,979
Investments under agreement to resell	-	72,562	25,246	18,653	116,461	-	-	-	116,461
Derivative financial agreements	-	223,339	75,906	130,371	429,616	449,473	481,158	930,631	1,360,247
Loans and receivables to banks (*)	-	36,668	61,748	125,244	223,660	-	-	-	223,660
Loans and receivables to customers (**)	-	1,959,620	1,656,793	3,758,937	7,375,350	7,656,293	7,126,616	14,782,909	22,158,259
Financial investments available for sale	-	119,188	11,441	104,887	235,516	741,299	1,547,685	2,288,984	2,524,500
Investment investments held to maturity		-	-	-	-	-	872	872	872
Total assets	1,841,830	3,679,356	1,831,134	4,138,092	11,490,412	8,847,065	9,156,331	18,003,396	29,493,808
Liabilities									
Current accounts and demand deposits	8,194,263	-	-	-	8,194,263	-	-	-	8,194,263
Items in course of collection	132,507	-	-	-	132,507	-	-	-	132,507
Liabilities under agreements to repurchase	-	790,518	8,918	408	799,844	-	-	-	799,844
Term deposits and saving accounts (***)	-	3,948,454	2,741,741	2,926,696	9,616,891	338,755	2,042	340,797	9,957,688
Derivative financial agreements	-	256,188	47,362	175,735	479,285	489,225	451,576	940,801	1,420,086
Borrowings from financial institutions	-	364,380	357,058	668,922	1,390,360	258,404	-	258,404	1,648,764
Debt issued	-	2,128	368	617,406	619,902	1,576,034	2,202,494	3,778,528	4,398,430
Other financial liabilities	-	914,963	1,129	1,722	917,814	33,336	2,096	35,432	953,246
Total liabilities	8,326,770	6,276,631	3,156,576	4,390,889	22,150,866	2,695,754	2,658,208	5,353,962	27,504,828

(*) Gross values.

(**) Excludes provisions and amounts whose maturity date has already passed.

(***) Excludes term savings accounts.

December 31, 2015	NIB MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal up to 1 year MCh$	Between 1 and 5 years MCh$	More than 5 years MCh$	Subtotal over 1 year MCh$	Total MCh$
Assets									
Cash and deposits in banks	1,272,552	-	-	-	1,272,552	-	-	-	1,272,552
Items in course of collection	434,550	-	-	-	434,550	-	-	-	434,550
Trading portfolio financial assets	-	1,142,227	15,006	83,417	1,240,650	36,191	21,290	57,481	1,298,131
Investments under agreement to resell	-	177,279	6,454	22,372	206,105	-	-	-	206,105
Derivative financial agreements	-	147,043	89,694	227,810	464,547	534,812	500,064	1,034,876	1,499,423
Loans and receivables to banks (*)	-	17,204	30,483	97,960	145,647	24,064	-	24,064	169,711
Loans and receivables to customers (**)	-	1,886,691	1,485,141	3,349,680	6,721,512	7,049,347	6,174,427	13,223,774	19,945,286
Financial investments available for sale	-	109,482	461,554	225,937	796,973	424,951	1,185,958	1,610,909	2,407,882
Investment investments held to maturity	-	-	-	-	-	-	708	708	708
Total assets	1,707,102	3,479,926	2,088,332	4,007,176	11,282,536	8,069,365	7,882,447	15,951,812	27,234,348
Liabilities									
Current accounts and demand deposits	8,047,288	-	-	-	8,047,288	-	-	-	8,047,288
Items in course of collection	255,800	-	-	-	255,800	-	-	-	255,800
Liabilities under agreements to repurchase	-	441,835	7,252	41	449,128	-	-	-	449,128
Term deposits and saving accounts (***)	-	3,795,015	2,142,822	2,851,079	8,788,916	509,633	3,347	512,980	9,301,896
Derivative financial agreements	-	184,340	129,880	240,426	554,646	582,445	398,100	980,545	1,535,191
Borrowings from financial institutions	-	638,116	214,388	410,312	1,262,816	527,274	-	527,274	1,790,090
Debt issued	-	3,705	434	173,975	178,114	1,796,690	1,847,846	3,644,536	3,822,650
Other financial liabilities	-	705,129	553	1,925	707,607	36,243	3,096	39,339	746,946
Total liabilities	8,303,088	5,768,140	2,495,329	3,677,758	20,244,315	3,452,285	2,252,389	5,704,674	25,948,989

(*) Gross values.

(**) Excludes provisions and amounts whose maturity date has already passed.

(***) Excludes term savings accounts.

NOTE 38 - FOREIGN CURRENCY

The Consolidated Statements of Financial Position as of December 31, 2016 and 2015 include assets and liabilities in foreign currencies or re-adjustable by the variation in the exchange rate as follows:

	In foreign currency		In Chilean Pesos		Total	
	December 31, 2016 MCh$	December 31, 2015 MCh$	December 31, 2016 MCh$	December 31, 2015 MCh$	December 31, 2016 MCh$	December 31, 2015 MCh$
ASSETS						
Cash and deposits in banks	792.953	607.777	784.612	664.775	1.577.565	1.272.552
Items in course of collection	73.369	129.558	190.896	304.992	264.265	434.550
Trading portfolio financial assets	25.075	9.946	1.242.904	1.288.185	1.267.979	1.298.131
Investments under agreement to resell	-	35.388	116.461	170.717	116.461	206.105
Derivative financial agreements	8.918	6.920	1.351.329	1.492.503	1.360.247	1.499.423
Loans and receivables to banks, net	223.228	168.385	-	1.031	223.228	169.416
Loans and receivables to customers, net	6.260.834	5.604.206	15.693.512	14.166.323	21.954.346	19.770.529
Financial investments available for sale	1.714.524	1.631.895	809.976	775.987	2.524.500	2.407.882
Financial investments held to the maturity	872	708	-	-	872	708
Investments in other companies	60.032	53.102	127.926	117.001	187.958	170.103
Intangible assets	2.284	2.740	175.232	172.811	177.516	175.551
Property, plant and equipment	53.165	55.911	226.331	226.645	279.496	282.556
Current income tax	-	298	33.625	4.795	33.625	5.093
Deferred income taxes	103.794	111.822	94.300	91.864	198.094	203.686
Other assets	400.487	511.196	285.643	276.920	686.130	788.116
TOTAL ASSETS	9.719.535	8.929.852	21.132.747	19.754.549	30.852.282	28.684.401
LIABILITIES						
Current accounts and demand deposits	3.868.836	3.740.597	4.325.427	4.306.691	8.194.263	8.047.288
Items in course of collection	85.312	175.503	47.195	80.297	132.507	255.800
Liabilities under agreements to repurchase	211.893	73.969	587.951	375.159	799.844	449.128
Term deposits and saving accounts	2.458.090	2.011.828	7.499.598	7.290.068	9.957.688	9.301.896
Derivative financial agreements	6.418	2.687	1.413.668	1.532.504	1.420.086	1.535.191
Borrowings from financial institutions	1.281.362	1.604.598	367.402	185.492	1.648.764	1.790.090
Debt issued	1.205.655	1.342.395	3.192.775	2.480.255	4.398.430	3.822.650
Other financial liabilities	889.919	685.502	63.327	61.444	953.246	746.946
Current income tax	2.378	-	-	-	2.378	-
Deferred income taxes	-	-	55.655	42.611	55.655	42.611
Provisions	24.018	12.006	239.477	243.126	263.495	255.132
Other liabilities	89.762	63.227	417.487	373.917	507.249	437.144
TOTAL LIABILITIES	10.123.643	9.712.312	18.209.962	16.971.564	28.333.605	26.683.876

NOTE 39 - SUBSEQUENT EVENTS

On January 24, 2017, it was agreed to accept the resignation of the Bank's Director Mr. Dionisio Romero Paoletti and to appoint on this position Mr. Hernán Orellana Hurtado. On the same date, Luis Enrique Yarur resigned from his position as director of Credicorp Ltda.

Between January 1, 2017 and the date of issuance of these Consolidated Financial Statements, there have been no subsequent events which may have impact on the presentation of these Consolidated Financial Statements.

Notwithstanding the foregoing, National Economic Prosecutor Office ("Fiscalia Nacional Economica" or "FNE") announced it's intend to review the self-regulatory plan approved by Transbank in 2004, which is currently in force. FNE believes that current rates charged by Transbank S.A. would be presumptively in the upper range of the table in most markets, which would provoke its review. The disintegration of the current integrated model, advocated by the normative recommendation recently issued by the Court of Defence of Free Competition, could eventually result, however, in an increase in costs and fees to be charged to businesses as market discount due to the cancelation of the current model, which provides important economies of scale, efficiencies and extensive experience by issuing banks.

Fernando Vallejos Vásquez
Corporate Accounting Manager

Eugenio Von Chrismar Carvajal
Chief Executive Officer

Bci