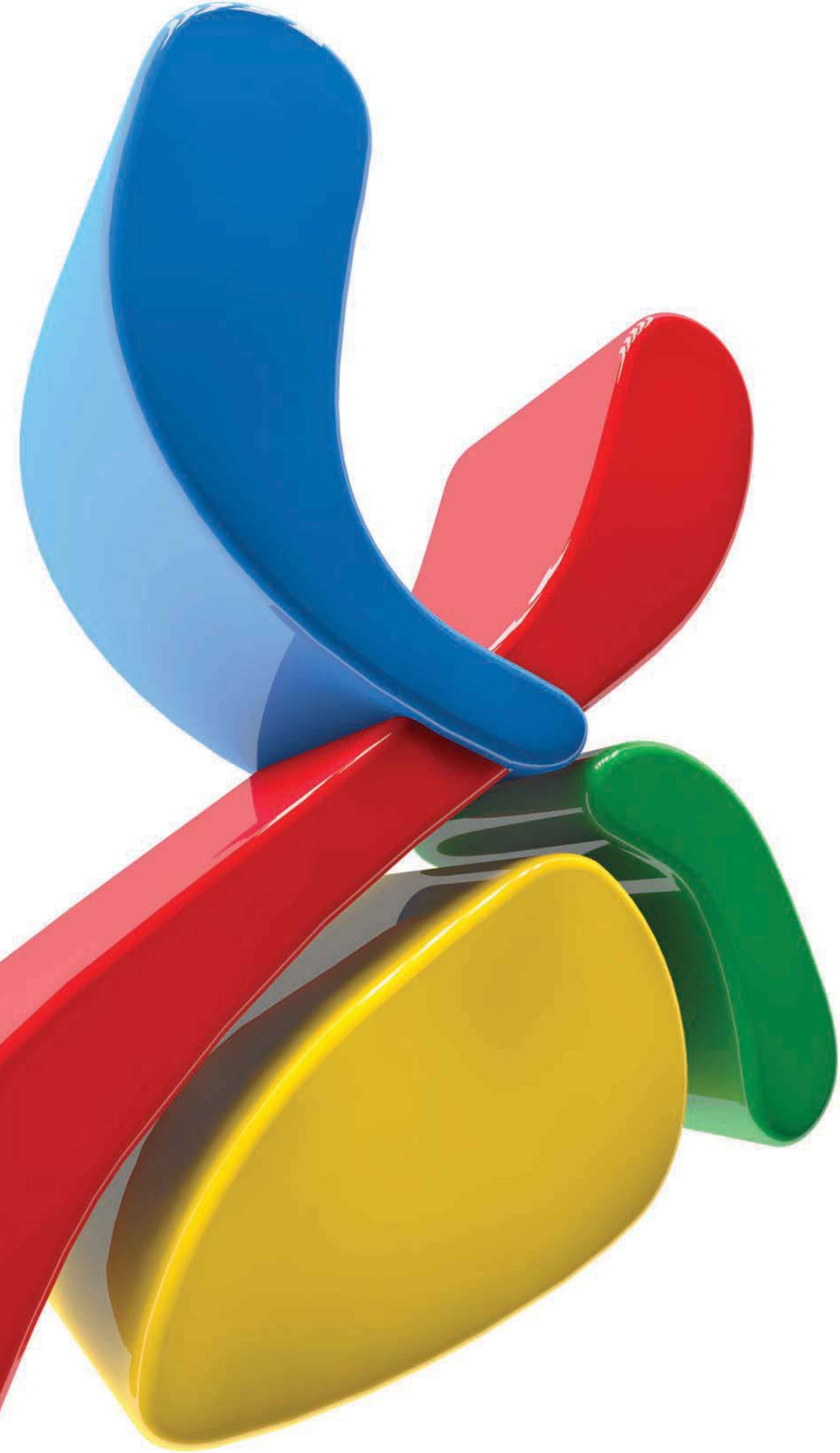


Bci
somosdiferentes

# ANNUAL REPORT 2012

# OUR MISSION

Bci defines itself as a Financial Solutions Corporation which participates in all of the financial activities and transactions that the General Banking Law permits. It offers the community products and services with highly efficient operating processes and excellence in quality, with constant technological innovation, prudent risk-management policies and demanding ethical standards which must be followed by each team member working in its companies. Within this framework, and in order to meet its objectives and policies, the Corporation promises to ensure that these are met, with special emphasis on what it considers to be its four fundamental pillars:

### SHAREHOLDERS

Business policies and decisions should always be designed to increase the capital that the shareholders have invested in the company, striving to ensure that the return on their investment is higher than average for the banking sector, accompanied by normal levels of risk for the Corporation's businesses and with a maximum possible level of transparency in its conduct in line with the prevailing laws, regulations and ethical framework.

### CUSTOMERS AND PROVIDERS

The products and services that the Bci companies offer their customers should be of optimum quality, at competitive prices, innovative and meet their needs properly and timely. It must always be remembered that the customers are the basis of the institution's success and commercial relations with them must therefore be maintained with a long-term perspective. Relationships of mutual benefit, loyalty over time and high standards for quality, performance and transparency must be kept.

### TEAM MEMBERS AND THEIR FAMILIES

The Corporation must endeavor to ensure that all its team members have a dignified standard of living, stable work and possibilities for personal, professional and family development, properly motivating and rewarding good performance and individual and team effort, while providing the guidelines and regulations for maintaining a working atmosphere of excellence and demanding professional and ethical behavior.

The Corporation is defined as a family-responsible company in terms of its commitment to strive to ensure that staff work is carried out in conditions compatible with a proper personal and family life.

### SOCIETY

The Corporation's commitment is to develop its businesses and activities within the governing laws in this country and in all of the places where it conducts business. It will abide in full by the ethical principles that ensure respect for the rights and interests of others, according to the guidelines established and accepted by society.

As a company, it is also interested in contributing effectively to maintaining a healthy environment and enhancing the country's social, cultural and economic heritage by supporting relevant initiatives.

# OUR VISION

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


Having big goals is to believe in the future, is to trust those who have a dream and support them to successfully generate good results. This has been our spirit: to open the doors to entrepreneurs and advance with them in the challenge that implies innovation and make their way into the market.

Together we have come far. We have given more than 7,500 loans to entrepreneurs and several of them today already have been consolidated as SMEs. Every dollar invested has paid off, has sown a bond of long-term relationships and, above all, has allowed many dreams come true.

**Because we are different, because the goals of our clients are also ours, because we want a more developed country and where people live better, we will continue supporting national entrepreneurship and believing that a better future is possible.**

# INDEX


LUIS ENRIQUE YARUR REY
CHAIRMAN
Bci
somosdiferentes

# 01.

# CHAIRMAN'S REPORT

## In 2012, Bci once again made significant advances and visibly outperformed the wider banking sector.

Net profits reached an all-time high of more than Ch$ 271 billion, surpassing the previous year by 3.8%. In contrast, the rest of the banking sector saw a 5.4% drop in profits. This meant that the Bank's market share of sector profits rose from 15.21% in 2011 to 16.46% in 2012, the highest share it has ever achieved. Return on equity (ROE) was 19.1% representing the second highest in the banking sector and well above the sector average of 14.65%.

Thanks to the rise in profits and the Bank's continued policy of capitalizing approximately 70% of profits, which began in 2009, Bci's equity grew 16.2%, reaching Ch$ 1,420 billion by year end.

Bci's strong 14.7% growth in loans led to a slight reduction in the ratio between effective equity and risk weighted assets, from 13.92% in 2011 to 13.62% in 2012. However, this ratio remains well above the 10% minimum set by the Superintendence of Banks and Financial Institutions (SBIF) for banks with branches located abroad.

The Bank's operational efficiency decreased slightly in 2012: while operating expenses absorbed 44.93% of the gross operating income in 2011, this percentage increased to 46.08% in 2012. However, this figure remains substantially below the 48.07%, the banking sector average.

Meanwhile, the Bank continued to actively diversify its sources of foreign financing in terms of investor type, geographical origin and type of financial instrument. Thus, having already registered a Bond Market Certificate Issuance Program in the Mexican market in 2011, in February, Bci issued a second bond in Mexico, for the equivalent of US$ 80 million and an 18-month term.
In August, Bci registered a Commercial Paper program in the United States that allowed it to issue short term notes in the North American market of up to US$ 1 billion. This issue was able largely because of the high ratings the program received from Standard & Poor's (A1) and Moody's (P1). By year's end, the amount issued had reached US$ 512 million.

One month later, Bci issued its first 144A bond, an instrument which can only be purchased by qualified investors. The amount issued totaled US$ 600 million over a 5 year term. This bond generated significant interest among European, North American and Asian investors, with an overdemand of 5 times (more than US$ 3 million), and a spread of only 245 basis points – one of the lowest paid by any Chilean company to that date.
Finally, in November, the Bank obtained a syndicated loan from six major Asian banks for US$ 115 million with a two year term.

The diversification strategy enabled the Bank to secure substantial new resources from abroad, reducing the financial cost of borrowing and confirming Bci's growing international reputation.

The Bank also reinforced its risk control policies in 2012 by creating the Department of Loan Monitoring and Portfolio Management, which has refined the loan classification process and ensured that allowances more closely reflect loan portfolio risks. The department's systematic monitoring has also allowed the Bank to identify said risks more quickly and, as a result, prepare suitable counter-measures.

This, along with other measures aimed at reducing delinquent loans, led to a reduction in risk rate – the ratio between allowances and loans – from 2.42% in December 2011 to 2.28% in December 2012.

This reduction in risk rate occurred despite an 8% rise in credit risk allowances, up from Ch$ 277 billion at the end of 2011 to Ch$ 299 billion at the end of 2012. Meanwhile, the Bank maintained its policy of making voluntary allowances during boom periods in order to be better prepared for future adverse circumstances. In line with this countercyclical policy, the Bank increased its voluntary allowances from Ch$ 46 billion at the end of 2011 to Ch$ 48.25 billion in December 2012.

Just like last year, Bci's growth was largely due to the strong results delivered by its three main divisions: Retail Banking, Commercial Banking and Corporate and Investment Banking (CIB).

Retail Banking – which offers a wide range of loans products and services to individuals, entrepreneurs and micro-entrepreneurs – saw a 15.7% increase in loans, while the number of customers rose almost 8%. New products were also introduced, in line with Retail Bank's strategy to maximize customer proximity and experience, offer excellent service and encourage innovation. New products that stand out include Chequemóvil, which allows customers to deposit checks remotely by taking a photo with their smartphone; banking services offered via Twitter, allowing customers to instantly check their balances and latest transactions in a safe and secure environment; and cellphone consumer loans, available in Chile exclusively from Bci, which allows customers to request and get approval on a loan from their cellphone at any time, on any day of the week, and immediately receive the funds in their checking account.

Results in the Commercial Banking – whose audience is mainly companies with an annual turnover of more than UF 12,000 – were also very positive, achieving 12.2% growth in loans and 13.1% growth in the number of customers. Contributing factors included a reinforcement of the Bank's policy to maintain long-term relationships with clients and the introduction of new products and online solutions to service their changing needs. Among these new products and solutions was an SME web page that allows Bci small and medium sized business customers access to purchases, payments and short term financing, with funds available immediately. It also guarantees non clients a response to funding applications within 24 hours.

In addition, to better serve clients in Chile's northern regions – who have for many years led the nation's economic growth – Commercial Banking organized the first Bci Business Conference in Antofagasta. These multi-sector, free events, traditionally held in Santiago, bring entrepreneurs and SMEs together with large purchasing corporations to generate commercial contacts and business opportunities, where Bci offers advisory and funding. The Antofagasta conference was a great success, attracting more than 230 companies and hosting more than 1,000 business meetings.

Meanwhile, Bci Corporate & Investment Banking substantially strengthened its position as a key player in the capital markets offering a significant expansion of the financial services and products on offer to clients, both in Chile and abroad. These clients are primarily large corporations, financial institutions and high net worth investors, who require access to sophisticated, high value financial services. In CIB, each and every client has their own Corporate Banking Manager supported by a specialist team with highly regarded market experience. With the close client relationships and greater understanding of their requirements that this model provides, CIB offers its clients an individual service tailored to their specific needs. The clients themselves provide convincing proof of this, recognizing that CIB executives lead the market in proactivity, initiative, understanding of companies' needs and in fulfilling their commitments.

These traits, along with the variety and quality of CIB's products and services, have contributed to CIB being the investment bank with the highest number of mutual fund awarded by the Fund Pro Performance website; as well as winning the Santiago Stock Exchange award for the largest volume traded in *operaciones simultáneas* (leverage operations).

Due to the advances made in 2012, Bci has maintained its high ratings from the national and international credit risk agencies, both at a local level (AA+) and an international level (A). To support these rankings, the agencies highlighted, among other positive factors: the growth of the Bank's capital base; its high solvency level and improved liquidity position; its greater diversity in foreign funding sources; its evolving operational efficiency; its strong competitive


position; its well-planned business strategy; and the experience of its executive team.

However, the positive economic and financial performance indicators were complemented with numerous awards and commendations: corporate social responsibility; the security and quality of labor relations; transparency; and innovation. As these awards will be described in detail later on in this Annual Report, I will limit myself to mentioning only the most significant.

One particularly noteworthy international award saw Bci, for the third time in the last four years, named Bank of the Year in Chile by the prestigious London magazine The Banker, an associate of The Financial Times. Explaining its choice – based on a survey of the "world's top 1,000 banks" – The Banker highlighted Bci's focus on transparency, its adoption of innovative fraud prevention security measures, its customer experience strategy and the restructure and excellent performance of its Corporate and Investment Banking division.

Among the accolades received by the Bank for Corporate Social Responsibility, particular highlights include being named "Chile's Most Responsible and Best Corporate Governance Company" in the Monitoring Corporate Reputation Report (MERCO) and coming fourth in the "Most Reputable Company in Chile" ranking, moving up three places from last year.

The Bank also received fourth place in the national Corporate Social Responsibility ranking produced by the *ProHumana* Foundation with the support of *Qué Pasa* magazine. Special reference was made to the *Bci Sin Límites* program, which focuses on employing people with disabilities, for its ethical management and policies that promote transparency, innovation and financial education.

In addition, Bci has received the new "Más por Chile" seal awarded by the Ministry of Social Development in recognition of its support of the *Las Rosas* Foundation, which promotes dignity and better quality of life for older people, and of its collaboration with the *Enseña Chile* Foundation, which supports the outstanding young professionals who volunteer their time in socially vulnerable schools.

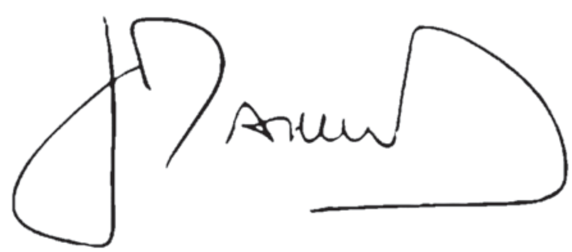

4,000
NEW
VENTURES
Bci

In the employment area, the National Training and Employment Service (SENCE) named Bci as the company that provided training to the largest number of employees. Bci also won the award for receiving the most work applications from delegates at the 8th Trabajando.com Job Fair, and won the Youth Employment Award at the *ExpoEmpleos 2012,* organized by the AIEP professional institute, a subsidiary of the *Andrés Bello* University.

One accolade that particularly highlights the Bank's permanent concern for team members' (employees) wellbeing was being named the financial organization with the lowest rate of workplace accidents, for the 16th time in 17 years.

Finally, Bci was named the country's most innovative bank in the Innovative Companies Survey, carried out by the *Los Andes* University Business School, and as the third most transparent company in Chile in the Corporate Transparency Report 2012 produced by the *Del Desarrollo* University's Communications Faculty, *Chile Transparente,* accountancy firm KPMG and the *Business Intelligence* consultancy.

Thus, in 2012, Bci once again demonstrated its firm commitment to its shareholders' interests; to continuing to improve relationships with customers and providers; to promoting the development of team members and their families; and to helping improve the wellbeing, education, careers and business opportunities of all Chileans, and especially of the most vulnerable.



**LUIS ENRIQUE YARUR REY**
Chairman Bci

# 02.

# FINANCIAL SUMMARY

| | | | | UNDER NEW REGULATIONS[1] | | | | | CHANGE |
|---|---|---|---|---|---|---|---|---|---|
| CONSOLIDATED BALANCE SHEET | 2006 | 2007 | 2008 | 2008 | 2009 | 2010 | 2011 | 2012 | 2011/2012 |
| Transactions balances as of each year, expressed in millions of pesos. | | | | | | | | | |
| Commercial and interbank loans | 4,629,372 | 5,464,776 | 6,835,561 | 6,835,939 | 6,159,662 | 6,544,486 | 7,880,994 | 9,048,347 | 1,167,353 |
| Mortgage loans | 963,071 | 1,324,409 | 1,690,214 | 1,693,924 | 1,736,465 | 1,913,547 | 2,168,712 | 2,466,999 | 298,287 |
| Consumer loans | 799,983 | 911,749 | 1,003,813 | 1,008,781 | 1,041,979 | 1,174,581 | 1,400,739 | 1,620,457 | 219,718 |
| **Total loans** | **6,392,426** | **7,700,934** | **9,529,588** | **9,538,644** | **8,938,106** | **9,632,614** | **11,450,445** | **13,135,803** | **1,685,358** |
| Allowances for credit risk | (66,850) | (85,650) | (131,820) | (131,984) | (194,334) | (249,328) | (277,297) | (299,373) | (22,076) |
| **Total net loans** | **6,325,576** | **7,615,284** | **9,397,768** | **9,406,660** | **8,743,772** | **9,383,286** | **11,173,148** | **12,836,430** | **1,663,282** |
| | | | | | | | | | |
| Financial investments | 845,762 | 1,019,781 | 1,452,092 | 1,458,519 | 1,951,298 | 1,346,687 | 2,072,068 | 1,994,900 | (77,168) |
| Other assets | 1,595,236 | 1,394,074 | 1,946,512 | 1,897,758 | 2,426,452 | 2,465,311 | 2,864,445 | 3,095,248 | 230,803 |
| **Total assets** | **8,766,574** | **10,029,139** | **12,796,372** | **12,762,937** | **13,121,522** | **13,195,284** | **16,109,661** | **17,926,578** | **1,816,917** |
| | | | | | | | | | |
| NIBDs | 1,543,020 | 1,776,766 | 2,021,931 | 2,021,931 | 2,400,959 | 2,844,029 | 3,172,480 | 3,618,365 | 445,885 |
| Term deposits | 4,026,275 | 4,772,001 | 6,071,804 | 6,071,804 | 5,491,152 | 5,467,545 | 6,749,054 | 7,222,588 | 473,534 |
| Other obligations | 2,609,680 | 2,776,437 | 3,912,386 | 3,902,204 | 4,333,258 | 3,844,544 | 4,966,078 | 5,665,668 | 699,590 |
| Capital and reserves | 467,446 | 568,559 | 683,811 | 620,411 | 783,608 | 883,708 | 1,039,157 | 1,230,077 | 190,920 |
| Allowances for minimum dividends | 0 | 0 | (45,617) | (45,617) | (48,232) | (66,623) | (78,380) | (81,377) | (2,997) |
| Net Income | 120,153 | 135,376 | 152,057 | 192,203 | 160,774 | 222,075 | 261,268 | 271,256 | 9,988 |
| Minority interest | 0 | 0 | 1 | 1 | 3 | 6 | 4 | 1 | (3) |
| **Total liabilities** | **8,766,574** | **10,029,139** | **12,796,372** | **12,762,937** | **13,121,522** | **13,195,284** | **16,109,661** | **17,926,578** | **1,816,917** |

[1] Under new accouting standards put in effect Jaunary 1, 2009 by the Superintendence of Banks and Financial Institutions.

| FINANCIAL INDICATORS | 2006 | 2007 | 2008 | UNDER NEW REGULATIONS[1] 2008 | 2009 | 2010 | 2011 | 2012 | CHANGE 2011/2012 |
|---|---|---|---|---|---|---|---|---|---|
| **Bci Shares** | | | | | | | | | |
| Price (nominal pesos) | 15,852 | 14,950 | 10,841 | 10,841 | 16,576 | 33,058 | 28,789 | 32,946 | 4,157 |
| Earnings per share (nominal pesos) | 1,215.38 | 1,369.36 | 1,538.10 | 1,944.20 | 1,585.70 | 2,153.85 | 2,504.22 | 2,562.52 | 58 |
| Share price / book value (times) | 3.35 | 2.60 | 1.57 | 1.70 | 2.14 | 3.86 | 2.57 | 2.42 | (0.1) |
| Share price / earnings per share (times) | 13.04 | 10.92 | 7.05 | 5.58 | 10.45 | 15.35 | 12.95 | 12.67 | (0.3) |
| Market capitalization (in millions of pesos) | 1,567,134 | 1,477,962 | 1,071,745 | 1,071,745 | 1,680,642 | 3,408,483 | 3,003,599 | 3,437,305 | 433,706 |
| **Profitability and Efficiency** | | | | | | | | | |
| Return on equity | 25.70% | 23.81% | 23.82% | 33.44% | 21.86% | 21.37% | 21.38% | 19.10% | (0.023) |
| Capitalized earnings of previous year | 53.23% | 54.75% | 54.72% | 54.72% | 69.44% | 68.47% | 67.50% | 67.06% | (0.004) |
| Return on assets | 1.37% | 1.35% | 1.19% | 1.50% | 1.22% | 1.68% | 1.61% | 1.51% | (0.001) |
| Efficiency (operating expenses/operating income) | 50.35% | 49.64% | 44.76% | 48.25% | 44.71% | 45.42% | 44.93% | 46.08% | 0.012 |
| Assets per employee (million of pesos) | 983 | 1,051 | 1,393 | 1,389 | 1,482 | 1,420 | 1,576 | 1,692 | 116 |
| **Market share** | | | | | | | | | |
| Loans | 12.51% | 12.38% | 13.30% | 13.30% | 12.76% | 12.72% | 12.94% | 12.95% | 0.0001 |
| **Risk** | | | | | | | | | |
| Allowances expenses [2] (Loss provisions/total loans) | 0.85% | 1.00% | 1.32% | 1.32% | 1.95% | 1.53% | 1.26% | 1.30% | 0.0% |
| Allowances over total loans | 1.27% | 1.32% | 1.38% | 1.40% | 2.18% | 2.50% | 2.42% | 2.28% | -0.1% |
| **Activity indicators (number)** | | | | | | | | | |
| Employees (Bci Corporation) | 8,918 | 9,541 | 9,185 | 9,185 | 8,848 | 9,346 | 10,220 | 10,595 | 375 |
| Branches and contact points | 233 | 282 | 326 | 326 | 332 | 365 | 378 | 388 | 10 |
| Checking Accounts | 313,748 | 345,820 | 373,043 | 373,043 | 397,764 | 425,233 | 449,700 | 489,816 | 40,116 |
| Electronic checkbooks | 855,115 | 893,961 | 959,580 | 959,580 | 1,107,366 | 1,115,633 | 1,215,527 | 1,208,989 | -6,538 |
| ATMs | 628 | 815 | 990 | 990 | 1,013 | 1,111 | 1,333 | 1,294 | -39 |
| ATM transactions (December of each year) | 3,218,465 | 3,214,591 | 3,777,608 | 3,777,608 | 4,037,717 | 5,455,584 | 5,672,989 | 4,572,650 | -1,100,339 |
| Internet transactions[3] (December of each year) | 8,984,343 | 11,792,742 | 18,510,037 | 18,510,037 | 24,827,278 | 12,925,182 | 14,434,020 | 10,472,378 | -3,961,642 |
| Customers with internet access password | 242,641 | 280,324 | 297,239 | 297,239 | 333,379 | 404,956 | 408,987 | 428,310 | 19,323 |

2 Allowance expense is defined as the sum of the expenses of provisions for credit risk and credit contingency.
3 Until the year 2009, transactions with or without authentication keys are considered. From 2010 forward, only transactions with authentication keys are considered.


# 03.

# BOARD OF DIRECTORS

**01.**

Lionel Olavarría Leyton
CEO

**02.**

Luis Enrique Yarur Rey
Chairman

**03.**

Andrés Bianchi Larre
Vice-chairman

**04.**

Alberto López Hermida
Director


**05.**

Dionisio Romero
Director

**06.**

Mario Gómez Dubravcic
Director

**07.**

Francisco Rosende Ramírez
Director

**08.**

Juan Manuel Casanueva Préndez
Director

**09.**

José Pablo Arellano Marín
Director

## BOARD OF DIRECTOR ELECTIONS

The members of the Board of Directors were elected at the Ordinary Meeting of Shareholders held on March 30, 2010, to carry out their functions for a three year term.

However, in the extraordinary meeting held on March 16, 2011, the resignation of Daniel Yarur Elsaca from the Board of Directors was offered and accepted. José Pablo Arellano Marín was named as his replacement and ratified at the Bci Shareholders' Meeting held on March 31, 2011.

Likewise, on May 24, 2011, the Board of Directors was offered and accepted the resignation of Ignacio Yarur Arrasate from the Board of Directors, who then took the post of Bci Chief Commercial Banking Officer. Mario Gómez Dubravcic was named as his replacement and ratified at the Bci Shareholders' Meeting held on March 30, 2012.

Finally, in a special meeting held on October 16, 2012, the resignation of Juan Edgardo Goldenberg Peñafiel from the post of Bci Director was offered and accepted.

The Board of Directors that will therefore serve until the Ordinary Meeting of Shareholders in 2013 is:

| | |
|---|---|
| **LUIS ENRIQUE YARUR REY** | **CHAIRMAN** |
| **ANDRÉS BIANCHI LARRE** | **VICE CHAIRMAN** |
| **JOSÉ PABLO ARELLANO MARÍN** | **DIRECTOR** |
| **JUAN MANUEL CASANUEVA PRÉNDEZ** | **DIRECTOR** |
| **MARIO GÓMEZ DUBRAVCIC** | **DIRECTOR** |
| **ALBERTO LÓPEZ-HERMIDA HERMIDA** | **DIRECTOR** |
| **DIONISIO ROMERO PAOLETTI** | **DIRECTOR** |
| **FRANCISCO ROSENDE RAMÍREZ** | **DIRECTOR** |


On an ongoing basis, the Board of Directors reviews and determines the principal policies that govern the Bank. These include the commercial development strategies, budget management and shareholder's equity position; portfolio diversification; credit, financial, operational and the domestic and international markets risk management; profitability, allowance coverage, quality of service and customer service; and the policies governing the labor conditions of team members working for the Bank and its subsidiaries.

The Board of Directors receives a complete monthly report on the Bci Corporation's management and results, as well as periodic reports on matters examined and approved by the Bank's various committees.

The committees are comprised of a varying number of Directors and meet regularly, at specific times during the year, but with different frequencies. Their nature, functions and activities are determined both by the needs of the Bank and by the regulatory framework. Currently, the following committees are in operation:

**BOARD EXECUTIVE COMMITTEE**

**DIRECTORS COMMITTEE**

**FINANCE AND CORPORATE RISK COMMITTEE**

**CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

**COMPENSATION COMMITTEE**

The Sustainability Report accompanying this Annual Report provides details of the profile and functions of each member of the Board. It also specifies the composition, function and frequency of each of the aforementioned committees, their governing principles and their responsibilities. In addition, it describes the Bank's relationship with its interested parties – shareholders, team members and their families, customers, suppliers and communities – as well as the initiatives used to improve this relationship.

# 04.

# SENIOR MANAGEMENT

Bci aspires to provide the best customer banking experience in the Americas and therefore takes pride in its excellent, highly motivated team members, the innovative technology that supports customers and team members, and its strong financial performance.

Based on this, in 2012, the Bci Corporation worked on both financial performance and organizational wellbeing, understanding the virtuous circle whereby a satisfied team member equals a satisfied customer which equals a satisfied shareholder.

This year the Bank worked to empower its leadership, organizing teams based on the "Bci Experience" criteria, and encouraging team members to be change agents within the company.

In the same way that Bci seeks to turn customer dreams into reality by supporting entrepreneurship, the Bank also searches to fulfill the personal and professional aspirations of its team. To this end the corporation seeks to continuously improve its working environment and increase the opportunities for career development within the company. In other words: shared value, mutual commitment.

Nicolás Dibán Soto† (1955 - 2012)
VP Retail Banking

**01.**

Lionel Olavarría Leyton
Chief Executive Officer

**02.**

Eugenio Von Chrismar Carvajal
VP Corporate & Investment Banking

**03.**

Ignacio Yarur Arrasate
VP Commercial Banking

**04.**

Antonio LeFeuvre Vergara
VP Corporate Risk

**05.**

Pablo Jullian Grohnert
VP Human Resources

**06.**

Pedro Balla Friedmann
VP Legal

**07.**

Mario Gaete Hörmann
VP Operation & TI

**08.**

José Luis Ibaibarriaga Martínez
VP Planning & Financial Control

**09.**

Rodrigo Corces Barja
VP Customer's Experience & Image

**10.**

Ximena Kutscher Taiba
VP Comptroller

# 05.

# HOMAGE TO NICOLÁS DIBÁN

The unexpected and untimely death of Nicolás Dibán- who worked for Bci until December 9, 2012 as VP of Retail Banking and as a member of Bci's General Organization Committee- profoundly affected our institution.

Nicolás began his work at the Bank in 1979 as a business executive, having just graduated from Chile University. From the very beginning he excelled, rapidly climbing up through the company and into a Branch Manager position. He later would go on to manage Personnel, Corporate Marketing, and the Corporate Risk areas. When the Retail Banking was established in 2010, he was appointed VP of this new division. He was also entrusted to represent the Bank in relations with subsidiaries and business support units.

During his 33-year tenure with Bci, Nicolás presented himself as a true professional and was respected and admired by his colleagues for his talent, his work ethic, and his exceptional dedication. He was a leader always concerned with the growth and well-being of his coworkers. Most importantly, Nicolás was a person of warmth, authenticity and profound commitment to the principals and values of our institution. His positive disposition, enthusiasm and generosity allowed him to approach life's challenges with integrity and wisdom.

All these attributes made him one of the most valued members of our company's leadership. As a loyal friend and companion and an exemplary father and husband, he will always be an unforgettable person for those who had the fortune and privilege of knowing and working with him.

As a showing of appreciation and gratitude for his service, the Bci auditorium was dedicated in his memory.

# 06.

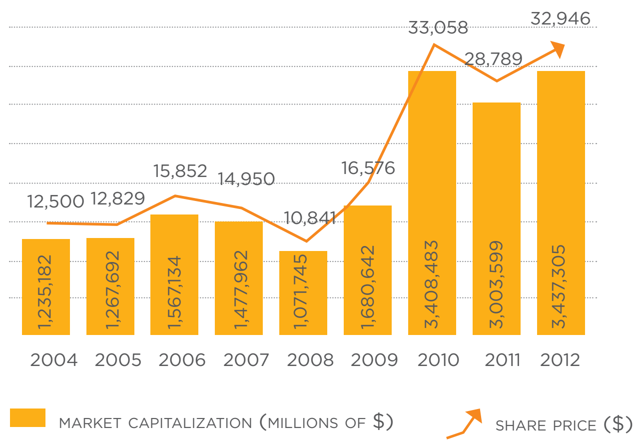
# SHAREHOLDERS

## A) PROFIT, SHARE PRICE AND MARKET CAPITALIZATION

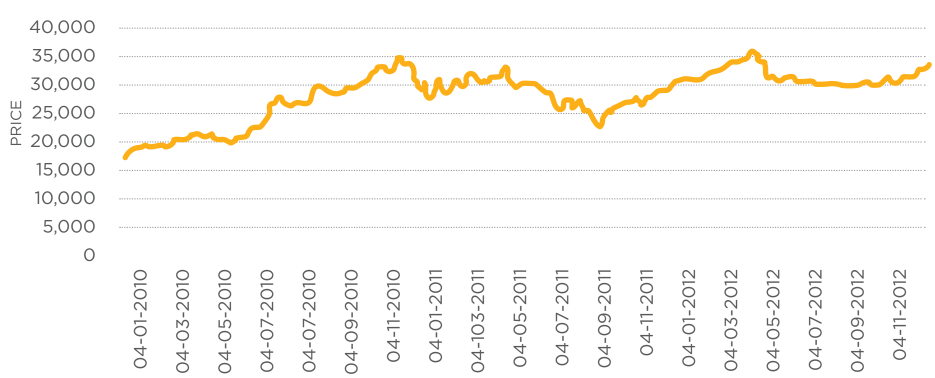
During 2012 the Bank's profit totaled more than Ch$ 271 billion, 3.8% higher than that achieved the previous year and maintaining a trend of growth in contrast to the banking system, which contracted by 5.4%. Factors that contributed to this included a strong growth of 14.7% in loans, in contrast to the 9.1% average growth achieved across the large banks, as well as a controlled risk expense due to risk similar to that seen in 2011 (1.30%).

In spite of the impact of the eurozone crisis on the stock markets and the stir in the local market due to the unexpected reduction in company profits, Bci's return on equity (ROE) reached 19% this year, performing well in comparison to the average IPSA with a return of just 3%. This led to a 14.4% rise in Bci market capitalization compared to the previous year.

MARKET CAPITALIZATION AND SHARE PRICE




VOLUME-WEIGHTED AVERAGE PRICE OF BCI SHARES




Note: The weighted average price of shares indicates share prices weighted according to their daily transaction volume.

## B) CAPITAL RESOURCES

The Extraordinary Meeting of Shareholders, held on March 30, 2012, approved, among other matters, a capital increase of Ch$ 175,194 million through the capitalization of reserves derived from profits. This amount comprised:

- Ch$ 130,634 million capitalized without issuing shares; and

- Ch$ 44,560 million capitalized through the issuing of 1,523,797 fully paid-in shares.

With these resources, which were required to sustain the Bank's operational growth, the basic capital as at December 31, 2012 comprised the following:

| | |
|---|---|
| Paid-in capital (105,855,267 shares) | Ch$ 1,202,179,553,876 |
| Other equity accounts | Ch$ 27,897,096,456 |
| Net income | Ch$ 271,256,324,715 |
| Allowance for payment of dividends | Ch$ (81,376,897,415) |
| **Basic capital[1]** | **Ch$ 1,419,956,077,632** |

[1] The basic capital is equivalent to the net amount shown in the financial statements as attributable equity to shareholders, according to the Superintendence of Banks & Financial Institutions Accounting Standards Compendium.

Effective equity, which acts as a check on the various operational limits established by the General Banking Law, is comprised of the following items:

| | |
|---|---|
| Basic capital | Ch$ 1,419,956,077,632 |
| Additional allowances | Ch$ 48,253,609,977 |
| Subordinated bonds | Ch$ 541,194,978,659 |
| Equity attributable to minority interests | Ch$ 705,182 |
| Economic price premium from corporate investment | Ch$ (1,285,485,646) |
| **Effective equity** | **Ch$ 2,008,119,885,804** |

Thus Bci's basic capital increased 16.2% in 2012 while its effective equity increased 10.9%.

At year end, the ratio between basic capital and total assets was 7.04% whereas the ratio between effective equity and risk weighted assets was 13.6%. Both values were substantially higher than the minimum ratios required by the General Banking Law: 3% and 10% respectively.

## c) TAX SITUATION OF DIVIDEND DISTRIBUTED IN 2012

The Ordinary Meeting of Shareholders, held on March 30, 2012, approved the distribution of a dividend of Ch$ 825 per share, charged against the 2011 net profit. A total sum of Ch$ 86,073,462,750 was allocated for this purpose, representing 32.9% of the aforementioned profit.

This amount was distributed against the taxable profits subject to the Income Tax Law's first category tax. This tax constitutes a credit against the global complementary or additional tax that shareholders must file annually. To calculate this, the credit is considered subject to the first category tax and must by law be added to the respective taxable base.

Shareholders are informed of the tax details of the distributed dividend via a certificate that includes the information required to make the corresponding Annual Tax Declaration.

Corporate shareholders required to maintain records of the Taxable Net Income Fund should be aware that the dividend distributed in March 2012 comes from taxable profits, with the right to first category tax credit, generated in the following tax years:

| Year | First Category Rate | Proportion |
|---|---|---|
| 2004 | 17.0% | 66.12% |
| 2005 | 17.0% | 14.61% |
| 2005 | NO CREDIT RIGHTS | 13.70% |
| 2005 | 15.0% | 1.84% |
| 2005 | 16.0% | 2.69% |
| 2005 | 16.5% | 1.04% |
| TOTAL | | 100% |

## d) DISTRIBUTION OF FULLY PAID-IN SHARES

The Extraordinary Meeting of Shareholders held on March 30, 2012 agreed to increase the equity capital by Ch$ 44,560,395,671 through issuing 1,523,797 fully paid-in shares, without nominal value, at a rate of 0.01460534 fully paid-in shares for each share held on the date the right to receive these shares was acquired.

The equity capital of the Bank was therefore set at Ch$ 1,202,179,553,876 divided into 105,855,267 shares.

Shareholders should bear in mind that the distribution of these fully paid-in shares represents an equivalent capitalization. Therefore, and in accordance with the Income Tax Law, it does not constitute profit and is not taxable.

## E) PRINCIPAL SHAREHOLDERS

The following list details the 25 principal shareholders of Bci as of December 31, 2012, along with the number of shares held by each and their corresponding stake in the Bank.

| NAME | Nº OF SHARES | % |
|---|---|---|
| EMPRESAS JUAN YARUR S.A.C. | 56,876,476 | 53.73% |
| JORGE YARUR BASCUÑÁN | 4,473,497 | 4.23% |
| INVERSIONES BCP S.A. | 3,876,865 | 3.66% |
| SOCIEDAD FINANCIERA DEL RIMAC S.A. | 3,677,935 | 3.47% |
| BANCO DE CHILE (ON BEHALF OF NON-REDSIDENT THIRD PARTIES) | 2,524,729 | 2.39% |
| AFP PROVIDA S.A. | 2,426,684 | 2.29% |
| BANCO ITAÚ (ON BEHALF OF INVESTORS) | 2,386,670 | 2.25% |
| AFP HABITAT S.A. | 2,195,391 | 2.07% |
| INVERSIONES JORDAN DOS S.A. | 2,114,520 | 2.00% |
| AFP CUPRUM S.A. | 1,747,108 | 1.65% |
| CORREDOR DE BOLSA S.A. (ON BEHALF OF THIRD PARTIES) | 1,695,636 | 1.60% |
| INVERSIONES TARASCONA CORPORATION (AGENCY IN CHILE) | 1,515,618 | 1.43% |
| AFP CAPITAL S.A. | 1,386,865 | 1.31% |
| INVERSIONES MILLARAY S.A. | 1,287,850 | 1.22% |
| BANCO SANTANDER (ON BEHALF OF FOREIGN INVESTORS) | 1,231,371 | 1.16% |
| INMOBILIARIA E INVERSIONES CERRO SOMBRERO S.A. | 1,161,440 | 1.10% |
| LUIS ENRIQUE YARUR REY | 1,033,979 | 0.98% |
| BANCHILE CORREDOR DE BOLSA S.A. | 666,581 | 0.63% |
| CELFIN CAPITAL S.A. CORREDORES DE BOLSA | 655,771 | 0.62% |
| BOLSA DE COMERCIO DE SANTIAGO BOLSA DE VALORES | 620,641 | 0.59% |
| MODESTO COLLADOS NUÑEZ | 611,848 | 0.58% |
| LARRAÍN VIAL S.A. CORREDORES DE BOLSA | 590,423 | 0.56% |
| INVERSIONES VYR LTDA. | 563,349 | 0.53% |
| INMOBILIARIA E INVERSIONES CHOSICA S.A. | 435,433 | 0.41% |
| INVERSIONES LO RECABARREN S.A. | 334,405 | 0.32% |
| OTHER SHAREHOLDERS* | 9,764,182 | 9.22% |
| **SUBSCRIBED AND PAID-UP SHARES** | **105,855,267** | **100.00%** |

*Includes Bci employees who together hold 505,810 shares, equivalent to a 0.48% stake.

## F) SHAREHOLDERS' AGREEMENT

Shareholders related to the Yarur family, who as of December 31, 2012 held 63.83% of the subscribed and paid-up shares of Bci, signed a shareholders' agreement on December 30, 1994 which was then updated on June 23, 2008.

This agreement reaffirmed their will to maintain the traditional unity and control of Banco de Crédito e Inversiones (Bci). It also reiterated their intention to preserve the principles upon which the management of the institution has been based.

In accordance with article 14 of the Chilean Corporate Law, the agreement can be found in the Bank's Shareholders Register, available to other shareholders and interested third parties.

# A FIGHTER

**Víctor Sáiz**

**Trying to find a better way to move around in my wheelchair inspired me to start my project: "Trum Handcycles".**

**Just after I entered the university to study industrial design, I built my first model. I realized that the freedom and happiness I experienced when using my "bicycle" was something that I wanted to share with others who are disabled. This motivation led me to become an entrepreneur.**

**I started to look for ways to finance the project, which was a process I found very tedious and difficult. I had to tell my story thousands of times. I could tell from the expressions that many people I spoke to doubted the practicality or even the possibility of my idea, or they just didn't understand. With Bci everything changed.**

**They loved my idea right away, and most importantly they understood that it could change thousands of lives. Bci was like a friend, and besides lending me the money I needed, they joined with me in becoming part of this dream of mine. They listened respectfully to the way I envisioned the business and they offered guidance and strategies to help me bring it to life.**

**I hope that my idea can be transformed into a profitable business, and in turn, generate a wealth of opportunities for handicapped people who are immensely efficient, committed and responsible.**

**GREAT ENTREPRENEUR BCI AWARD 2012**


Bci

# 07.

# RISK RATING

Bci's credit risk is classified nationally by Fitch Ratings and Feller Rate, and internationally by Standard & Poor's (S&P), Fitch Ratings, and Moody's, all of whom affirm the strong financial positioning of the Bank.

Nationally, Fitch Ratings have affirmed the rating of AA+ with a "Stable Outlook" in the long term for long term deposits, mortgage bonds, bank bonds and bond lines. This rating is based on improvements made to Bci's capital base, balance sheet management, liquidity position and diversification of foreign liabilities, all of which have strengthened its financial flexibility. Fitch also noted that the Bank's current business strategy and business segmentation correctly address the more specialized needs presented by local and international banking. The business focus remains set on improving segmentation within the various banking areas, along with developing and implementing customer profitability measures that will allow for improvements in product offerings and credit management.

In 2012, Bci also maintained a Feller Rate credit risk of AA+ and confirmed current ratings and stable outlook. These results were based on a strong financial profile that presented high-return products along with "a consistent strategy consolidated over time with high margins and advances in operational efficiency." Additional influences on the rating were Bci's capital base, solid competitive positioning, leadership in demand deposits and cash management, and the experience of its executives. Despite the distinctive market conditions of recent years and strong industry-level competition, Feller believes that "the company has shown a good performance, with growth that has enabled it to sustain its market share, always in line with its strategy."

Internationally, S&P affirmed the Bank's long-term A rating, while Fitch Ratings affirmed the Bank's A- rating, both with a stable outlook. Moody's assigned an A1 long-term foreign currency deposit rating and stable outlook.

## NATIONAL CREDIT RATING

| FELLER RATE | AUGUST 2012 |
|---|---|
| SOLVENCY | AA+ |
| OUTLOOK | STABLE |
| LONG-TERM DEPOSITS | AA+ |
| BONDS | AA+ |
| BONDS (SUBORDINATE) | AA |
| SHARES | 1st CLASS LEVEL 1 |

| FITCH RATINGS | JULY 2012 |
|---|---|
| SHORT-TERM | N1+ |
| LONG-TERM | AA+ |
| BONDS | AA+ |
| BONDS (SUBORDINATE) | AA- |
| SHARES | 1st CLASS LEVEL 1 |
| RATING OUTLOOK | STABLE |

## INTERNATIONAL CREDIT RATING

| STANDARD & POOR'S | JUNE 2012 |
|---|---|
| LONG-TERM FOREIGN ISSUER CREDIT | A |
| LONG-TERM LOCAL ISSUER CREDIT | A |
| SHORT-TERM FOREIGN ISSUER CREDIT | A1 |
| SHORT-TERM LOCAL ISSUER CREDIT | A1 |
| OUTLOOK | STABLE |

| FITCH RATINGS | JULY 2012 |
|---|---|
| FOREIGN CURRENCY LONG-TERM DEBT | A- |
| LOCAL CURRENCY LONG-TERM DEBT | A- |
| FOREIGN CURRENCY SHORT-TERM DEBT | F1 |
| LOCAL CURRENCY SHORT-TERM DEBT | F1 |
| VIABILITY | a- |
| OUTLOOK | STABLE |

| MOODY'S* | JUNE 2012 |
|---|---|
| LONG-TERM RATING | A1 |
| BANK FINANCIAL STRENGTH RATING | C |
| SHORT-TERM ISSUER LEVEL RATING | P1 |
| OUTLOOK | STABLE |

*Bank deposit rating

In August 2012, S&P and Moody's rated the Bank's short-term "commercial paper" debt instrument USPC, affirming A1 and P1 ratings, respectively, and thereby assigning the highest classification for this type of instrument in the global market.

According to S&P, the A1 rating reflects the strong business position of the Bank, adequate capital and earnings, adequate risk position, and adequate funding and liquidity, in comparison with other banks in the Chilean financial system.

According to Moody's, it affirmed a P1 rating due to the Bank's strong recurrent earnings performance, which reflects its competitive market positioning and revenue diversification, relatively low financing costs and efficient operations. It also highlighted the liquidity and diversification of its financing through debt issues and international syndicated loans.

# INGENUITY

**Carlos Sagredo**

In September of 2009, I developed a food dispenser for our pampered pet, a Beagle named Leo. The dispenser ejected two rations of food pellets a day. Soon after this a second challenge arose in that Leo was diagnosed with kidney stones, and besides eating, he had to drink fresh water several times a day. For several months I looked for alternatives, until I finally came to a technical solution that allowed the dispenser to provide both food and water twice a day.

I also began to realize that other people were interested in this kind of automated machine, so I patented the idea and decided to commercialize it. In order to do this I turned to Bci. They believed in me and they gave me an entrepreneur loan as part of their program Bci Nace. Thanks to their support, today I have my own business iPellet.

Today we are very happy and I have begun a new partnership with TIC Ltda. to develop new technology for water jet cutting, bending and high quality industrial painting. We've already begun the paperwork to be licensed in Brazil, Colombia and Mexico; and with the support of our bank, Bci, we want to continue to grow and expand.

# 08.

# AWARDS AND RECOGNITIONS

**In 2012, Bci received a wide range of awards and accolades in various fields. Highlights include:**

### BANK OF THE YEAR IN CHILE, THE BANKER

In its now traditional "Bank of the Year" awards ceremony, the London magazine The Banker – published by The Financial Times – selected Bci as the Chilean Bank of the Year. This recognition was based on the results of the annual 'world's top 1,000 banks' survey and is one of the most important rankings in the industry.

### FIRST PLACE IN THE MERCO RANKING 2012

Bci was named "Chile's Most Responsible and Best Corporate Governance Company" by MERCO (Monitoring Corporate Reputation Report), the world's only certified reputation monitor with ISO 20252 accreditation. In addition, the Bank took fourth place in the "Chile's Most Reputable Company" ranking, improving on the 7th place it achieved in 2011.

### *MÁS POR CHILE* DISTINCTION

Chile's Ministry of Social Development awarded Bci this accolade for its ongoing participation in projects that work towards social integration and improvement. The award especially recognized the corporation's support for the *Enseña Chile* program and the *Las Rosas* Foundation.

### NATIONAL PRIZE FOR MOST TRAINING PROVIDED BY ONE COMPANY IN 2012

In the second edition of the *Más Empresa* awards, the National Training and Employment Service (SENCE) named Bci as the Chilean company that trained the most employees via the Tax Exemption program.

### AIEP YOUTH EMPLOYMENT PRIZE 2012

In awarding this prize, the AIEP institute recognized Bci as a “company that incentivizes youth employment” thanks to its mass recruitment and business contacts programs.

### FIRST PLACE IN THE *QUEVEO* AWARDS FAMILY CATEGORY

*QueVeo* Foundation highlights television content that promotes universal values such as responsibility, solidarity and the desire to improve. On this occasion, Bci won first place in the family category for its commercial promoting the Shared Value program.

### PRIZE FOR MOST APPLICATIONS IN THE EMPLOYMENT FAIR

The Trabajando.com award highlighted the work of the Recruitment and Selection departments in the Bci Human Resources Division, which received more than 3,900 job applications during the two days of the event.

### EFFIE AWARD 2012: GOLD IN SUSTAINED SUCCESS CATEGORY

This award recognizes campaigns which have delivered sustained success for three consecutive years. The top prize in this category was awarded to Bci and the advertising agency McCann Erikson for the “Bci Monologues Communications Platform.” This is the most important marketing accolade in Chile and one of the most highly regarded worldwide.

### QUALITY OF SERVICE TO AGENTS AWARD

Bci Factoring was named as the company with Best Quality of Service in International Factoring in Chile and Latin America by its correspondent bank Factors Chain International (FCI). In FCI’s 2012 annual ranking of quality of service, Bci Factoring won First Place in the Latin American region in both its Export Factoring and Import Factoring divisions. These results were published at FCI’s annual meeting in Beijing, China.

### SECOND PLACE IN THE 2012 INNOVATIVE COMPANIES RANKING

This ranking, produced by the *Los Andes* University, assesses an organization’s ability to consistently drive innovation.

### PLENUS PRIZE

The Association of Pension Funds (AFPs) of Chile awarded Bci second place in the Plenus Prize for its initiatives to support older people, such as its alliance with the *Las Rosas* Foundation and the Senior Employment Program.

### THIRD MOST TRANSPARENT COMPANY IN CHILE, 2012

According to the Corporate Transparency Index compiled by the *Del Desarrollo* University's Communications Faculty, *Chile Transparente,* accountancy firm KPMG and the Business Intelligence consultancy. This index measures the quantity and quality of the information given by companies.

### FOURTH SAFEST BANK IN LATIN AMERICA

In the ranking produced by the publication Global Finance.

### FOURTH PLACE IN THE PROHUMANA NATIONAL CORPORATE SOCIAL RESPONSIBILITY RANKING 2012

This ranking recognizes the work of the top 18 organizations in corporate social responsibility in Chile.

### CITI PERFORMANCE EXCELLENCE AWARD

This prize was awarded to Bci by Citi in recognition of its high quality processing of payment orders sent abroad. The company received two prizes for its processing of payment orders sent abroad, both for clients and between banks. Both awards are presented to banks whose payment processing has generated a minimum amount of objections in relation to the strictest global standards.

### "ABRIDORES DE ALAMEDAS" PRIZE

This award was presented to Bci by the cultural magazine *Observatorio Regional* for the Bank's contribution to the creation, development and diffusion of cultural activities in the publication's circulation area: O'Higgins Region and Ñuble Province in the Bío Bío Region.

### SANTIAGO STOCK EXCHANGE COMMENDATION

The Santiago Stock Exchange praised Bci for its role in the 2011 IPSA, where Bci's shares were one of the 40 most-traded stock in the capital market that year. The prize aims to highlight the most active institutions in the stock market.

### PRIZE FOR LARGEST AMOUNT TRADED IN LEVERAGE OPERATIONS (*OPERACIONES SIMULTÁNEAS*) IN 2011

Presented to Bci Stockbrokers by the Santiago Stock Exchange. This prize recognizes the most active organizations in the stock market throughout the year and represents a great accolade from the market.

### TOP RANKED IN PROJECTION ACCURACY

The Bloomberg platform ranked Bci Corporate and Investment Banking in its top case studies for accurate forecasts of economic activity and inflation. When putting together the ranking Bloomberg considered projections from local, foreign and investment banks throughout 2012.

### BEST BALANCED FUND MANAGEMENT

Bci Asset Management was selected as the best balanced fund manager in the 4th Platinum Performance Awards in Chile, organized by Fund Pro.

### *SALMÓN* AWARDS

Three Bci Asset Management mutual funds were recognized by the *Salmón* Awards after ranking among the top performing risk-adjusted products in their categories in 2012. These awards are organized by the Association of Mutual Fund Administrators (AAFM) and the newspaper *Diario Financiero*. The winning mutual funds were: *Bci Global Titan*, aimed at global corporations with high market capitalization; *Bci Gestión Global Dinámica 80* (APV), which follows a strategy of balanced investment with a maximum of 80% equity securities; and the Bci Retail Mutual Fund *(Fondo Mutuo Bci de Personas)*, comprised of debt securities issued by institutions participating in the national and international markets.

### DEVELOPING POSITIVE LABOR PRIZE

This award is given by the Carlos Vial Espantoso Foundation to the eight companies with the strongest record in developing internal trust. Bci received a special commendation for its ongoing work to improve the lives of its team members.

### FINANCIAL COMPANY WITH THE LOWEST ACCIDENT RATE

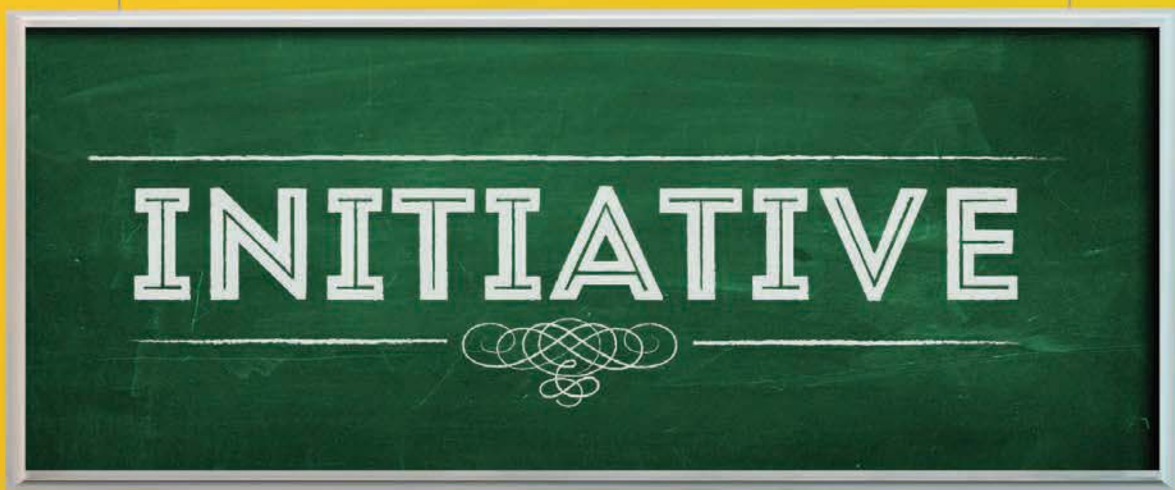
Bci won six awards at the Chilean National Security Council's 50$^{th}$ Annual Safety Contest for 2011. Particularly noteworthy was the National Security Council Prize *(Consejo Nacional de Seguridad)*, awarded to companies that have the lowest accident rates in their categories. Bci has now won this award for 16 consecutive years.

### GREAT PLACE TO WORK

Bci has once again been selected as one of the 25 best companies to work for in Chile, coming in at 24$^{th}$ place of a total of 84 companies. This is the third consecutive year the international consultancy Great Place to Work has carried out this survey.

### EXCELLENCE IN RISK PREVENTION AWARD

Awarded to Bci by the Chilean Security Association *(Asociación Chilena de Seguridad)* over and above other stockbrokers, banking and retail organizations.




**Ximena Ovalle / Trinidad Fernández**

**A few years back, we were skiing in Canada when we suddenly saw a skier open his backpack and take out an object and instantly prepare an espresso coffee.**

**In that moment we thought we had to find a way to import that product to Chile. We contacted the company that manufactured this product in France and in February of 2012 we came to the agreement that our business, Comercial Valle Lavanda Ltda, would be the exclusive representative of Handpresso in Chile.**

**We presented this business to Bci Nace, who showed confidence in us from the beginning. They supported us financially and they also helped with publicity in television and with exposure at their fair for large entrepreneurs. This quick and seamless process allowed us to receive our first imports at the end of March of the same year.**

**In the near future we will begin importing other innovative and ecological products, as always with the help of Bci, to whom we are very grateful.**

Bci

# 09.

# SHARED VALUE IS GREATER VALUE

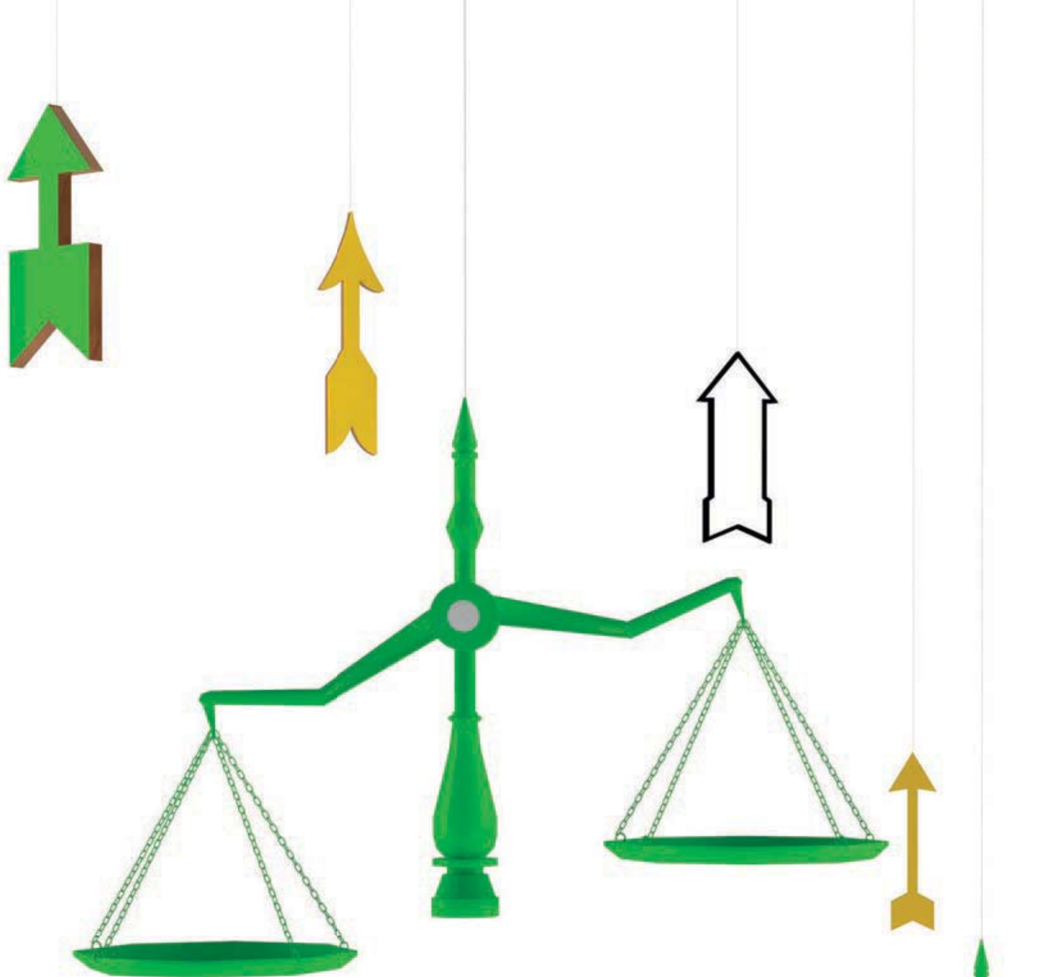
## MORE ENTREPRENEURSHIP, MORE VALUE FOR THE COUNTRY

During its 75th anniversary year, Bci focused communications on conveying advances in key client areas such as client experience, entrepreneurial support and its commitment to innovative improvements in efficiency and customer service.

In 2012, after reflecting on these areas of the Bank's mission and the role of Bci in the actual society, Bci developed a program to address recent major societal changes from a business perspective, with special attention to the following concerns:

- Poverty reduction and furthering social development, which are shared concerns and responsibilities of society, government, and in particular companies.
- Consumers that are increasingly empowered and demanding, driven to improve their quality of life.
- The increased value placed by consumers on environmentally conscientious and sustainable development of companies.

The country is changing and its continued development depends not only on traditional economic advancement but also on social advancement. Doing business successfully today implies the creation of value economically and for the society.



To that end, in 2012, Bci shook up the market by introducing a new, innovative banking concept titled *Valor Compartido or* "Shared Value." The program, rather than being supported by traditional outreach such as corporate social responsibility, philanthropy, or charity, instead focuses on the full circle of economic value generated by entrepreneurial business development. It looks to capture the economic value that is generated when clients fulfill their aspirations, transversely benefitting the client, the Bank and principally the economic and social development of the country.

The concept was unveiled through a successful media campaign that relaunched the *Bci Nace* Program which is a key element of the Shared Value model. The campaign focused on those who dream of developing a new venture in the country, which in turn has the potential to generate new jobs and a positive ripple effect throughout the economy.

This campaign was awarded by *QueVeo* Foundation, which recognizes brands and media that contribute to comprehensive education and act with the values of society firmly in mind.


# BCI NACE

*Bci Nace* was originally created in 2006 as a corporate social responsibility program, to address one of the fundamental objectives of the Bank: providing financing to the country's entrepreneurs. The program has since developed into a prominent business line and the central element of the Bci Shared Value program.

By supporting entrepreneurs through the program, Bci has successfully formed an intersection at the values of society, the principles of the Bank, and the desires of thousands of customers. The initiative is one of the only of its kind in the domestic banking sector and looks to support and help fulfill the aspirations of thousands of Chileans from the start of their business.

A key element of *Bci Nace* is financing for early stage start-up companies that often have little to no historical sales data. This program offers support to those just starting out in the business world. Aimed at both existing customers and non-bank customers alike, this funding can provide working capital, leasing, factoring, government guaranteed loans and foreign trade financing.

In 2012, Bci aimed to incorporate nearly four thousand new SME projects, transforming the Bank into a solid supporting foundation for the country's entrepreneurs. The program exceeded its goals, both in the number of promising, qualified new ventures supported, which was nearly 4,500, and in the number of jobs those ventures went on to create, which was over 12,000, with a loan amount equivalent to Ch$ 35,000 million.

To meet this challenge, Bci implemented various initiatives:

» Launched a financial offer for companies just starting out, with credit for 24 months and a 90 day grace period.

» Developed new risk policies that better meet the characteristics of the enterprises.

» Development of a new package of welcoming products.

» Creation of Web *Nace* specific website that provides special tools to entrepreneurs for managing their accounts and financial needs, quickly and efficiently.

From 2006 to date, this program has supported more than 7,500 entrepreneurs with funding of more than Ch$71,100 million. Many of these accounts have developed and are now served by SME Bank (*Banca Pyme*), a special banking program aimed at SMEs.

The aim of *Bci Nace* for 2013 is to continue improving support for early-stage entrepreneurs, as it believes these enterprises have the most potential for positive impact on the community.

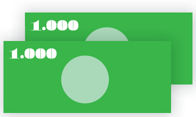
## PYME (SME)

Providing direct support to small and medium-sized enterprises has always been a principle focus of Bci. In 2008, the board of directors declared SMEs a preferred business of the Bank, reinforcing their central importance. Since then Bci has strengthened its value proposition for these customers which has propelled its growth in this area. Bci has established long-term customer relationships and solidified its position as "The Bank of SME's."

It is worth noting that in 2011, Bci was the first Chilean company to obtain the Pro-SME Seal (*sello Pro-Pyme*), which certifies its commitment to pay SME suppliers within 30 days.

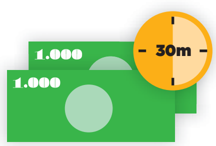
During 2012, Bci continued to consolidate its SME value proposition, with a major focus on improvements in speed and processing for customer financing. To that end, a number of successful initiatives were created:

**INSTANT MONEY**




An automatic credit line for approved credit offers that can be instantaneously accessed by more than 70% of SME clients.

**INSTANT MONEY FOR NON-CUSTOMERS**

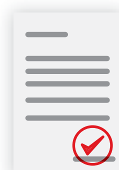



An extension of the above to non-bank customers, that enables Bci to respond to funding requests in just 30 minutes.

**MULTILINE**


Web-accessible working capital financing that is available 24 hours a day, seven days a week, with immediate availability of funds in current accounts. Easy to access, without paperwork or drawn-out processing.

**TOTAL ADVANCEMENT**



New factoring product with the purpose of receiving in advance the total amount of invoices provided to Bci.

**NEW SME WEB PLATFORM**


SME customers now have a new and modern web platform (www.bci.cl/empresarios) that is direct, easy to use and fast. It allows customers to finance, make purchases and payments, according to their needs.

The support provided by Bci is not limited solely to the development of financial products. It includes support to customers at all stages of their business' development, with the idea of satisfying each need as they are presented.

In this context, though the Shared Value program, Bci seeks to play a key role in the creation of a robust entrepreneurial ecosystem in the country with the capacity to respond to the various requirements of entrepreneurs including incubation, training, recognition, positioning, and stage progression.

Under the conviction that providing stimulus for entrepreneurship is something that can have far reaching benefit, in 2012 Bci consolidated several broad support initiatives that make up a full range of value for entrepreneurship and SMEs. These initiatives are described below:

### BCI BUSINESS CONVENTION

Established in 2008, this free bank-organized event provides a clear benefit for the development of small and medium business. The event connects SMEs to potential clients and customers, chambers of commerce and large buyers, creating new dynamics and business opportunities that otherwise would have been difficult to access. Participating entrepreneurs are given the opportunity to showcase their products and services, and develop new networks. Bci itself additionally provides the event with a full commercial infrastructure offering advice and financing opportunities to those in attendance.

Since its launch, 2,679 companies have participated (2,351 SMEs and 328 purchasing companies) in 16,051 meetings that have led to new business or financing in excess of more than Ch$200,000 million.

In 2012, the Bci Business Convention held in Santiago and Antofagasta, attracted more than 584 companies, 3,500 participants, and both led to over 3,300 business meetings. The events included the Route of Entrepreneurship, which is an innovative initiative that gives entrepreneurs a 15-minute window to present their projects to a special Bci financing team.

### PARTNERSHIPS WITH ENTREPRENEURIAL CENTERS, ASSOCIATIONS, UNIVERSITY INCUBATORS AND STATE AGENCIES

To facilitate the success of the Bci Nace Program, the Bank partnered with a number of business incubators and universities such as Del Pacífico University, La Frontera University and Del Desarrollo University. With Del Desarrollo University, Bci organized training workshops for clients participating in the *Nace* program. In conjunction with Pro Pyme, Bci experts participated in speeches for entrepreneurs across six regions. Additionally partnerships with government economic


development agencies CORFO and Sercotec, led to special SME workshops, where bank customers could receive advice from mentors on improving the performance of their businesses.

#### BCI OUTSTANDING ENTREPRENEUR AWARD

Given for the tenth time in 2012, the award honors the top entrepreneurial business of the year selected by an independent external panel of business experts. This year's award went to entrepreneur Victor Saiz, a *Bci Nace* client, for his company Trum, which brought to market an innovative bicycle, of his own design, for disabled individuals.

#### CORPORATE WATCH PROGRAM

A special TV program developed and pioneered by Bci to support the growth of small and medium enterprises in the country. The segment, which is broadcast by CNN Chile, delivers analysis, advice from guest speakers, management tools, and often features and showcases the Bank's entrepreneurial clients. With segments such as Business Leadership, Regional Routes, Value Added, Entrepreneurs, *Bci Nace*, and others, the program provides client entrepreneurs significant visibility in a commonly inaccessible or expensive advertising medium.

## TEAM MEMBERS (EMPLOYEES)

In 2012, in line with the Shared Value concept, Bci continued to strengthen relationships with its team members, refining its value proposition for recruiting and retaining talent. In short, to provide Bci team members with work that is enriching and fulfilling, and that advances their professional career and personal development.

The employee is of great importance in establishing and consolidating client relationships. Team members are the representatives of the Bank and are often the starting point of a virtuous cycle: satisfied employees generate satisfied customers, which in turn generate satisfied shareholders. In 2012, the Bank conducted an internal study to evaluate more accurately needs and satisfaction of Bci's workforce. After a series of surveys and interviews, the gathered information was analyzed and contrasted with the current benefits offered by the Bank, to see if the needs of the employees were being met.

The results were that Bci was properly serving the needs of its employees - creating Shared Value for them as well as for the institution. To that end, the Bank delivers various benefits that improve the work environment and quality of life for employees. For example, in 2012, the Bank gave bonuses to all employees in celebration of the Bank's 75th anniversary. Other benefits include maternity leave, marriage leave, housing contributions, and education.

Another benefit offered is the *Trabajo a la Medida* (TAM) initiative, which is a flextime program that allows employees to adjust their weekly schedules or work from home. Benefits such as this help ensure Bci is building a valuable relationship with employees as a flexible organization that understands the needs, expectations and realities of those who work for the Bank. This reinforces one of the Bank's founding principles, "the performance of employees is directly linked to the quality of their personal and family life ".

In addition to the above, this year the Bank's Office of Employee Wellbeing under slogan "Bci With You," developed various initiatives including a comprehensive health and benefits program for employees and their families. The *Te Quiero Protegido* (I want you protected) program is designed to help employees address and manage various personal difficulties, including family, legal, and financial, and included a total redesign of the Bank's intranet platform which now provides employees with fast and easy access to all their company benefits.

However there is still room for improvement. As a way to directly include employees in the process, Bci created the program *Bci +1% Colaborador* (team member). The goal of the program is to seek immediate solutions to everyday job-related obstacles in a manner that empowers management and their teams to identify challenges, and offer concrete solutions that are then implemented.

The ideas come from teams in regular feedback sessions, which contributes both to improving the experience of working at the Bank and the organizational climate. The new implemented solutions are shared within the organization through the publication of a report titled *"Escuchamos y lo hicimos"* ("We heard you and we did it").

Examples of "We heard you and we did it":

**WHAT WE HEARD**
Telecanal Service Account Executives working night shifts and weekends, did not have adequate on-site food service, and therefore were forced out into city at an unsafe hour and with severely limited options for healthy food.

**WHAT WE DID**
Bci implemented through its food service provider a delivery service for nights and weekends called Nutrimento, which as a result has increased employee wellbeing and their nutritional food offerings.

Author: Marina Aguirre, Telecanal

**WHAT WE HEARD**
Certain teams needed tools for more rapid internal communication, coordination, and synergy.

**WHAT WE DID**
Employees were trained in the effective use of MS Office Communicator and WhatsApp, thereby improving coordination and communication speed among team members.

Author: Gustavo Villablanca, Human Resources.

**WHAT WE HEARD**
Getting to know the people who you work with in different areas of the Bank can generate better synergies across departments and improve the company's effectiveness as an organization.

**WHAT WE DID**
Bci organized breakfasts where cross departmental teams could meet, strengthen relationships, and interact in a social way.

Author: José Miguel Bravo, Corporate & Investment Banking (CIB).

**WHAT WE HEARD**
There are times when stress is very high, either due to work or personal issues, and we sometimes have little to no time during the day to release tension.

**WHAT WE DID**
A pause for exercises program was implemented, in which employees are given five to ten minutes twice a day to relax, release stress, and engage with each other.

Author: Fernando Perez, TBanc


Among the initiatives in this area, is the President's Program Fund, created in 2008, which seeks to facilitate internal career advancement and strengthen and encourage mobility between areas. This enables the Bank's future leaders to acquire a more comprehensive view of the business and enhance potential future leaders with their corporate vision. In 2012, two cycles of the grants were completed by 19 participants.

Bci also has a Leadership Development Program. During 2011 and 2012, 82 team members were promoted to manager positions and 34 new employees assumed deputy manager roles. In addition, over the course of the past several years, there have been more than 1,600 transfers within the corporation, meaning a development for all team members. These changes reflect the motivation and performance of Bci's corporate team and the opportunities that exist within the Bank for those who are willing to work to fulfill their dreams.

Bci has improved its recruitment and selection process by placing a continually increasing importance on attitude, integrity and sales, in addition to knowledge and skills, which are key criteria in the Bank's customer experience strategy. To this end, the Bank has also strengthened its orientation program *"Así somos"* ("This is us") for new employees, with a special emphasis on customer experience strategy and customer service.

This new orientation program was extended to all employees of the Bank, so that Bci can incorporate new concepts, strengthen corporate values, and emphasize the fundamental role that each employees plays in fulfilling the dreams of the Bank's customers. Additional important improvement models for customer service were also put in place to ensure employees have the tools to deliver memorable service experiences.


**Carlos Fernández / Miguel Branada**

**My business partner and I have been friends since childhood when we played Super Nintendo together. We always wanted to start our own business – one that would be entertaining and challenging at the same time. Today our dreams have come true. Our project "Advergames" is a startup where we develop digital platform games for companies.**

**We began working with prototypes and independent projects long before closing deals with businesses. In this moment our challenge was that our sales cycle from sales pitch to concretion was longer than we planned for, understanding the importance of having working capital.**

**From this moment, we began to work with Bci Nace and received their help with this difficult step. We not only obtained the necessary finances, but we also received excellent customer service. Their representatives responded to our never-ending stream of questions about finances and they've always been there to help facilitate our operation. We are very thankful for Bci Nace's constant support.**

**We hope to keep developing great games and mobile applications that change people's lives and manage to entertain both young and old. We hope to do this of course, beside our faithful bank Bci.**


Bci

# 10.

# CUSTOMER EXPERIENCE AND TRANSPARENCY

## CUSTOMER EXPERIENCE

Since Bci's founding, its strategic focus has always been on establishing and maintaining long-term customer loyalty. To be successful in that endeavor Bci has built trust and confidence with its clients by providing them with responsive service, learning and discovering what makes each of them different, thereby establishing a relationship that spans beyond business.

The Bank's customer experience strategy is to work diligently to learn and empathize with the challenges, motivations and dreams of its clients. Bci strives to connect through earnest and timely interaction and by providing higher-than-expected quality customer service that leaves customers pleasantly surprised. One prime example of this is its *Valor Compartido* ("Shared Value") program, which provides financial advice and support to entrepreneurs who are in the early stages of their enterprises. This program helps entrepreneurs tangibly advance their aspirations, their goals, and their economic objectives.

In 2012, to advance Bci's goal of offering the best customer service experience in Chile's banking industry, Bci began the use of a new model across all channels of client interaction. It implemented changes in method, technology, and work environment under the motto: "Make dreams come true through trustworthy, lifelong relationships with our clients."

As part of this new focus, Bci developed a new model to position its client experience as industry leading. The model focuses on the following seven pillars.

## PILLARS

**1. GOLDEN RULES:** a series of commitments regarding employees, the environment and processes that must be met in all branches, at all times.

**2. SERVICE PROTOCOLS DEPENDING ON CUSTOMER DEMEANOR:** rules that define the role of each position at the branch and how that employee should interact directly with the client, by telephone or by email.

**3. MANAGING WAITING TIME:** Transforming the time a client waits into a positive experience by the use of various interventions.

**4. HOMEOWNER'S ROLE:** The branch manager, as well as any assistant managers, must serve as examples to employees for the implementation of best practices and experiences.

**5. HOST'S ROLE:** Strengthen the role of the person who welcomes clients to the branch.

**6. FLEXIBLE BRANCH ORGANIZATION:** Defines the roles of each employee in the branch depending on the flow of clients during various traffic intervals of the day.

**7. EXPERIENCE MODULES:** Organize the environment, the processes and the branch employees according to the specific needs of the client groups of the branch.

## BRANCHES

-Macul
(Branches and business centers)
-La Concepción
-La Dehesa
-El Rodeo
-Bicentenario
-Las Tranqueras
-Las Condes
(Branches and business centers)
-Clínica las Condes
-Estoril
-Los Trapenses
-Padre Hurtado
-Juan Montalvo
-Luis Carrera
-Mall Plaza Alameda
-Moneda II
-Padre Hurtado Norte
-Plaza San Pío
-Rosario Norte
(Branches and business centers)
-Subcentro Escuela Militar
-Santa María de Manquehue
-Cantagallo
-Luis Pasteur
-Camino El Alba
-San Carlos de Apoquindo
-Antofagasta
(2 Branches and 1 business centers)
-Concepción (2 Branches)

Additionally Bci has defined and established four Criteria of Experience that define employee conduct with clients. Considering that employees directly communicate with clients, they must represent the principles and values of the Bank.

The Criteria of Experience seek to maximize the service experience:

## SECURITY

**ENSURE THEIR SECURITY**

» I am trustworthy.

» I provide continuity in the client service.

» I assure the security of Bank and client assets.

» I act with transparency.

» I assure that customer information is safe-guarded.

## AFFINITY

**CONNECT EARNESTLY AND EMOTIONALLY**

» I get to know my clients and coworkers and take genuine interest in them.

» I put myself in their place.

» I take responsibility for their needs.

» I always act with Bci's "attitude of service".

## DILIGENCE

**ASSESS AND EXECUTE WITH IMMEDIACY**

» I follow through on promises with timely and appropriate actions.

» I have the knowledge that I need.

» I make life easier for clients and I keep them consistently informed.

» My work is always impeccable, detailed and first rate without errors.

» I am agile.

» I anticipate what could happen.

## IMAGE

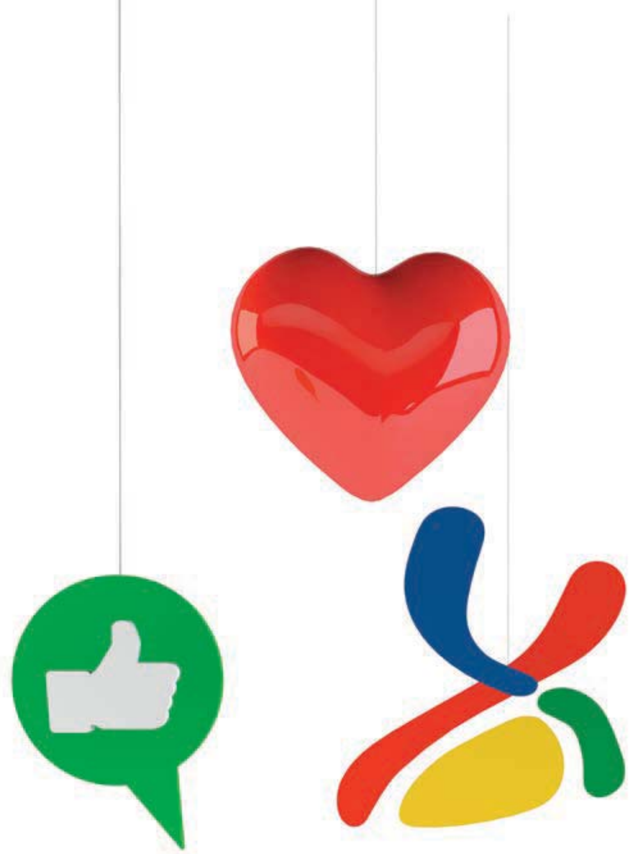
**PROJECT BCI'S VALUES IN EVERY ACTION**

» I act with integrity, respect and excellence.

» I care for my personal image and the image of my team.

» I maintain an impeccable work environment.

» I take pride in being a part of Bci.



## TRANSPARENCY

Transparency is a fundamental value of Bci. Through transparency Bci can build trust and long-term relationships with its clients, who are the basis of the success of Bci.

In 2012, the Bank's transparency strategy centered around three areas:

- Maintaining the Bank's leading position in transparency.
- Building trust with clients in a manner that deepens the relationships over time.
- Create and integrate a strict security protocol for both clients and employees.

In order to put this strategy into action, Bci has two fundamental pillars- the clients and the team members. Bci first strengthens communications to both, under the belief that doing so would successfully provide better transparency.

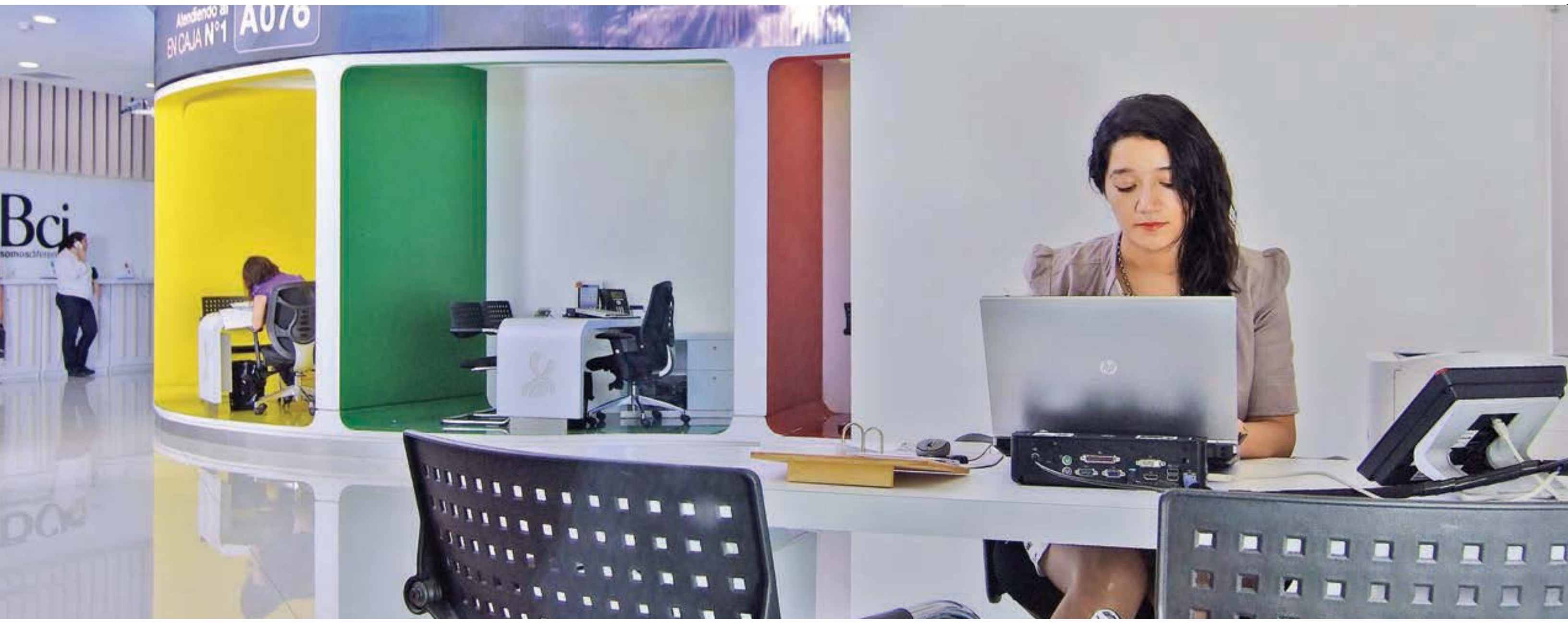
It received more than 240 suggestions through its internal Customer Experience web portal. These ideas were incorporated into the Bank's products and its internal processes. Customer also participated via focus groups with the objective of sharing their experiences with the Bank and enabling it to identify suitable improvements in products and services.

In addition, Bci continued to improve the accessibility of information, and advice given to clients about bank products and services. It promoted responsible use of credit and diffused more information to clients so they can make informed decisions with a special emphasis on the clients in the socio-economic group C3-D. With these initiatives it specifically focused on Chile's fast growing middle class, publishing 12 financial education courses in two of Chile's largest newspapers, *El Mercurio* and *Las Ultimas Noticias,* and in one of its top online news websites, *Emol.*

In 2012 Bci made it a point to keep channels of communication open in order to listen and welcome questions, suggestions and feedback from clients. This included traditional channels such as its Internet Help Desk, as well as newer forms of communication such as SMS text message and Twitter. In 2012, Bci also began promoting the use of the email address bcitransparente@bci.cl, which has provided it with a way to respond rapidly and effectively to client queries.

As part of its diverse transparency initiatives, and to strengthen security protocol, the Bank promoted the education of the new *Sernac Financiero* banking regulations to clients and has placed a major emphasis on complying with them. It also strengthened its customer advocacy program, introduced new, clearer consumer contracts and incorporated additional information about these new initiatives online.

During the past seven years, Bci has advanced significantly in increasing client access to information, in strengthening transparency and in implementing concrete objectives that continue its improvement in these areas. Fourteen of the measures listed here were adopted by the Bank in 2011, and four new in 2012.




# TRANSPARENCY MEASURES ADOPTED IN 2011:

**1. CLEAR AND ACCESSIBLE FEE INFORMATION**
All bank product and service fees and their related details are clearly listed and accessible at bci.cl and tbanc.cl.

**2. IMMEDIATE REFUND**
If there is a charge or fee that the client does not recognize in their checking account the funds are first returned and then analyzed.

**3. INTEREST SAVING MORTGAGES**
Interest on the loan is only charged once the Bank has actually completed purchase of the property, and not from the day the paperwork is signed.

**4. BANKING EDUCATION VIDEOS**
Instructional videos are available for both clients and non-clients online at bci.cl and tbanc.cl that cover many banking subjects from understanding a monthly bank statement to how to request more information on a specific product or service.

**5. FREE FINANCE COURSES AND SEMINARS**
In order to build relationship and trust, Bci provides financial education tutorials free of charge that teach adults how to tackle the subject of money management.

**6. SERVICE CHANNELS AT ANY TIME**
To communicate with Bci, the client is provided with multiple ways of contacting the Bank, including in person at branches, by telephone, through the website, and by email, text message or Twitter.

**7. FOLLOWING UP ON COMPLAINTS**
Every complaint has a response time, an identification number and a follow-up process so the client can always be informed about the state of their issue.

**8. ACCESS TO CEO**
If the solution provided to a client is not completely satisfactory, the client has the option of communicating directly with the CEO by way of the email gerenciageneral@bci.cl.

**9. CUSTOMER ADVOCACY**
Two options for independent mediation exist when an issue arises between a customer and the bank, that cannot be resolved by normal channels. The UC Center for Negotiation and Mediation is the first and the Association of Banks and Financial Institutions is the second. This service is provided free of charge and corresponds to disagreements under approximately UF 600 (around US$ 30,000).


## TRANSPARENCY MEASURES ADOPTED IN 2012:

**10. MONTHLY FEES STATEMENT**
A new monthly fees statement allows customers to visualize the deductions made each month from their checking account.

**11. RETURN GUARANTEE**
If the customer is not satisfied with the plan provided by their checking account, premium account, consumer credit account, or credit card, they have up to 30 days to return it.

**12. PRO PYME (SMEs)**
Rapidly processing and payment for bank SME service providers and suppliers.

**13. CLEAR CONTRACTS**
Shorter contracts in simpler language, free of confusing clauses.

**14. LOAN COMPARISON**
Simulation and comparison of customer loans and mortgages.

**15. PARTNERSHIP WITH *CHILE TRANSPARENTE***
Subscription to *Chile Transparente* in order to implement measures and programs that improve transparency according to international standards.

**16. SPECIAL ATTENTION FROM BCI INSURANCE BROKERAGE**
If a client has not obtained a satisfactory response about Bci insurance, they can contact the Bank by mail seguros@bci.cl, by phone 600 6000 292, or in the Insurance Service office located at Miguel Cruchaga 920, 9th floor, Santiago.

**17. INVESTMENT ADVICE**
The client receives clear and concrete alternatives about investment. The client can request an investment profile that reflects possible investments across Chile, in order to decide which investments would be suitable.

**18. MORE INFORMATION ON THE EMERGENCY CREDIT LINE**
The Bank has introduced improvements in the information available online about the usage of the product, its associated fees, and the contract process. Customers will be informed that they are using their emergency credit lines when withdrawing from Bci's ATMs.

# TECH–NOLOGY

**Richard Salas / Juan Gillermo Muñoz**

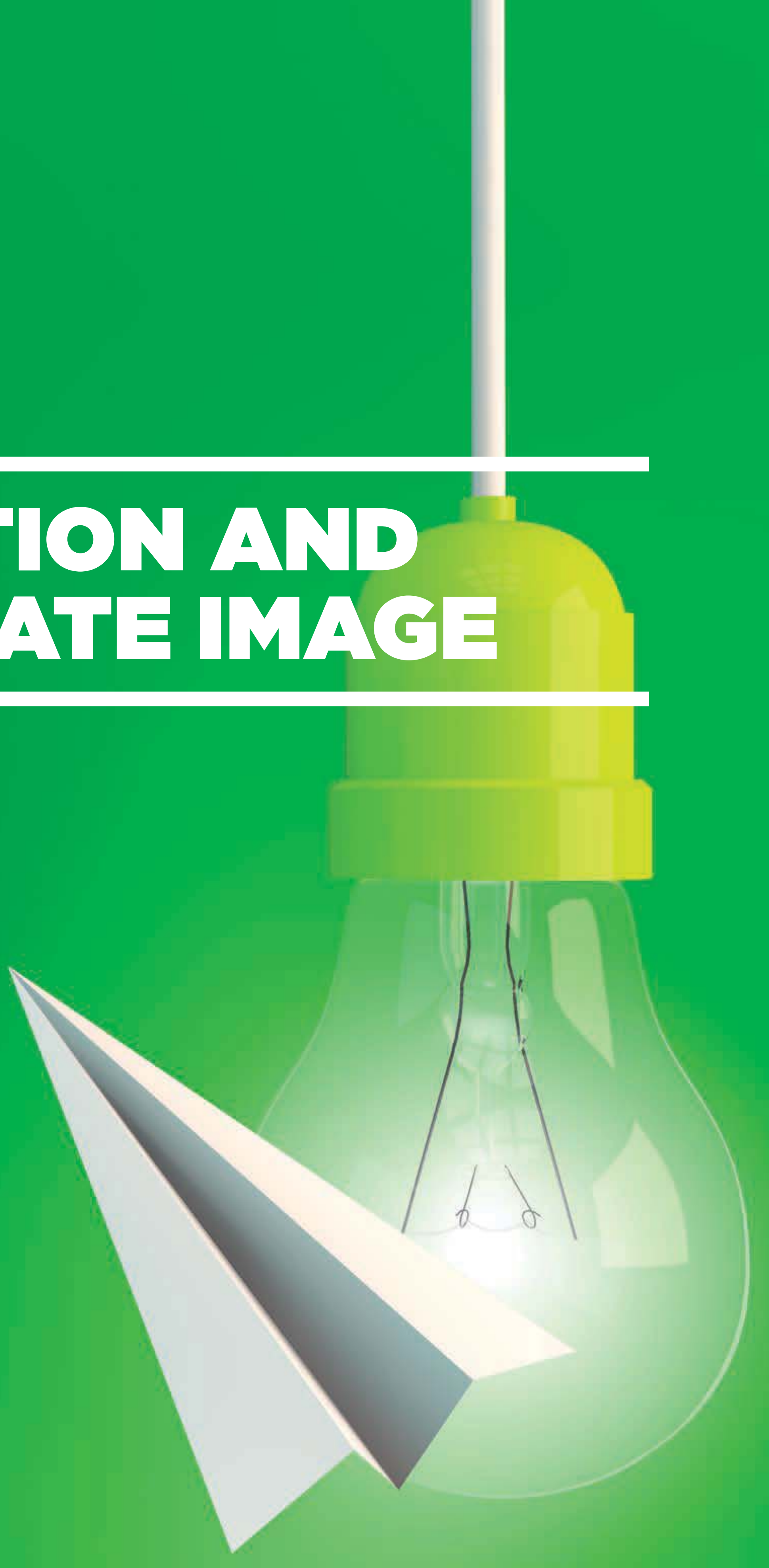
**Witoi is an online mall – it is a platform with a B2B model that groups small and large stores together in one web page. The idea emerged during our university studies when we realized that no centralized page existed where multiple stores could sell their products.**

**From the beginning, the support we have received from Bci has been fundamental for our growth. They provided us with a bank account that was perfect for entrepreneurs like us with no fees for the first few years. They also gave us credit lines, very useful, such as working capital when you are just starting and need to grow your business.**

**We are growing rapidly in Chile, and in a few months we hope to expand our services into the rest of Latin America, beginning with powerhouses of e-commerce like Brazil and Colombia. In the future, the support of Bci will continue to be vital to our business' success.**

# 11.

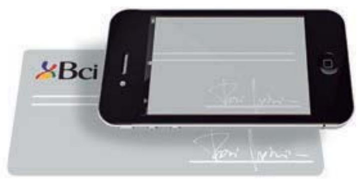
# INNOVATION AND CORPORATE IMAGE



## INNOVATION

In 2012 BCI continued to lead in innovation, receiving distinction as the most innovative company in the financial sector of Chile, the second overall place in the Innovative Business Ranking by the Business Research Center of Higher Education of the Business School (ESE) of Los Andes University, and the award for "Best Bank of Chile", awarded by the British magazine The Banker, where one of the attributes recognized was continuous innovation of security.

Some of its most important innovations of the year included:



## SOCIAL NETWORK INTEGRATION

One of Bci's key social media advancements during the year involved Twitter. A system was developed for the social networking site that allows Bci's customers instant access to their bank balances and history of recent transactions in a secure, rapid, and trustworthy manner.

## MOBILE CHECKS

This innovation, begun by TBanc, permits the remote deposit of checks by Retail Banking clients via photos of checks taken with their smartphones.

## MOBILE APPLICATIONS

During 2012, Bci launched various mobile applications in response to the growing technology demands of a clientele increasingly on the move. These included:

### MOBILE FACTORING

Allows Bci suppliers to receive in advance the money of invoices of the Bank directly from their smartphones.

### *NACE* AND *RENACE* – THE BCI BUSINESS START UP GUIDE

This guide, filled with useful information for entrepreneurs, is accessible by download from the Bci website and as an app for smartphones.

### BCI INSURANCE INFORMATION

This is a mobile application aimed at assisting clients who have suffered some kind of injury or harm and need assistance or to file a claim. It includes access to emergency services, information about filing claims, estimates of insurance costs and more.

### MOBILE CONSUMER CREDIT

Bci is currently the only bank in Chile offering this service. It allows clients to request consumer loans by mobile phone at any hour, any day of the week, and with immediate deposit of the loan into the client's Bci checking account.

## OPEN INNOVATION

In its effort to continually innovate, Bci has developed alliances with important players in Chile's business scene, consistent with the spirit the Shared Value program. Examples include an office for innovation and new businesses opened at Centro Movistar Innova and an agreement with COOWORKS to aid Bci entrepreneurs working from this platform.

## OTHER INNOVATIVE PRODUCTS AND SERVICES

Bci created the Plan *Bci Nace* as the first initiative of the *Valor Compartido* (Shared Value) program, with products especially designed for start up business activities, to help its clients fulfill their business dreams. Also, Bci received the most awards of any bank at the annual FOGAPE awards: N° 1 Financial Institution in Growth, Outstanding FOGAPE Coordinator and Distinguished Small SME Manager.

Additionally, Bci developed new ways to service clients effectively through remote and self-service channels, particularly via the web. This places Bci in sync with new existing technology and better in touch with the needs of its clients. Added to this, is the creation of new preferential benefits for those using Bci credit cards during their travels, as well as for items such as concerts and sporting events. For example, Bci was an official channel for buying tickets to Lollapalooza held in Santiago, which is a world-class music event.

Finally, continuing with its commitment to create a more transparent finance industry, and as mandated by Law 20.555 and its regulations (*Sernac Financiero*), Bci implemented a series of measures to facilitate client understanding of all transactions and easier comparisons between competing products. Among these measures was the ability to contract a PAC by way of accounts at any of Bci branch while contracting consumer, business or mortgage loans, or by way of its Bci/TBanc/Bci Nova credit cards. Also in an effort to improve transparency, Bci includes CAE and CTC indicators in all simulations and all contracts named above. Finally, the Bank incorporated a one-page contract summary and simulation in its transactions and adjusted the account format for its credit cards.

# CORPORATE IMAGE

## 75 YEARS OF SERVICE AND SUSTAINED SUCCESS

The Banco de Crédito e Inversiones brand was created 75 years ago, a name that was later reformulated to Bci. The reputation of the brand name has been consistently strengthened by actions that embody the mission and values of the Bank.

The brand has been developed in accordance with Bci's strategic pillars of client experience, innovation, and supporting the country's businessmen.

Two of the Bank's most outstanding awards were its induction into the Hall of Fame in 2003 and the Gold Effie award it received recently for the success of its communications platform.

Effie Awards Chile awarded Bci "First Place" for the success of its "*Monologos*" campaign. The only previous time Bci had received this award was in 1994 for its "*Somos Diferentes*" ("we are different") ad campaign. And now, on its 75th anniversary, the Bank was awarded another Gold for the effectiveness of this new campaign.

The Bci brand enjoys a strong reputation in business circles, as well as a prospering reputation as the bank for Chilean families, with many identifying with Bci's values and personality.

Throughout its history Bci has known how to use publicity to grow its products and to create a unique and creative message. Among the most successful were its "*Sálvate de la Cuota*" ("delay your monthly payment") campaign, its automobile insurance campaign based on a theme of responsible driving, and its campaign to differentiate its credit cards associated with the *Viaja Acompañado* ("travel with company") program.


In 2012, Bci promoted the extraordinary online experience offered by its digital multiplatforms, thus reinforcing Bci's commitment to be at the forefront of technology by providing the best customer experience, by providing a simple and rapid service, and by assuring the highest security standards.

Year after year, Bci has demonstrated its commitment to responsible marketing with its investment in the nation's media. This commitment is guided not just by efficiency and effectiveness (i.e ratings), but also by its principles and values.

This is how the Bci brand continues to advance. Its success is built on its well-earned reputation and the effective and creative ways that it communicates its products and services. This makes it a brand that is more and more appreciated with each passing day. A brand that is close to the experience of its clients.

# 12.

# BCI'S COMMERCIAL MANAGEMENT

**Bci offers a full range of products at its 388 different offices and contact points throughout the country, all designed to respond to the financial needs of Chile's people and businesses. There are also numerous remote access channels interfacing with Bci, including ATM centers, internet and attention offered by telephone. To deliver optimally integrated services, Bci has several subsidiaries, like asset management, brokerage, finance corporate advisory, factoring and insurance brokerage. This wide variety of products and services simply confirms Bci's commitment to helping the nation's business community in all manners possible.**

## RETAIL BANKING

Bci's Retail Banking service the needs of individuals, start-up businesses and small businesses. They offer a wide range of loans, savings and insurance products. Bci's products and services are available in 330 offices spanning the length of Chile and accessible by way of different remote service channels, including internet, Telecanal, mobile phones and ATM machines.

Services are offered by way of three business units: the Bank of Individuals and Entrepreneurs (*Banco de Personas y Emprendedores)*, TBanc and Bci Nova. Bci also has support offices for Marketing and Corporate Payment Systems and Channels. This structure, together with more than 5,000 employees, allows it to push innovation and to be closer to its clients and their experiences.

In 2012, consumer loans grew 15.7% and allowed the company to meet its goals for market share. At the year's end, market share was at 12.61%, with a 0.42% increase, the best growth in the banking sector.

The Retail Banking introduced several new products, consistent with its strategy of providing excellent service while building closer relationships with clients and encouraging innovation. Outstanding among these were "Cheque móvil," which allows Bci retail clients to deposit checks from a remote location by taking photos of their checks with their smartphones, and the use of Twitter for accessing account information. Another innovation was mobile consumer credit, a service which provides instant, 24x7 access to request consumer credit loans via their mobile phone– a service only provided in Chile by Bci.

### BANK OF INDIVIDUALS AND ENTREPRENEURS (*BANCA DE PERSONAS Y EMPRENDEDORES*)

This bank services mostly individuals and entrepreneurs with the aim of providing them with financial and investment advice, as well as offering them a wide variety of insurance products. To better focus on client needs, this bank is subdivided into three branches: Preferential Banking (*Banca Preferencial)*, Traditional Banking *(Banca Tradicional)* and Premier Banking *(Banca Premier)*. During 2012, as part of the Shared Value program, the Banca de Personas surpassed its goal of funding 4,000 new SMEs, generating over 12,000 new jobs in the country.

### TBANC

TBanc is the first and only bank in Chile that functions entirely remotely, offering services and responding to clients' financial needs by way of phone or internet. Banking can be done from any place, under a system with strict security standards. This allows Bci to offer services to its clients 24 hours a day, seven days a week, with no need to visit a physical banking office.

### *BCI NOVA*

This bank is oriented towards individuals and small businesses. Its aim is to deal with the client's financial needs in a quick, efficient way, building a direct relationship with the client by providing responsible banking services.

Nicolás Dibán Soto† (1955 - 2012)
VP Retail Banking

Ignacio Yarur Arrasate
VP Commercial Banking

Eugenio Von Chrismar Carvajal
VP Corporate & Investment Banking

## II COMMERCIAL BANKING

The Commercial Banking's target market is businesses with yearly sales of more than UF 12,000. Its products and services are available through different areas provided by the Bank, including offices both in Chile and abroad, as well as subsidiaries and representative offices abroad. Loans are offered both in Chilean and foreign currencies, transaction services, payment and collection, factoring, leasing, financial advisory, insurance, a trading desk, derivatives, foreign trade and investments.

This division of the Bank is divided into different business units, including wholesalers, large businesses, real estate, institutional, companies and entrepreneurs. It also includes factoring, leasing and transactional banking.

The aim of the Commercial Banking is to provide support for its clients in order to develop a long term relationship with them. Bank executives are specialized financial advisors who can deliver personalized service to their clients.

The Commercial Banking in 2012 continued its commitment to small and medium businesses by providing support and innovative solutions to their financial challenges. Some of its most important initiatives this past year included:

### *BCI VALOR COMPARTIDO* AND *BCI NACE*

These are programs aimed at increasing the country's economic, social and environmental development through client relations. The Bank firmly believes that new business activity is crucially important for improving society by creating employment and increasing the country's economic growth. This is why the Bank is so committed to those launching new businesses.

### BCI BUSINESS CONFERENCE IN ANTOFAGASTA

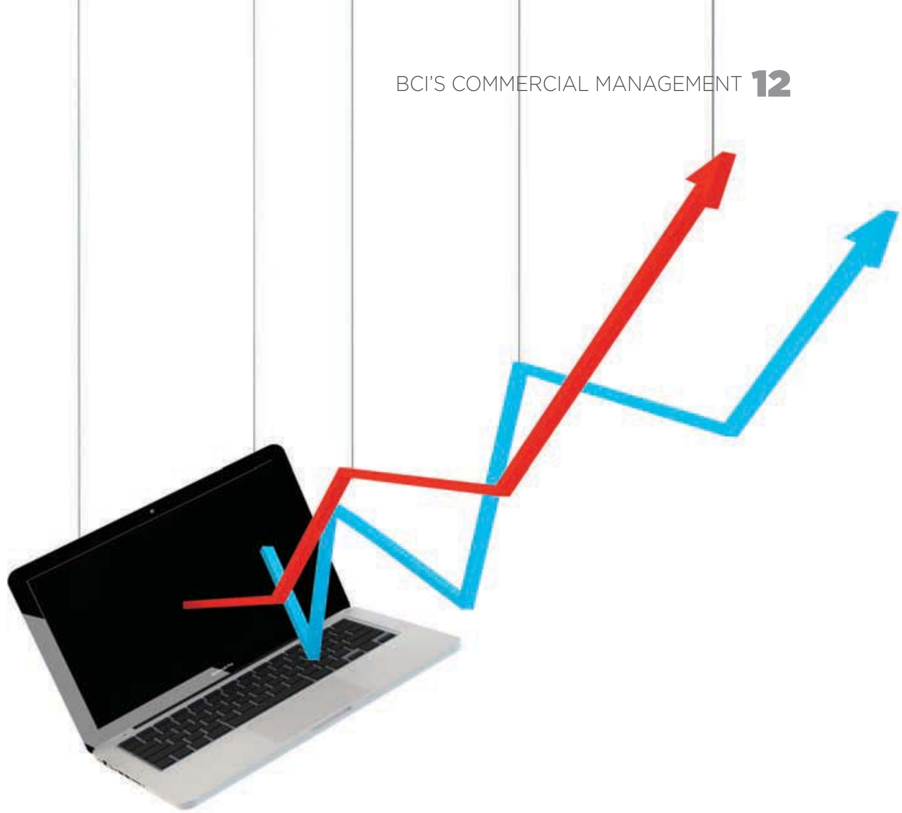
More than 230 businesses participated in the eighth edition of this event which took place for the first time in the northern part of Chile. This kind of multi-sector event creates a unique space for developing business opportunities between large businesses that need suppliers and the small businesses that can provide supplies and services.

### NEW *PYME* (SME) WEBSITE

This new website facilitates business activity and provides 24x7 access to loans by way of the Multiline interface, with all client loan requests responded to within 24 hours.

### ERP CONNECTION

This platform allows Bci clients to make electronic payment directly to their ERP, providing them the kind of service and security they require.



## III CORPORATE & INVESTMENT BANKING (CIB)

The success of Bci Corporate & Investment Banking is the result of a new business model first implemented in 2011 and then consolidated in 2012. The model is led by the Corporate Bank Manager *(Gerente Banquero Corporativo)* who is supported by a team of specialists with considerable market experience. The Director is responsible for coordinating clients with the following business areas that comprise this division: Corporate Banking, Corporate Finance, International Area, Sales & Trading, Private Banking, Wealth Management and Bci Research.

Oriented to meet the needs of large corporations, financial institutions, wealthy investors and capital markets requiring high-value financial services, Bci Corporate & Investment Banking aims to proactively provide integrated solutions for each client's needs. This is done through strategic planning carried out by the different area specialists.

This model has allowed the Bank to position itself as a relevant player for investment products, supported greatly by close client relationships and the deep understanding it has of its client needs. This allows Bci to anticipate client needs, be proactive, and offer flawlessly executed and innovative solutions.

The different areas of Bci Corporate & Investment Banking achieved excellent results in 2012.

### CORPORATE BANKING

This branch consolidated its position by participating in different, highly complex deals requiring high value financial solutions that would add value to the client's business. Large capital commitments were required and decisions had to be made quickly and then carried out flawlessly. Corporate Bank clients were the first to commend the effort, saying they were among the best in the market for proactivity, initiative, understanding client needs and fulfilling promises.

### CORPORATE FINANCE ADVISORY

This division carried out 25 transactions during the year, including financing various projects, issuing bonds, structuring syndicated loans and advising M&A, which reached the amount of US$4.7 billion. This resulted in a 52% increase in business compared to the previous year with profits of over Ch$4 billion (around US$ 8 million), a 46% increase over 2011. This division was also able to position itself among the market's top issuers of bonds in the domestic market.

**INTERNATIONAL AREA**

As part of its diversification strategy – both in terms of geography and in investor type – four key initiatives were undertaken in 2012.

- The second emission of Cebures (bonds) in the Mexican market, executed in line with the previous program approved by Mexican authorities. This effort attracted 1 billion Mexican pesos, or about US$80 million.
- Issue of a bond 144A in international capital markets. The transaction occurred in September 2012, and had a demand of US$3 billion, or five times the amount of the transaction, which demonstrated the strong investor interest in Bci around the world. The transaction closed at US$600 million, over a five-year term, with a coupon rate of 3%, one of the lowest obtained by a Latin American bank, at that time.
- Registration of a commercial paper program in the United States for up to US$1 billion. This was distributed among two Chilean banks and helped diversify the pool of investors and the financing for investments of up to one year.
- In November a syndicated loan of US$115 million was obtained exclusively for the Asian market, allowing the incorporation of new banks to the contact network of financers.
- Additionally in September 2012, permission was granted to Bci by Colombian authorities to open a Bci representative office in that country. Authorization was also sought from Chilean authorities to open an office in Shanghai, China, which should begin operating in 2013.

**SALES & TRADING**

This area is designed to provide fast, innovative solutions for handling financial risks and investments made by corporate, business and institution clients.

The sales area is well known for its outstanding work with clients, both in cash flow and in structuring and consolidating its leadership position in the institutional market and with corporations and companies. In 2012, the sales team successfully participated in the selling of local corporate bonds, assuming the leadership in this market area. The trading desk was selected by Bci's clients as the best banking system in all measurable attributes and in agreement with a separate poll taken by Brain Network.

The trading area has consolidated itself into one of the most efficient and innovative in the market, showing market improvement in 2012 in market participation in fixed income and currencies.

**PRIVATE BANKING**

Private Banking *(Banca Privada)* has an integrated service model for its clients, who are invited to participate in different business proposals. In 2012, together with Bci Asset Management, a thematic private investment fund was launched. This included three real estate funds, a mining fund, and the second emission of capital for the Praderas Fund (agriculture and cattle). Since its creation five years ago, this area has consolidated itself as one of the private banks with the best management of assets and liabilities in the market.

**WEALTH MANAGEMENT**

This area includes Bci Asset Management and *Bci Corredor de Bolsa* (Bci brokerage). They manage stocks and investments, providing specialized advisory in the administration of portfolios.

Of special note in 2012 was Bci Asset Management's creation of new mutual funds, including *Bci Garantizado 108 II*, *Europa Garantizado* and *De Negocios UF*. Each was designed to suit the specific needs of its clients. Additionally, new investment funds were created associated with the mining sector, real estate development, and income. The management of financial assets service (GAF) was launched, providing an investment solution taking into account the client's profile, the level of risk to be assumed and the long term viability of the investment – all depending on the opportunities provided by the market.

Different investment meetings were held in order to strengthen both the institutional and high wealth areas, with *Bci Corredor de Bolsa* sharing its macroeconomic vision of the markets. This helped bring together some of the most important investors in the country. The *Bolsa de Comercio de Santiago* (Commercial Stock Exchange of Santiago) in 2012 recognized *Bci Corredor de Bolsa* as the company with the largest amount traded in *operaciones simultáneas* (leverage operations) during the year.

**BCI RESEARCH**

This area considerably strengthened its contact and services to institutional and corporate clients, continuing to consolidate itself as a top-ranked center for analysis and research in the Chilean market and as an opinion leader for specialized agents. It also provided recommendations for different portfolios, strategies for dealing with fixed income and exchange rate issues, reports for businesses, and reports about Chile's interface with other world markets. Reports were provided for about 95% of the companies listed on the Santiago Stock Exchange. Bci Research was placed on the Bloomberg platform in the areas of the economy and fixed income, thanks to its successful projection of inflation, compared to other national and international investment banks.

## 2012 PROMINENT DEALS

Bci CORPORATE & INVESTMENT BANKING

| INDURA | INVESA Briones | ULTRATUG | SK SIGDO KOPPERS S.A. | Socofar |
|---|---|---|---|---|
| Corporate Finance | Acquisition Finance | Interest Rate Swap | Corporate Bonds | Cross Currency Swap |
| **$25,000,000,000** | **USD 200,000,000** | **USD 40,000,000** | **UF 2,000,000** | **UF 1,900,000** |
| Lead Arranger | Co-Lead Arranger | | Lead Arranger and Co-Book Runner | |
| FEBRUARY 2012 | FEBRUARY 2012 | MARCH 2012 | APRIL 2012 | MARCH 2012 |

| SK SIGDO KOPPERS S.A. | RIPLEY | SQM | PaseoAraucoEstación | Duke Energy |
|---|---|---|---|---|
| Cross Currency Swap | Cross Currency Swap | Cross Currency Swap | Cross Currency Swap | Cross Currency Swap |
| **UF 1,000,000** | **UF 2,000,000** | **UF 22,500,000** | **UF 14,199,799,768** | **UF 52,000,000** |
| MAY 2012 | JUNE 2012 | JUNE 2012 | JULY 2012 | JULY 2012 |

| FORUM | CEMENTOS BIO BIO | ISA INTERVIAL | MASISA más confianza | PacificHydro ASTALDI |
|---|---|---|---|---|
| Corporate Bonds | Syndicated Loan | Ruta de los Rios Sociedad Concesionaria S.A. Syndicated Loan | Corporate Bonds | Central Chacayes Syndicated Loan |
| **UF 1,700,000** | **USD 360,000,000** | **UF 5,130,000** | **UF 2,000,000** | **USD 340,000,000** |
| Co-Lead Arranger Co-Book Runner | Co-Lead Arranger | Co-Lead Arranger | Co-Lead Arranger and Book Runner | Co-Lead Arranger |
| | | | **USD 47,700,000** | **USD 84,014,000** |
| | | | Cross Currency Swap | Interest Rate Swap |
| AUGUST 2012 | AUGUST 2012 | SEPTEMBER 2012 | SEPTEMBER 2012 | NOVEMBER 2012 |

| Telefónica | Duke Energy | saesa GRUPO SAESA |
|---|---|---|
| With Telefónica Móvil Chile S.A. | Ibener Acquisition Finance | Corporate Bonds |
| **USD 50,000,000** | **USD 390,000,000** | **UF 2,500,000** |
| Cross Currency Swap | Lead Arranger | Co-Lead Arranger Co-Book Runner |
| NOVEMBER 2012 | DECEMBER 2012 | DECEMBER 2012 |

# Weaving DREAMS

**Jorge del Carpio**

**Fibras Andinas (Andean Fibers) will launch the first camelid weaving operation in northern Chile. Peruvian alpaca weavings are known all across the globe. Our innovation was in replacing alpaca wool with ultra refined llama wool, which achieves maximum softness and minimal itchiness. Our biggest challenge was finding the capital necessary to make our dreams come true. We made sacrifices like selling our home and other properties in order to improve our odds to raise capital with private investors.**

**Then we accessed funds from Start Up Chile, which gave us the necessary push, but we still needed more capital to continue to grow. Finally we turned to Bci Nace who approved our loan in 14 working days. We invested the funds in a piece of land, buildings in the industrial sector of Arica, and used the rest as working capital. Bci played a fundamental role in our business' development thanks to their high quality financial support and their strong network of strategic partners and potential investors.**

**Our next step will be taking our products abroad, with our own commercial platform in the United States, something we hope to achieve working with Bci.**

Bci

# 13.

# SUBSIDIARIES AND OPERATIONAL SUPPORT UNITS


**01.**

Gerardo Spoerer Hurtado
Bci Asset Management
Administradora de Fondos S.A.
CEO

**02.**

German Acevedo Campos
Bci Factoring S.A. CEO

**03.**

Francisco Cuesta Esquerra
Bci Asesoría Financiera S.A. CEO

**04.**

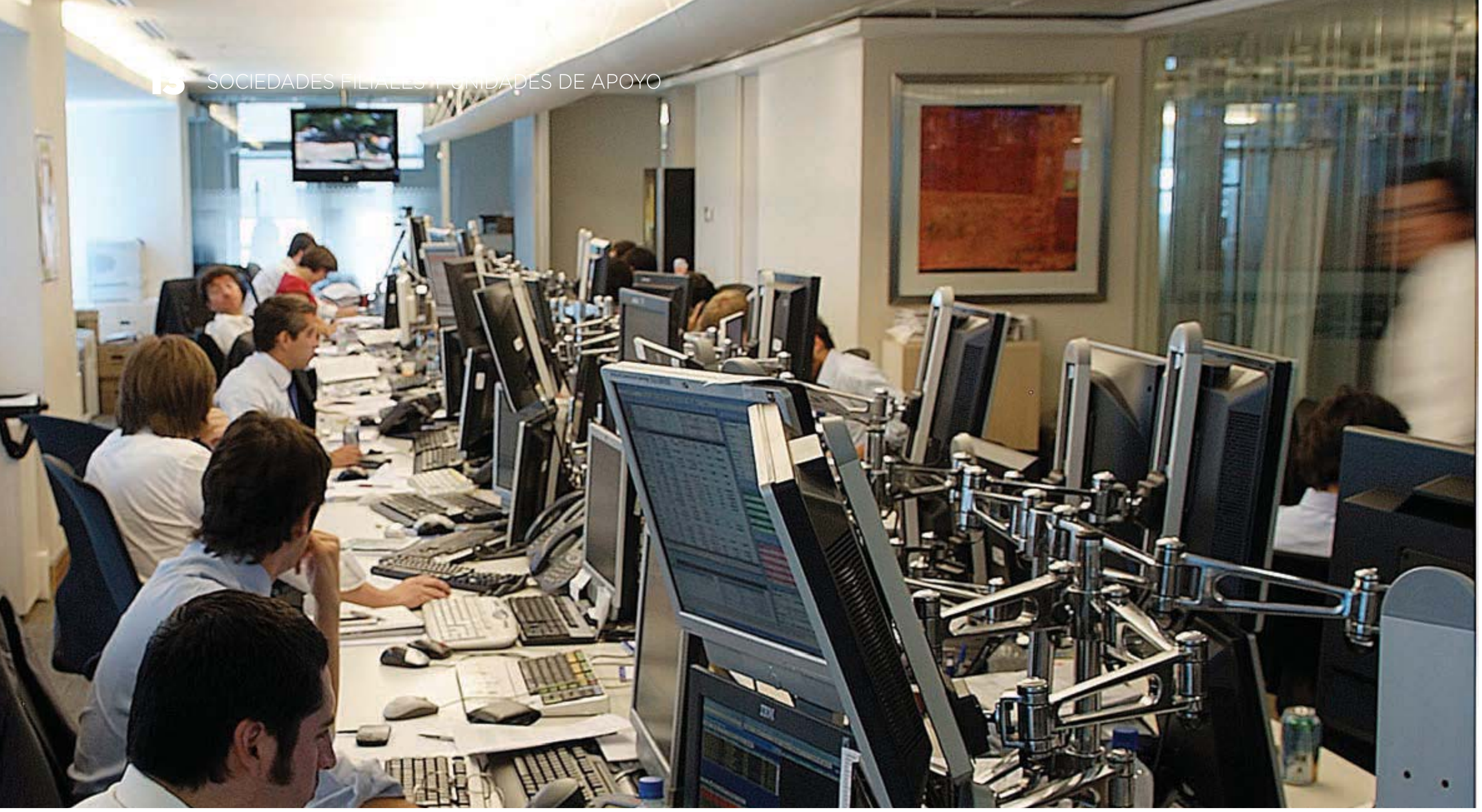
Marcos Castro Vega
Bci Corredores de Seguros S.A CEO

**05.**

Rubén Aracena Yáñez
Servicios de Normalización y
Cobranza Normaliza S.A. CEO

**06.**

Romeo Hodali Sedan
Análisis y Servicios S.A. CEO



# SUBSIDIARIES

### *BCI ASSET MANAGEMENT ADMINISTRADORA DE FONDOS S.A.*

Bci Asset Management *Administradora de Fondos S.A.* was created by the merger in 2011 of *Bci Administradora General de Fondos S.A.* and Bci Asset Management *Administradora de Fondo S.A.,* to provide asset management and investment services via more than 40 mutual funds. These funds provide access to the world's principle economies, markets, sectors, public and private investment funds, voluntary pension funds (APV) and collective voluntary pension savings (APVC).

The subsidiary has a team of over 150 investment specialists and is governed by a disciplined investment process with adequate risk diversification. It offers products tailored to the needs of each investor in terms of risk, return and investment horizon.

Bci Asset Management also uses various types of outreach to strengthen client relationships and empower client participation in the investment world. One primary example of this is the monthly digital magazine Bci Asset Review, which has been published uninterrupted since 2010. The magazine contains a national and international investment synopsis, specific recommendations for investment (multi-portafolios), and information on various Bci financial products. It is available in various formats including web, Apple OS devices and Android, and can be downloaded free via AppStore and Google Play anywhere in the world.

Bci Asset Management has historically been recognized and awarded by FundPro Performance, Salmon and LVA Indices. In 2012, the subsidiary had the highest amount of funds awarded and received the Industry Fund Pro Platinum Performance Award. Additionally, Bci Asset Management was recognized as the top manager of balanced funds for its *Bci Global Titán, Bci Gestión Flexible, Bci Gestión Global Dinámica 20* and *Bci Depósito Efectivo* funds. This recognition is a reflection of expert management and innovation, which resulted in an outstanding performance during the year.

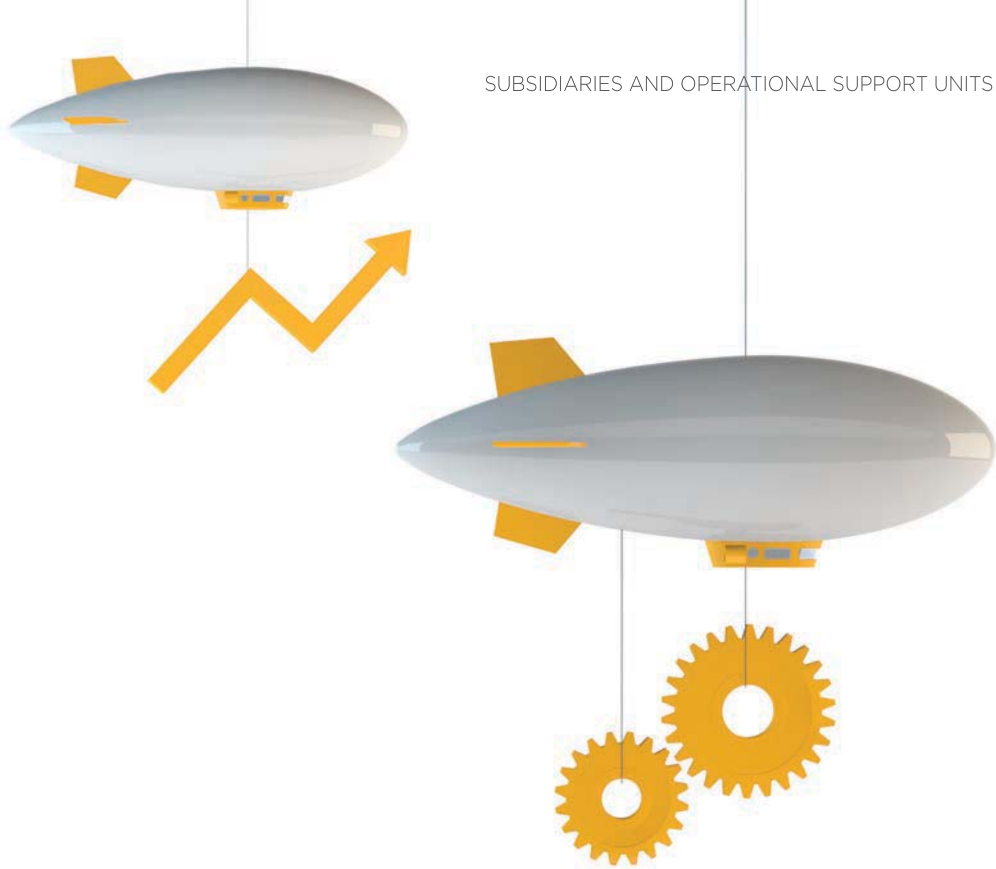
Bci Asset Management has undergone voluntary evaluation by Fitch Ratings in 2009, 2010 and 2011, receiving an M1 - the top public rating - in 2012. As of late 2012, Bci Asset Management was the first and only fund manager to obtain this classification in Chile.

### *BCI CORREDOR DE BOLSA S.A.* (BCI SECURITY BROKERAGE)

*Bci Corredor de Bolsa S.A.* was created in 1990 to offer fixed income and equity investment opportunities, both in the domestic and international market so that their clients could have access to expert advice on portfolio management. This company has become one of the top brokerages in the country, providing services to local family offices, institutional clients, pension fund managers, mutual funds, investment funds, and foreign intermediaries.

*Bci Corredor de Bolsa* together with Bci Asset Management, offers a full range of investments to its clients. It has on staff over 100 highly qualified professionals in investment centers in Santiago, Antofagasta, Viña del Mar, Concepción and Puerto Montt. Additionally, it is equipped with a proficient technological network that keeps clients connected 24 hours a day to local and international information centers.

In 2012, the company invested in setting up new operational systems and technologies in order to attract new institutional and high net worth clients, such as private banks and family offices, while at the same time improving the quality of services for all customers. It also strengthened the sales and distribution team.



### *BCI ASESORÍA FINANCIERA S.A.* (BCI CORPORATE FINANCE ADVISORY)

Created in 1992, this subsidiary offers its customers various advisory services in the field of corporate finance, such as:

» Bank Financing Structuring:
Advice on the structuring and implementation of financing within the financial market, according to the specific needs of each client. Within this category are syndicated loans, project finance, debt restructuring and special financing.

» Structuring Public and Private Financing:
- Corporate Bonds: Advice on the structuring and placement of debt instruments in the capital market.
- Debt Private Placements: Advice on the structuring and placement of debt instruments in the market for private investors.

» Advisory on Mergers & Acquisitions (M&A):
Advice on the merger and acquisition process of companies, as well as partner search.

» Public and Private Capital Offerings:
- Initial public offerings (IPO's) and capital increases: Advice on the process and share placement in the capital market.
- Private Equity: Advice on process and placement with private equity investors.

» Financial Advisory:
Different advisory services including valuations and fairness opinions that enable clients to make financial decisions and strategic choices.

### *BCI SECURITIZADORA S.A.* (BCI SECURITIZATION)

Founded in 2001, *Bci Securitizadora S.A.* works with corporate clients seeking financial alternatives for efficient use of working capital. This subsidiary provides financial solutions to large investors and companies through the acquisition of credit, contracts and cash flows, and the issuance of short and long term debt securities.

Through the application of advanced financial engineering and rigorous management, *Bci Securitizadora* has positioned itself as one of the market's most innovative issuers of securities, structuring innovative and complex instruments, which prove to be solid and effective in the markets.

In addition to the securitization of credit portfolios, contracts, payment rights and future flows, *Bci Securitizadora* also offers structured finance that is a step above traditional offerings and extends the possibility of reducing dependence on traditional financing sources.


**BCI FACTORING S.A.**

Bci Factoring S.A. provides factoring services to companies, especially SMEs, helping create shared value for the country, both economically and socially. It has been established for over 18 years, and its team is fully trained to respond to the financial needs of companies who need to maintain liquidity in the short term.

According to figures provided by the Chilean Association of Factoring Companies (CHEF), in 2012, Bci Factoring S.A. was positioned in first place in the SME segment, achieving a 25% market share, and first place in new customer acquisition with a 30% market share. These rankings are the results of excellence in service, the incorporation of new technological innovations and creating a positive customer experience.

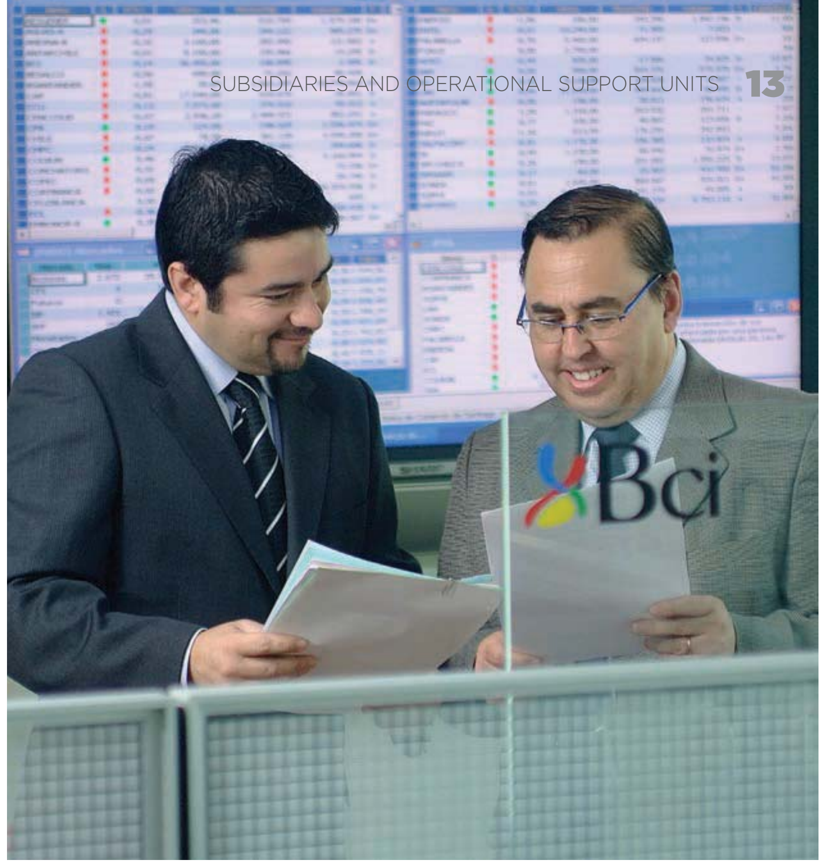
In addition to this business, the company worked with a system of government guarantees administered by CORFO and FOGAPE, which enabled more than 2,600 customers to have access to this type of financing.

In 2012, this subsidiary net profit was Ch$ 14,475 million, which was a 22% increase over the previous year, and above the growth of the Factoring industry.

Bci Factoring S.A. is a member of Factor Chain International (FCI), which provides client access to a network of 264 factors across 73 countries, who collectively are involved in more than 80% of the worldwide factoring business. In 2012, Bci Factoring was the leading factoring firm in Chile with regard to business conducted through FCI transactions, which totaled EUR 110,381,069 with a 51.14% share of the FCI market in Chile.

In 2012, an innovating electronic platform was developed for customers. E-Factoring Total Advance assists suppliers and the Bank with managing the factoring process electronically and remotely, and can provide immediate liquidity to customers.

Continually along its path of innovation, Bci Factoring also developed the E-Factoring Mobile application, which enables clients to factor their accounts receivables from the convenience of their smartphone.




### *BCI CORREDORES DE SEGUROS S.A.* (BCI INSURANCE BROKERS)

Founded in 1994, *Bci Corredores de Seguros S.A.* provides independent and specialized insurance advice to individuals and businesses and offers access to a wide range of products for all types of risks. The subsidiary acts as an intermediary for general insurance contracts, as well as life insurance, working with the top insurance providers in the country, selecting them according to quality of service, experience and reliability.

With a team of 125 professionals, the brokerage provides its customers with an insurance experience that is innovative, based on trust and understanding, and that delivers valuable propositions which create peace of mind with its clients.

As of September 2012, the premium insurance brokerage had achieved more than Ch$ 105,000 million in sales, an annual increase of 3.6%, and the second best performance in its segment. The insurance brokerage ranked fourth in the banking insurance segment with 16.2% of the market, with a positive increase of 1.7% over the same period last year. The subsidiary is in the top five of all insurance brokers in the domestic market.

One of 2012's biggest milestones was Bci being the first Chilean bank to tender fire and earthquake insurance for its mortgage portfolio, successfully obtaining a competitive package that offered better protection and higher quality service to customers.

During this year, *Bci Corredores de Seguros*, with the goal of bringing innovation and connectivity to customers, incorporated Bci Mobile technology and developed the mobile "Assured Care" platform. This application is available on any Apple OS or Android cellphone. Customers can now contact Bci, receive information in emergencies, check available assistance, and register their claims from their mobiles.

### *ANÁLISIS Y SERVICIOS S.A.* (ANALYSIS AND SERVICES)

Established in 1996, *Análisis y Servicios S.A.* has the mission of attracting and qualifying new customers to the Bank. This subsidiary also processes and assesses the preliminary financial background of potential new customers with the goal of ensuring the best placement of the Bank's products and services.

*Análisis y Servicios* has a customer-oriented structure with more than 1,140 account executives trained to provide the best in customer care and service. Special executive teams focus on the Preferential Banking, Premier Banking, mid-tier banking, and Nova Banking lines, as well as in consumer auto loans and home mortgages.

2012 was a very successful year with this subsidiary achieving a 43% increase in new customer acquisitions, both in personal and business banking lines, which resulted in 8,287 new Bci customers.

These excellent results were achieved in part by the subsidiary's induction training program aimed at new team members that they can fully assess potential clients.

### *SERVICIOS DE NORMALIZACIÓN Y COBRANZA S.A.* (STANDARDIZATION AND COLLECTION SERVICES)

*Servicios de Normalización y Cobranza S.A.* (Standardization and Collection Services S.A.) was established in 1998, specializes in maximizing the recovery efforts for non-performing retail banking loans (Individual Banking and Entrepreneurship, TBanc, and Bci Nova) through extrajudicial and judicial collection services. It aims to maintain strict standards in the methods used during the loan recovery process.

*Servicios de Normalización y Cobranza* has a highly qualified team, committed to the values of Bci. It has the latest technology at its disposal, including a call center and homecare management and negotiation divisions stretching from Arica to Punta Arenas. It delivers tailored solutions to each customer's challenges, which in turn safeguards the financial interests of the Bank.

The subsidiary also has an in-house legal collections team with paralegals and attorneys and a network of legal practitioners throughout Chile, all of which has the purpose of representing the Bank's interests in a legal light.

# OPERATIONAL SUPPORT UNITS

Bci has professional support divisions that provide support in various aspects and provides the Bank's teams with additional resources as required. The management of each support unit is conducted jointly by the Bank and the Bank's subsidiaries, providing advice in various fields to ensure proper operation, higher efficiency, better security and efficient process management and resource usage.

### OPERATIONAL MANAGEMENT

Management Support ensures the operational and technological functionality of the Bank according to the following criteria of service, as defined by the Bank: security, proximity, diligence and image. This criteria provides the framework of operation for compliance with internal and external standards, both national and international, and Bci's corporate governance practices.

This division defines the technological guidelines and processes that are the conduit of the plans and projects of the Bank. It is responsible for the technological platform and the daily operation (centrally or through the branch network), managing the purchase matrix, the relationship with suppliers, defining and implementing the innovation strategy, managing corporate projects, proposing changes to the organization regarding key business processes and it is responsible for the administration of the offices and units of the Bank.

With a highly skilled, multidisciplinary team, Operational Management performs all actions that ensure proper performance, operational and technological excellence with security, high quality and efficiency.

#### COMPTROLLER

This unit reports directly to the Bank's chairman with the goal of providing an independent opinion and supervising the quality of accounting and financial reporting, ensuring compliance with internal and external standards, policies and procedures.

It improves and strengthens the Bank's control systems, identifies current and potential risks, and facilitates the implementation and analysis of its recommendations by bank executives.

The Comptroller also has the responsibility of adapting the corporation to regulatory changes introduced in the country, as well as new business, strategic plans and goals developed by Bci.

#### LEGAL

This department oversees, manages, and coordinates all legal services and support required by the Bank and its subsidiaries. Its legal team is highly trained and provides first class service to major Bank customers and partners who also may require these services as part of their business with the Bank.

Guided by the principles of legality, ethics and professional accountability, the legal department supports and collaborates with the Bank on any legal issues that may arise through conducting its business.

Additionally, this unit assists the board of directors and CEO in the work duties related to the board and shareholders' meetings such as issuing minutes of the meetings and coordinating compliance with related legal agreements.

The team also has the important responsibility of representing the interests of the Bank in any lawsuits, litigation and legal actions by third parties against it, and of actively pursuing legal, judicial or administrative remedies.

Finally, this unit represents the different activities in which Bci must express its position in legal or judicial matters.

#### HUMAN RESOURCES

Human Resources assists the Bank in creating the optimal conditions for the development of the Bank's employees, and works to enhance their talents, thereby helping the Bank succeed and grow. This division leads the development and implementation of an integrated human resources strategy, with the focus on building the capacity of the Bank and those who work for it, and ensuring that each employee is aligned with the vision and priorities of the organization, as well as with its values and principles.

Its operating model is focused on the following:

- Developing the capabilities of the organization and its employees.
- Developing an organization-wide mindset of service and excellence.
- Continuous improvement in efficiency and productivity.
- The focus and alignment of the organization.
- The development of specialized and integrated systems.
- The development of knowledge, skills and workplace practices that can help further business objectives.

This operating model is based on three areas:

- Innovation and Development: Specifically the design and implementation of policies, workplace practices, processes, knowledge and products that meet the requirements of the Bank.
- Human Resources Processes: Delivering an efficient, timely and quality service to all employees of the Bank.
- Business Partner: Identifying and providing a timely response to business needs related to employees of the Bank.

#### FINANCIAL PLANNING AND CONTROL

The objectives of this area is planning, directing and controlling the Bank's strategic planning process across long, medium and short-term horizons. It is also responsible for financial control and corporate governance, ensuring delivery of adequate, accurate and timely data of decision making value to senior management, corporate business stakeholders and the shareholders. It is additionally responsible for ensuring compliance with internal and external regulations.

#### CORPORATE RISK

The Corporate Risk Management area is responsible for assessing and monitoring the Bank's risk, comprehensively, whether in terms of credit, market, liquidity or operation, and ensuring that the risk-return continuum is at the optimal level.

This area is also responsible for managing the credit cycle: origination, collection, management and overall risk monitoring of the portfolio. On the financial side, it manages and controls the market and liquidity risks related to investment operations, financing and the management of the structured assets and liabilities of the Bank. On the operations side, it is responsible for the implementation of management models that enable the identification and ongoing mitigation of the operational risks inherent in management information systems, internal processes and legal compliance.

# THE WOOD OF THE FUTURE

**Silvana Ellena**

**Timberecco was founded in 2006 thanks to a Corfo initiative for technological innovation. The company turns recycled industrial and domestic plastics into plastic wood.**

**In 2010, we applied to Bci Nace for an entrepreneur loan. We applied as an early stage startup with a great idea, stable partners and promising prospects for growth. In less than 3 weeks, we were awarded the loan which permitted us to hire a technology consultant and obtain the necessary business and safety licenses required to operate legally.**

**Thanks to the support of Bci, Timberecco is now in a position to begin supplying the market with a unique product that is ecological, sustainable, environmentally friendly, and of high quality. In the manufacturing process Timberecco will recycle at least 80% of their plastic residuals, which would otherwise end up in a landfill.**

**In the near future we hope to open new plants that can transform waste into plastic wood, with the goal of strengthening the sustainability of our project.**

# 14.

# NATIONAL AND INTERNATIONAL PRESENCE

**Bci has an extensive presence throughout Chile with 388 branches and contact points. This allows it to provide quick and efficient services to its customers.**

# OFFICES IN CHILE

Bci has an extensive presence throughout Chile with 388 branches and contact points. This allows it to provide quick and efficient services to its clients.

**CONTACT POINTS**

| | BCI | BCI NOVA | TOTAL |
|---|---|---|---|
| Multiservice branches | 207 | 80 | 287 |
| Auxiliary access points | 12 | 1 | 13 |
| Business platforms | 42 | | 42 |
| Premier branches | 21 | | 21 |
| Private and Preferential Banks | 5 | | 5 |
| Remote attention (TBanc) | 1 | | 1 |
| Points of sale | 18 | | 18 |
| Automated service offices | 1 | | 1 |
| **TOTAL** | **307** | **81** | **388** |

| | |
|---|---|
| **MULTISERVICE BRANCHES** | These offices provide integrated services to clients, including attention by account executives and special services for loans, investments, factoring and special assistance to entrepreneurs, among other services. |
| **AUXILIARY ACCESS POINTS** | These offer basic transaction services to clients, facilitated by an ATM machine and other automated banking equipment. |
| **BUSINESS PLATFORMS** | Executive specialists who provide personal and exclusive services, attending to the needs of determined business segments. |
| **PREMIER BRANCHES** | Designed exclusively for its Retail clients. These are small branches offering business and transactional services, together with automated services. |
| **PRIVATE AND PREFERENTIAL BANKS** | Offices devoted to high-value clients. |
| **REMOTE ATTENTION CENTER (TBANC)** | These centers provide phone and on-line services, 24 hours a day, 7 days a week. |
| **POINTS OF SALE** | Contact points mainly for Retail clients that include sales and post-sales service. |
| **AUTOMATED SERVICES OFFICES** | These offices provide facilities for making deposits, sending money, depositing and cashing checks, securing and cashing vale vistas (cashier's check), and obtaining certified documents. |


## EMBLEMATIC PROJECTS IN 2012

### THE NEW COSTANERA CENTER OFFICE

This office is in the newly constructed Costanera Center, in the borough of Providencia. This is South America's tallest building, the second tallest in the southern hemisphere.

Inaugurated June 8, 2012, this Retail Banking office provides multiservices and the best of Bci technology. It features a lighting system with the corporation's colors and product advertisements on the office walls, along with others that help produce a better customer service such as the rotation of shifts which allows the Manager of Customer Service to deal efficiently with queues. It also has an automated waiting system, providing more efficient service to its clients, and a text messaging system that advises clients – both in and outside the office - that their turn in line is approaching.

### THE NEW OFFICE IN CONSTITUCIÓN

On October 16, 2012, Bci inaugurated a new office in the Maule Region, an area severely hit by the earthquake that occurred February 27, 2010. Following the earthquake, the city of Constitución was divided into three areas that were difficult to get to. Many buildings and urban landmarks had been completely destroyed, obliterating historic points of reference important to the identity of local citizens.

As a part of its mandate for corporate social responsibility, Bci decided to construct a multiservice branch in Constitución to help rebuild the city and to recuperate its sense of identity. With this in mind, a design was selected that recreated the historic image of the old Banco Constitución – an emblematic building constructed in 1912 which had suffered irreparable earthquake damage.

People in Constitución and surrounding areas are often touched when first visiting the new bank. They understand that the design was a gesture by Bci aimed at helping recuperate the city's historic memory.

THE NEW COSTANERA CENTER OFFICE



THE NEW OFFICE IN CONSTITUCIÓN

# INTERNATIONAL PRESENCE

Bci offers financial services for clients importing or exporting to Brazil, Spain, the United States, Mexico and Peru. Bci's presence in these countries diversifies the Bank's investment portfolio.

Its international presence is complimented by alliances and agreements with other foreign banks, thus providing clients access to an extensive banking network that facilitates their operations at a global level.

### MIAMI BRANCH (UNITED STATES)

The Miami office provides services to both individuals and businesses, attending to their business needs in the United States and important international markets. Created 12 years ago, if offers all services expected from an international bank, as well as Bci products and services. These includes: deposits and accounts in the world's principal currencies, cash transactions, Internet banking, lines of credit, foreign trade services, factoring and forfaiting.

### REPRESENTATIVE OFFICES

Bci has had representative offices in Peru, Brazil and Mexico for the past eight years. Their main purpose is to assist the Bank's clients who are doing business in these countries. Additionally, a new office was opened in Colombia in 2012 that began operating during the third quarter of the year.

### A BCI DESK AT THE *BANCO POPULAR ESPAÑA*

The aim of this foreign desk is to provide banking support for Bci clients who seek to begin or maintain business operations in this market.

### NETWORK OF ALLIED BANKS

Bci has established trade relationships with more than 1,000 allied banks in all five continents. This far reaching network allows Bci clients access to financial services in all the world's different markets.

**USER INCREASE IN BCI SOCIAL NETWORK ACCOUNTS**

| SOCIAL NETWORKS | USERS 2011 | USERS 2012 |
|---|---|---|
| Linkedin | 7,338 | 15,964 |
| Facebook | 9,926 | 30,437 |
| Twitter | 7,699 | 21,280 |
| Total | 24,963 | 67,681 |

# REMOTE ATTENTION CHANNELS

Bci has adopted a business model that includes new ways of doing business in line with its clients' changing behavior and with new technologies. This means new remote attention channels are used to assure services are provided to clients in the most quick and efficient way – services that are available anytime, anywhere.

Some of the most important new channels are:

**WEB PORTAL WWW.BCI.CL:**
The Corporation updated its web portal in 2012 to make access and use easier for clients, and to improve the content and navigation of the site. The aim was to improve the customer experience while on the site and increase the perception of its security through greater transparency.

**BCI MOBILE**
This channel permits client access to Bank services through almost any mobile device, allowing them to do the same transactions possible online through the website. Bci also began marketing and selling our products by way of this platform in November, 2012.

**TELECANAL (CALL CENTER)**
This is Bci's telephone attention service. Its aim is to respond to any inquiry or problem that clients may have. It may also be used for soliciting loans and resolving bank emergencies.

**TWITTER, FACEBOOK AND LINKEDIN**
With an enhanced social media presence Bci seeks to reinforce its relationship with its clients and with the community. The real time delivery of corporate information, the opening up of permanent, interactive spaces, and the publication of job offers are themes especially important to young people joining the labor force.

# FROM OUR ROOTS...

**Jaime Camposano**

I come from a long line of pisco producers, starting more than five generations back in 1850 with my great grandfather. When our lease with Pisco Control, which we held since the 80's, expired, I decided to develop a new pisco business.

My knowledge of winemaking and my business studies allowed me to undertake this project. I had the support of two important partners, Juan Carlos Ortúzar and Norman Dabner, who both contributed significantly with their knowledge of marketing and finance. By mid-2010, the Pisquera Tulahuén was born, and in June of 2011, we produced our first bottles of premium Wagar pisco.

At the beginning it was just a personal undertaking pushed through by our desire, and savings and personal loans. But it was thanks to Bci that we were able to take our project to the next level. With the support of Bci Nace, we have developed our exportation plans and increased our production. This support was fundamental in our growth. Thanks to it, we have been able to market, sell, and export our product to the U.S. and most of Western Europe, as well as domestically in Chile.

We were also supported by Vinoteca, an important distributer.
For Pisco Wagar, our goal is to continue increasing our sales, to consolidate our position in current markets and enter new ones. Without a doubt, this will require us to invest in advertising and in increasing our production. In order to accomplish these goals we will of course rely on the assistance of our bank, Bci.


WAQAR
WAQAR
Bci

# 15.

# RISK MANAGEMENT

**The Corporate Risk Management area is responsible for comprehensively evaluating and monitoring the Bank's risk in terms of credit, market, liquidity and operational, and ensuring that the risk-return continuum is at the optimal level.**

## CREDIT RISK

The Bank's credit approval and monitoring processes are structured around international best practices with the incorporation of statistical models for the Bank's group portfolio. This covers both the commercial and retail areas. For individual portfolios, Bci uses its approval and monitoring processes to analyze each portfolio on a case by case basis.

During 2012, Bci continued to refine these processes, placing emphasis on credit approvals for its preferred and massive business segments, increasing the speed and efficiency of the decision, enabling it to be made directly at the point of sale. In the case of individually assessed loan portfolios, their credit control and monitoring processes were improved by incorporating new technology and the use of world-class tools.

With regard to managing credit risk and safeguarding against losses, the Bank continues to use statistical models for group analysis, and individual financial analysis for clients, that due to their size, complexity or level of exposure, warrant individual assessment.

All of this is done in accordance with regulatory requirements, in particular the regulations on credit loss provisions implemented in 2011 by the Chile's Superintendence of Banks and Financial Institutions.

Additionally during 2012, the Bank implemented a new corporate governance strategy relating to the functions of development and the use of statistical models as tools to support credit management, centralizing them in specialized technical units under the guidance and supervision of the board of directors.

## FINANCIAL RISK

The Assets and Liabilities Committee (ALCO) and the Finance and Risk Committee are responsible for reviewing the policy framework that governs the management of financial risk and conducting an exhaustive review of its strategies, the market and regulation. The Executive Committee is responsible for reviewing and approving the policy framework, which must be ratified by the Board of Directors.

For its part, the Financial Risk Management team identifies, measures and manages the potential losses caused by adverse movements in the value of assets and liabilities, including:

- Currency risk and purchasing power risk
- Interest rate risk: base, spread, prepayment, liquidity premiums, and other factors
- Price risk: commodities, stocks, stock indexes, and other factors
- Volatility risk
- Liquidity risk

In order to fulfill its obligations and safeguard its capital, Bci continuously employs various tools for controlling and hedging financial risk. These tools are focused on the control of assets and liabilities, both those at fair value or market value and those accrued.

For accrued assets and liabilities, the Bank conducts asset and liability management, using two models:

- **Spread Risk,** which quantifies the impact on profits produced by a specific movement in interest rates.

- **Market Value Sensitivity,** which quantifies the effect of interest rate fluctuations on the economic value of the Bank's long-term assets and liabilities.

Additionally, the **Value at Risk** (VaR) model is used to examine portfolio financial instruments available for trade, and assists Bci in quantifying the risk of loss on a specific portfolio of financial assets.

Finally, recognizing the critical importance of efficiently managing financial risks, the Bank continues to incorporate and advance its usage of hedge accounting, by strengthening its processes, internal controls, centralization and specialization.

## LIQUIDITY RISK

In accordance with the guidelines of Chile's Central Bank, Bci applies econometric and statistical models to the assets and liabilities of the Bank to adequately manage the liquidity position. Liquidity needs are calculated based on the historical performance of the obligations and the debts of the Bank's clients.

Moreover, internal limits are set by the board of directors, which incorporate early warning indicators, and contingency plans. This allows the Bank to anticipate possible periods of illiquidity, and take swift and effective action as required.

Liquidity risk management consists of 4 key elements:

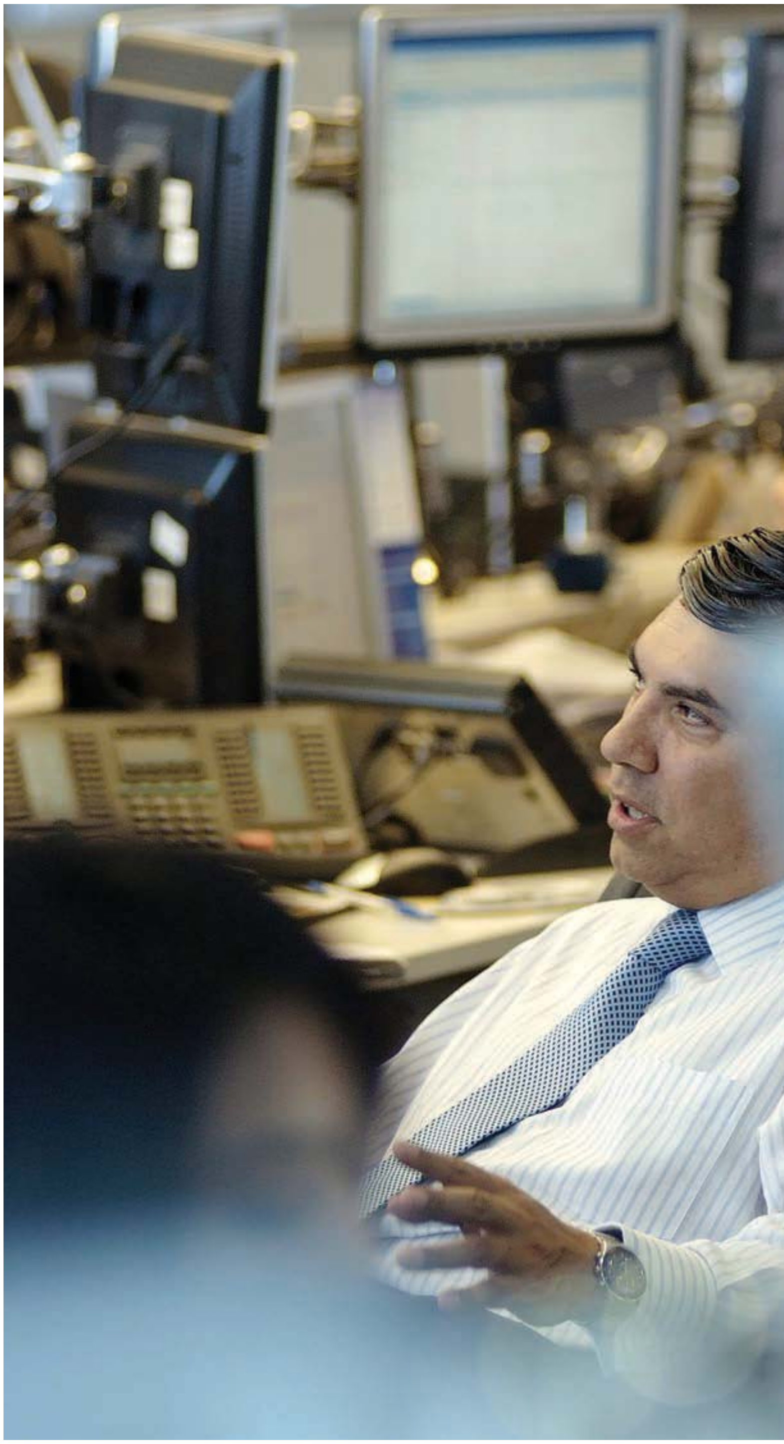
**Liquidity Barrier:** as a fundamental part of the contingency plan, Bci has established a liquidity barrier of highly liquid assets. The amount of the barrier is proposed by the Financial Risk Management team, and is reviewed and approved by the Assets and Liabilities Committee and the Finance and Risk Committee. In line with Bci's transparency policy, the Bank's liquidity position is published on the website. It is reported on a contractual basis and then adjusted, and is based on the last day of each calendar quarter.

**Diversification of funding sources:** opening up access to new international markets enables diversification of investor type, type of financing and geographic location.

**Mismatch Risk modeling:** the Bank uses models to assess possible maturity mismatches regarding the renewal, renegotiation and repayment of loans, as well as renewal rates on long-term liabilities. Models are also used to make predictions on the liquidity of the Bank's investment portfolio, and the usage and payment behavior regarding overdraft accounts and credit cards, among other factors.

**Liquidity Stress Testing:** The Assets and Liabilities Committee and Finance and Risk Committee constantly analyze the adequacy of liquidity during extreme market conditions by stress testing it. Stress testing is a way of qualitatively and quantitatively analyzing stress scenarios. These tests also allow:

- Communication of the Bank's market risk profile to senior management.
- Verification of the consistency and rationality of liquidity thresholds.
- Verification of the consistency and availability of capital.
- Strengthening and improvement of contingency plans.



## OPERATIONAL RISK

In 2006, Bci created a specialized management team focused on properly managing and controlling operational risk. The team provides a framework for proactive risk management based on industry best practices. Its initiatives are incorporated across all bank units, greatly reducing the occurrence of unexpected events, and in turn, mitigating operational losses.

Operational risks are managed directly through risk committees established for processes, suppliers, technology, business continuity and finance. The committees regularly review incurred losses, prepare plans to address their causes, including mitigation plans to manage any operational risks identified.

Bci also has operational risk specialists in the areas of process, technology, business continuity and operational risk management, who work to avoid losses and anticipate potential risks as far ahead of time as possible. It applies a common methodology for identifying, quantifying, mitigating and reporting operational risks.

The security of information is a sensitive issue for both clients and employees. Bci has in place a robust information security strategy based on industry best practices and a General Information Security Policy approved by the Bank's board of directors. The Bank also has a technological infrastructure with specific operational procedures and monitoring aimed at preventing potential attacks on client and bank information.

## CORPORATE COMPLIANCE AND PREVENTION

Bci is committed to the prevention and detection of possible cases of money laundering, terrorist financing and corruption. Corporate Compliance Management and Prevention is the unit responsible for detecting, monitoring and reporting unusual or suspicious transactions that may be linked to these types of activities. The unit is focused on avoiding conduct that could be fined or sanctioned for non-compliance and thus protects Bci's reputation and shareholder's equity.

In accordance with Chilean Law No. 20.393, which establishes criminal liability for offenses of money laundering, financing of terrorism and bribery, in 2010 the Bank implemented a prevention and detection strategy assigning a corporate compliance manager in charge of protection.

In 2012, Bci continued to advance with new technology and procedures for monitoring transactions, and assessing and reassessing high-risk geographic areas, customers with risky activity, as well as new segments and products.

As a way to streamline the prevention and detection of this type of criminal activity, Bci continually trains all Bank employees in the recognition and reporting of questionable banking behavior related to possible criminal activity, so they can actively support the Corporate Compliance Management.

# 16.

# BANKING SECTOR PERFORMANCE

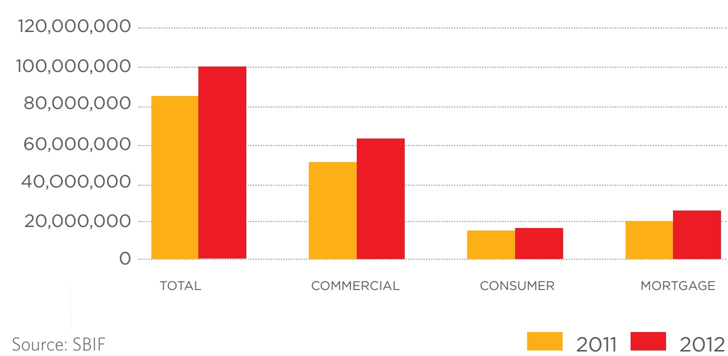
**In 2012, the total banking system loans increased by 14.6% over 2011, showing growth in commercial, consumer and mortgage lending. Total loans surpassed Ch$ 100 trillion (million million) in late 2012.**

Commercial loans, which represented 61.58% of total bank sector loans, increased 15.21% over the previous year. The need for working capital, both in SMEs and large companies, generated this increased demand during the year.

Consumer loans showed a 17.34% increase over the previous year. The growth in the Chilean economy, and continued improvement in employment and income were the driving forces behind the increase. Credit offers remained controlled, due to uncertainties regarding possible regulatory changes.

Home lending showed an increase of 11.56% over the previous year. Although facing increased demand, banks maintained caution and strict requirements for mortgages. This could be associated to potential future risks in real estate, though in 2012 the non-payment debt indicators continued to report declines and remained below historical averages.

**BANKING SYSTEM LOANS (MCLP$)**




Source: SBIF

As of December 2012, total sector consolidated assets were more than Ch$ 140,000 billion, showing an 11.3% increase over the previous year.

Excluding the acquisition of a series of Colombian banks by CorpBanca, deposits and other types of borrowing increased by 7.1%, totalling 60% of total loans, and the main sources of funding.

Banking system profits during 2012 totaled Ch$1,600 billion, a decrease of 4.0% over the previous year. Low inflation and increased risk expense were cited as the causes of the decline. During 2012, inflation registered an increase of only 1.5%, with April estimates coming in at 3.5% and September estimates at around 2.5%. On the other hand, risk expenses, without considering additional provisions, increased 32.56%. Efficiency increased by 92.2 basis points, reaching 50.6%. The banking system did register a 7.6% increase in gross operating income, driven by a 7.7% increase in interest income and adjustments, which in 2012 amounted to Ch$4,300 billion.

| **BANKING SYSTEM** (in billions of Chilean pesos) | 2012 | Var 12/11 |
|---|---|---|
| Net interest and adjustments | 4,313 | **7.73%** |
| Net fees | 1,269 | **4.54%** |
| Net financial exchange transactions | 717 | **21.77%** |
| Gross operating income | 6,465 | **7.59%** |
| Credit risk allowances | -1,373 | **32.56%** |
| Expenses | -3,065 | **10.08%** |
| Income before tax | 1,945 | **-4.73%** |
| Taxes | -297 | **-8.45%** |
| Net Income | 1,648 | **-4.03%** |

Source: SBIF

Return on equity and return on assets reached 14.7% and 1.2% in 2012, respectively, representing a decrease, although the Chilean banking system continued to be one of the most profitable in the emerging markets. As mentioned above, income increased in 2012 under favorable market conditions in the country with a growing economy and low unemployment. The banking system remains strong in line with other industrialized economies.

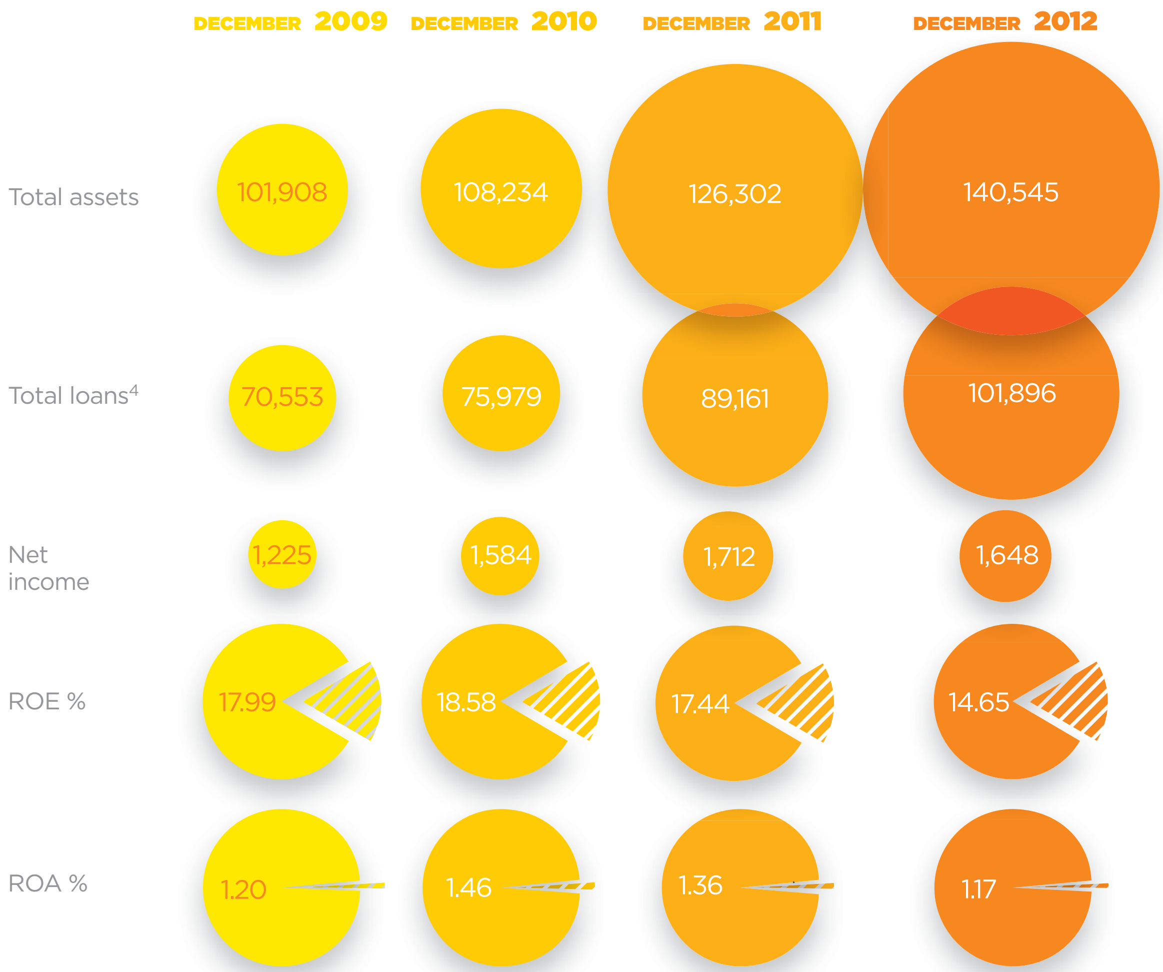
The regulatory required capital of the banking system, which was composed mainly of basic capital, subordinated bonds and additional provisions, as of November 2012 was Ch$ 14,600 billion, representing a 9.2% increase over November 2011.

As of November 2012, risk-weighted assets represented 72.1% of total banking assets. These types of assets made up 73.1% of all Bci assets.

The following table presents the main banking sector figures in comparison with Bci, with the last column listing Bci's market share.

The banking system is well capitalized, with a ratio of regulatory capital to risk-weighted assets of 13.15%, and Bci having an even higher capitalization, reaching 13.73% in November of 2012.

## BANKING SYSTEM
(IN BILLIONS OF PESOS)




## AS OF NOVEMBER 2012
(BILLIONS OF PESOS)


Source: SBIF

[4] Corresponds to the sum of the concepts Due by banks (with the exception of operations with the Central Bank of Chile) and loans and receivables to customers, plus provisions associated with each item.

[5] As stated in Chapter 12-1 Equity for Legal and Regulatory Effects SBIF.


**Cristián Wolleter**

**Our company Efizity was born as an innovative project that could improve energy efficiency by improving the quality and availability of information related to energy consumption.**

**We applied first to Start-Up Chile and were selected. With the program's resources we were able to develop the first version of our platform and test the market for adequate demand. Our project next went on to win an innovation competition organized by the Innovation Center of Un Techo Para Chile and Socialab, and we were also finalists in the Green Start-Up competition organized by Fundación Chile - UDD.**

**Our first interaction with Bci was during the Green Start-Up competition, where we were invited to present our project to them and analyze how we could implement our platform in the Bank's branch network. This is how Bci opened their doors for us, and to this day we continue working with the objective that they'll become our first customer in the commercial segment.**

**Bci Nace has provided us access to a variety of traditional banking products such as a checking account, certificates of deposit and credit. Bci understood from the beginning that in our development stage we needed support and flexibility, which they provided. And now, we look forward to continuing to work with Bci as we expand our business.**

# 17.

# PERFORMANCE GRAPHS AND FIGURES


## The following graphs display the evolution of Bci's income from 2003 - 2012, in nominal pesos:

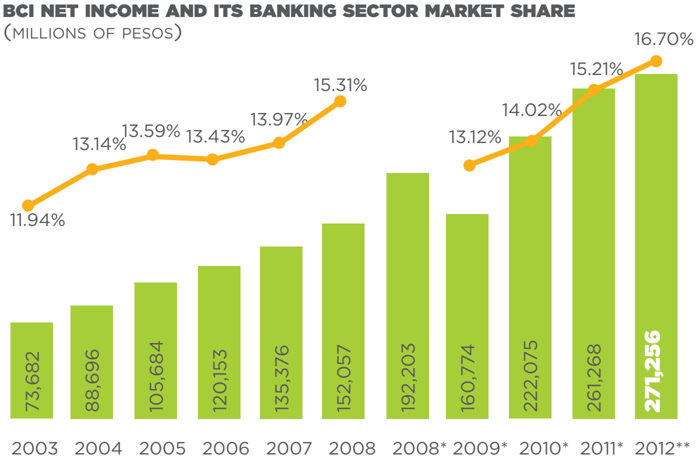
### A) INCOME

In December 2012, Bci achieved record high profit in the amount of $271,256 million pesos. Its market share also reached an historical high of 16.46%. Notably, Bci's increase in net income contrasted favorably to the 5.4% decline seen across the rest of the banking system.

However, if you exclude the effect of Corpbanca's purchase in Colombia, Bci's market share increased from 15.21% on 2011 to 16.70% on 2012.

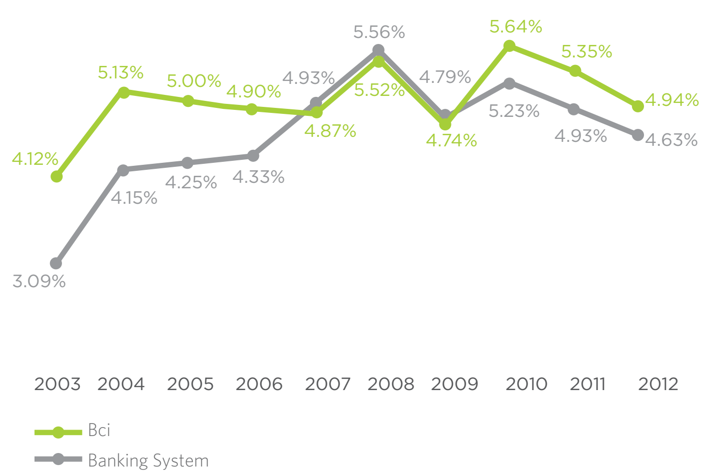
The net interest margin, which measures interest earned and interest paid, relative to interest earning assets, was 4.94% in December 2012, higher than that generated by the banking sector.

**BCI NET INCOME AND ITS BANKING SECTOR MARKET SHARE**
(MILLIONS OF PESOS)



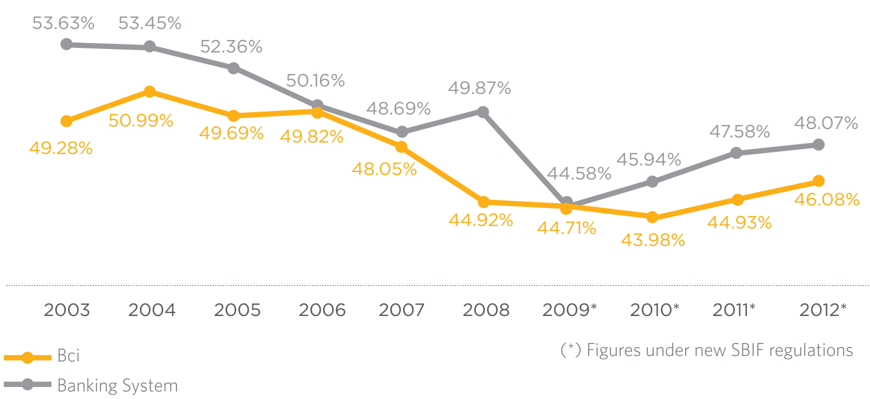

(*) Figures under new SBIF regulations.
(**) Market share without considering Corpbanca's acquisitions in Colombia.

**NET INTEREST MARGIN: BCI AND BANKING SECTOR**



The operational efficiency ratio illustrates the ratio of support costs to gross operating income. Bci's efficiency ratio was 46.08% in 2012, outperforming the banking sector as a whole (which reached 48.07%).

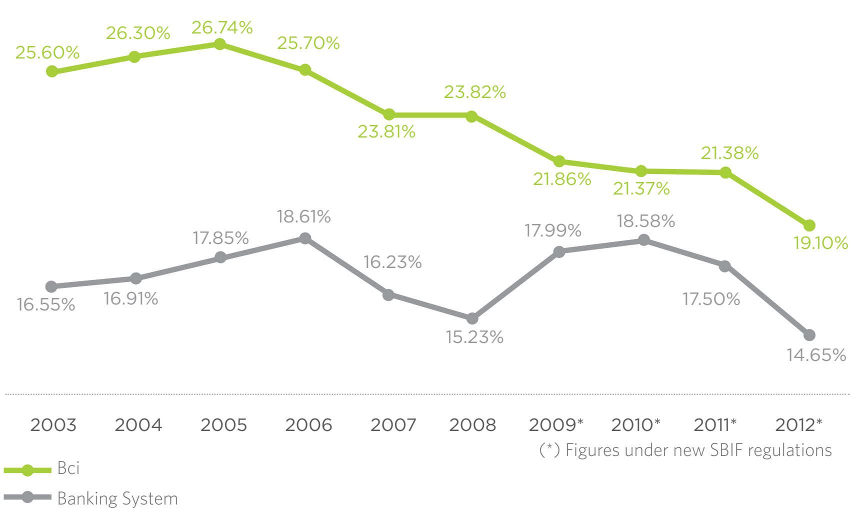
### BCI'S AND THE BANKING SECTOR'S EFFICIENCY RATIO




(*) Figures under new SBIF regulations

In 2012, Bci achieved a return on equity (ROE) of 19.10%, lower than previous years due to a less favorable global economic environment and ongoing capital increases through the capitalization of profits. However, the yield was still higher than the banking system's 14.65%.

### RETURN ON EQUITY (ROE)



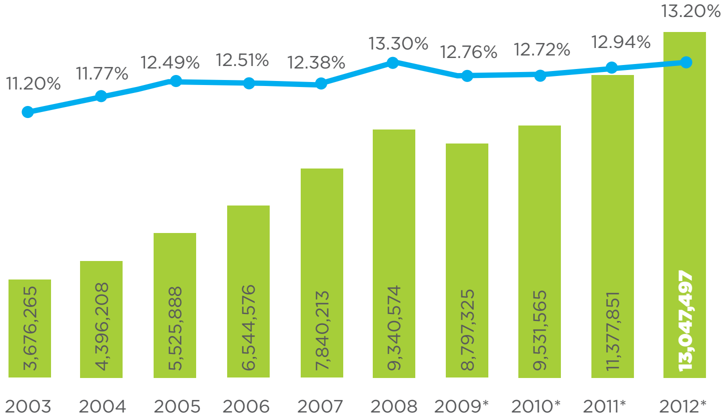

(*) Figures under new SBIF regulations

## B) MARKET SHARE

Bci's total accumulated loans (net of interbank) in December 2012 amounted to nearly Ch$ 13,050 billion (thousand million), 14.7% higher than in 2011. With this, Bci's market share in the banking system increased from 12.94% to 12.95%.

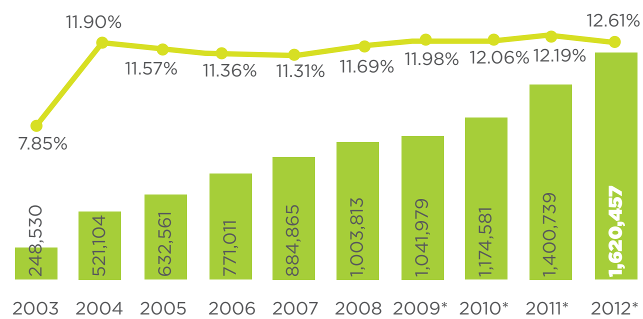
However, if you exclude the effect of CorpBanca's purchase of Santander in Colombia, whose loans were consolidated in CorpBanca in Chile, Bci's market share actually increased to 13.20% in 2012.

**TOTAL BCI LOANS AND MARKET SHARE**
(MILLIONS OF PESOS)




(*) Figures under new SBIF regulations.
(**) Market share without considering Corpbanca's acquisitions in Colombia.

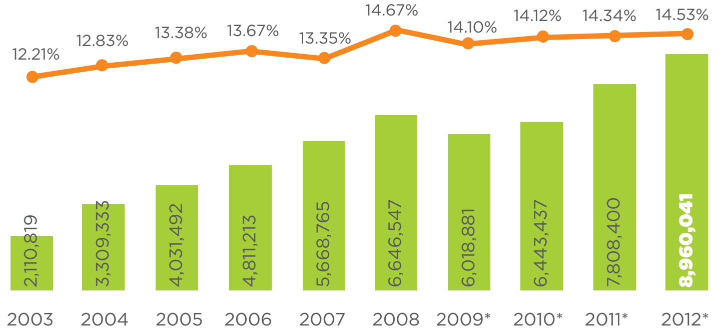
**CONSUMER**




(*) Figures under new SBIF regulations.
(**) Market share without considering Corpbanca's acquisitions in Colombia.

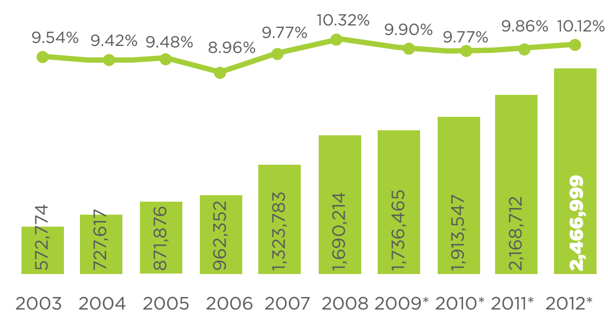
Total loans consists of commercial, consumer and mortgage loans. As can be seen in the following graphs, the Bank has steadily increased loan volumes in each of these segments.

**COMMERCIAL**




(*) Figures under new SBIF regulations.
(**) Market share without considering Corpbanca's acquisitions in Colombia.

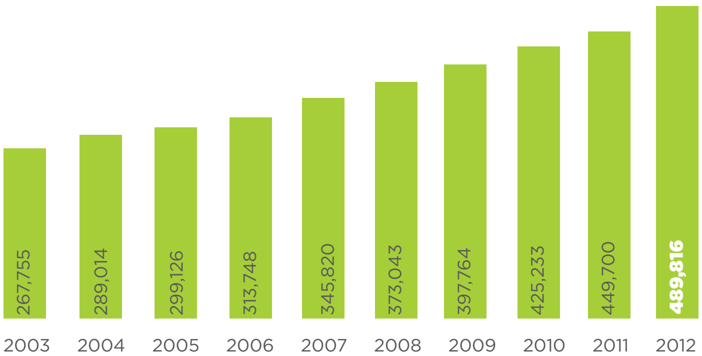
**MORTGAGE**



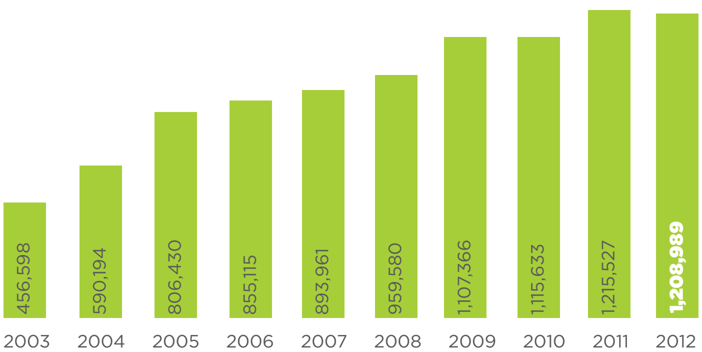

(*) Figures under new SBIF regulations.
(**) Market share without considering Corpbanca's acquisitions in Colombia.

In 2012, Bci continued to show strong growth in the number of current accounts with an 8.92% increase over December 2011. The Bank's NIBD accounts did see a slight decrease of 0.54% compared to December 2011.

#### NUMBER OF CURRENT ACCOUNTS (DECEMBER OF EACH YEAR)



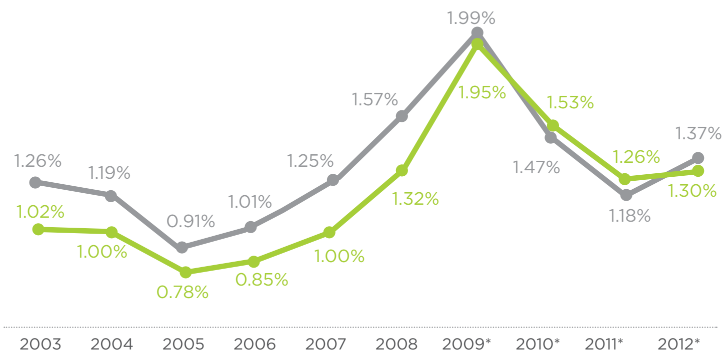

#### NUMBER OF DEMAND ACCOUNTS




## c) RISK

The allowance expense ratio, which measures net allowances against loans, was 1.3% in 2012. This rate was similar to the previous year and compares favorably with the banking sector's 1.37%.

#### ALLOWANCE EXPENSE OVER LOANS




(*) Ratios calculated in accordance with new Sbif regulations.

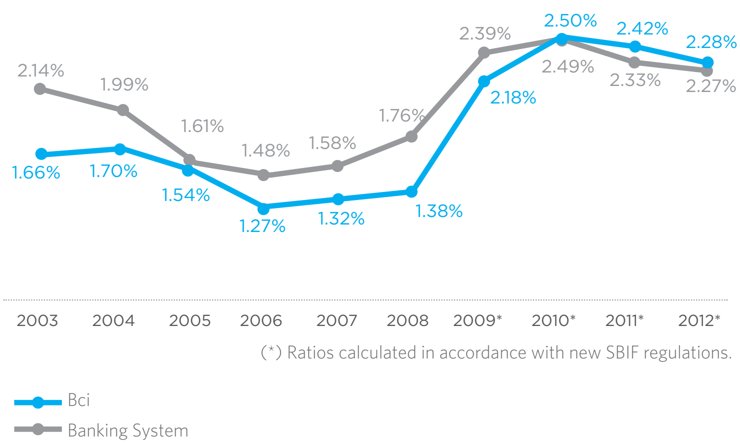
The net allowances figure during the year reflects, in part, the negative effects of the deterioration in risk of retail companies, power generation companies, and the reclassification of industrial companies, as well as the decrease in allowances to the salmon industry and the payment of part of its debt, and the improved risk classification of construction companies.

The risk ratio, which measures the ratio of allowances to total loans, decreased to 2.28% in December 2012, which compares favorably with the levels shown in the previous year.

## D) LEVEL OF CAPITAL AND BASEL

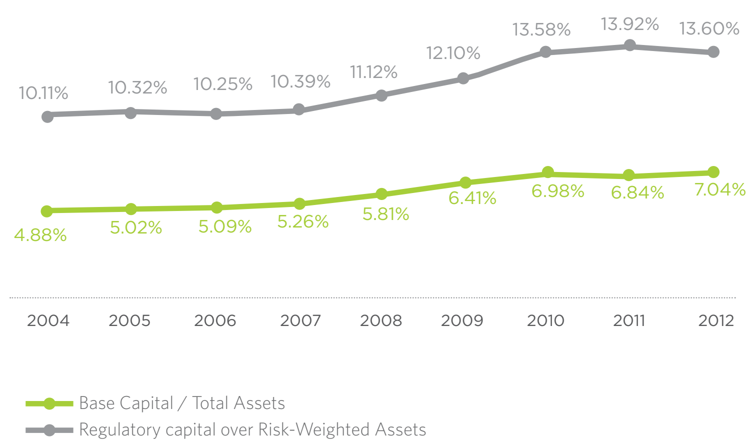
Ratios of effective equity to risk-weighted assets and basic capital to total assets were 13.6% and 7.04% respectively. These were above the internal limits set by the Bank and well above regulatory minimums set by the SBIF of 10% (for banks with branches abroad) and 3%.

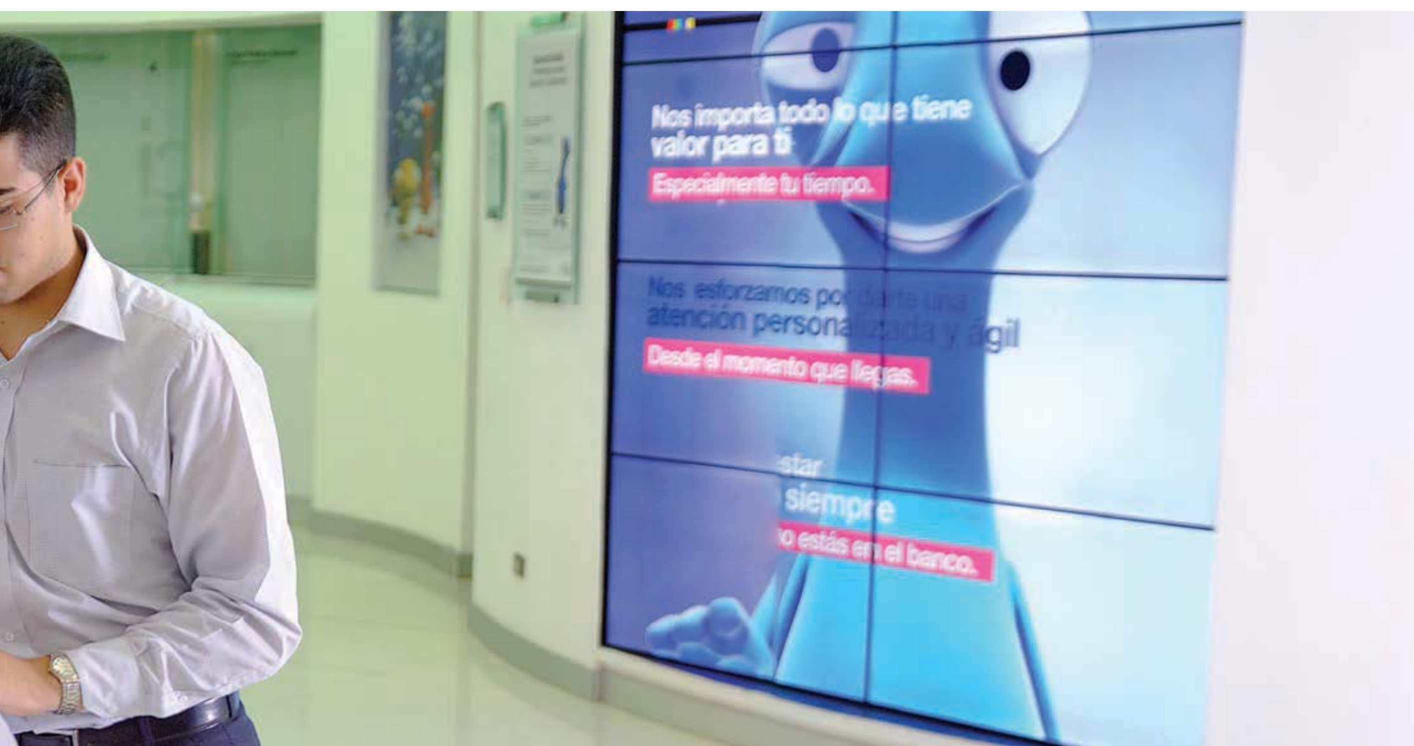
**RATIO OF ALLOWANCES TO TOTAL LOANS**



(*) Ratios calculated in accordance with new SBIF regulations.

**BASEL RATIO**




**Aldo Labra**

**Our idea originated in 2009 after seeing that the processes for obtaining high-purity copper had become significantly less efficient over the past 25 years. Today, copper must be reprocessed, sometimes multiple times before achieving the final product.**

**We began thinking about how to close this operational gap and reduce costs. We developed a new way to reach the physical and electrical homogeneity of copper using anode-cathode technology. With this concept in mind Innovaxxion was born. We participated in the II World Class Suppliers Program, a special initiative led by Codelco and BHP Billiton, and we were one of the selected projects.**

**The project was also awarded a grant from Innova Chile, which provided us with new funding, but we began to require financial support from a bank. After knocking on doors, we realized how difficult it was to receive support for startup projects from banks. However, Bci Nace welcomed us with open arms, believing in us, in our project and supporting and guiding us from the beginning.**

**Our ultimate goal is to become a world-class reference for exporting knowledge and high technology for mining, a goal that we hope to fulfill always with the support of Bci.**

# 18.

# CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

For the years ended
December 31, 2012 and 2011

CONTENTS



| | |
|---|---|
| $ | Chilean Pesos |
| MCLP$ | Million of Chilean Pesos |
| US$ | American Dollars |
| MUS$ | Thousands of American Dollars |
| UF | Unidad de Fomento |

Deloitte.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Banco de Crédito e Inversiones

We have audited the accompanying consolidated financial statements of Banco de Crédito e Inversiones and its subsidiaries (hereinafter "the Bank"), which comprise the consolidated statements of financial position as of December 31, 2012 and the related consolidated statements of income, statements of comprehensive income, statements changes in shareholders' 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 accounting standards and instructions issued by the Superintendence 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards 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 risk of material misstatement of the consolidated financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Bank´s 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 entity´s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness 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, 2012, and the results of' their operations and their cash flows for the years then ended in accordance with accounting principles and instruction issued by the Superintendence of Banks and Financial Institutions.

### Other matters

The financial statements of Banco de Crédito e Inversiones and subsidiaries for the year ended 31 December 2011 were audited by other auditors who issued an unqualified opinion on them in their report dated February 28, 2012.

Deloitte

February 25, 2013
Santiago, Chile

Juan Carlos Jara M.
Partner

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BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2012 and December 31, 2011 *(figures in millions of Chilean Pesos MCLP$)*

| | Notes | December, 31 2012 MCLP$ | December, 31 2011 MCLP$ |
|---|---|---|---|
| ASSETS | | | |
| Cash and deposits in banks | 5 | 1,459,619 | 1,199,581 |
| Items in course of collection | 5 | 394,396 | 275,473 |
| Trading portfolio financial assets | 6 | 1,223,519 | 1,242,478 |
| Investments under agreements to resell | 7 | 134,808 | 73,547 |
| Derivative financial instruments | 8 | 469,156 | 636,952 |
| Loans and receivables from banks, net | 9 | 88,306 | 72,594 |
| Loans and receivables from customers, net | 10 | 12,748,124 | 11,100,554 |
| Financial investments available for sale | 11 | 771,381 | 829,590 |
| Investments in other companies | 12 | 67,235 | 61,379 |
| Intangible assets | 13 | 80,968 | 78,401 |
| Property, plant and equipment, net | 14 | 205,057 | 206,411 |
| Current income tax provision | 15 | 4,237 | 8,688 |
| Deferred income taxes | 15 | 60,109 | 47,545 |
| Other assets | 16 | 219,663 | 276,468 |
| TOTAL ASSETS | | 17,926,578 | 16,109,661 |
| LIABILITIES | | | |
| Current accounts and demand deposits | 17 | 3,618,365 | 3,172,480 |
| Items in course of collection | 5 | 248,898 | 157,092 |
| Obligations under agreements to repurchase | 7 | 325,163 | 350,319 |
| Time deposits and savings accounts | 17 | 7,222,588 | 6,749,054 |
| Derivative financial instruments | 8 | 428,236 | 625,623 |
| Borrowings from financial institutions | 18 | 2,060,444 | 1,847,094 |
| Debt issued | 19 | 2,065,074 | 1,473,634 |
| Other financial obligations | 19 | 115,069 | 114,827 |
| Deferred income taxes | 15 | 44,605 | 37,048 |
| Provisions | 20 | 179,425 | 170,129 |
| Other liabilities | 21 | 198,754 | 190,312 |
| TOTAL LIABILITIES | | 16,506,621 | 14,887,612 |
| SHAREHOLDERS' EQUITY | | | |
| Attributable to equity holders of the Bank: | | | |
| Capital | 23 | 1,202,180 | 1,026,985 |
| Reserves | 23 | - | - |
| Accumulated other comprehensive income | 23 | 27,897 | 12,172 |
| Retained earnings: | | | |
| Net income for the year | 23 | 271,256 | 261,268 |
| Less: Accrual for minimum dividends | 23 | (81,377) | (78,380) |
| TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK | | 1,419,956 | 1,222,045 |
| Non-controlling interest | | 1 | 4 |
| TOTAL SHAREHOLDERS' EQUITY | | 1,419,957 | 1,222,049 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 17,926,578 | 16,109,661 |

Notes 1 to 38 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, 2012 and December 31, 2011 *(figures in millions of Chilean Pesos MCLP$)*

| | Notes | For the years ended December 31 2012 MCLP$ | 2011 MCLP$ |
|---|---|---|---|
| Interest income | 24 | 1,127,026 | 996,970 |
| Interest expense | 24 | (531,843) | (441,620) |
| Net interest income | | 595,183 | 555,350 |
| | | | |
| Income from services fees | 25 | 239,958 | 213,456 |
| Expenses from services fees | 25 | (50,264) | (44,185) |
| Net service fee income | | 189,694 | 169,271 |
| | | | |
| Trading and investment income, net | 26 | 37,762 | 131,523 |
| Foreign exchange gains (losses), net | 27 | 63,268 | (66,762) |
| Other operating income | 32 | 18,953 | 18,379 |
| Operating Income | | 904,860 | 807,761 |
| Provisions for loan losses | 28 | (135,275) | (122,314) |
| OPERATING INCOME, NET OF LOAN LOSSES, INTEREST AND FEES | | 769,585 | 685,447 |
| | | | |
| Personnel salaries and expenses | 29 | (234,923) | (203,418) |
| Administrative expenses | 30 | (145,327) | (123,595) |
| Depreciation and amortization | 31 | (38,850) | (37,521) |
| Impairment of fixed assets | 31 | (642) | - |
| Other operating expenses | 32 | (29,299) | (17,036) |
| TOTAL OPERATING EXPENSES | | (449,041) | (381,570) |
| | | | |
| TOTAL NET OPERATING INCOME | | 320,544 | 303,877 |
| | | | |
| Gain attributable to investments in other companies | 12 | 6,559 | 8,482 |
| Income before income tax | | 327,103 | 312,359 |
| | | | |
| Income tax | 15 | (55,847) | (51,090) |
| Consolidated net income for the year | | 271,256 | 261,269 |
| Income from discontinued operations | | - | - |
| CONSOLIDATED NET INCOME FOR THE YEAR | | 271,256 | 261,269 |
| | | | |
| Attributable to: | | | |
| Equity holders of the Bank | | 271,256 | 261,268 |
| Non-controlling interest | | - | 1 |
| | | 271,256 | 261,269 |
| Earnings per share attributable to equity holders of the Bank: | | | |
| (stated in CLP$) | | | |
| Basic earnings | | 2,563 | 2,504 |
| Diluted earnings per share | | 2,563 | 2,504 |

Notes 1 to 38 are an integral part of these consolidated financial statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2012 and December 31, 2011 *(figures in millions of Chilean Pesos MCLP$)*

| | For the years ended ended December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| CONSOLIDATED NET INCOME FOR THE YEAR | 271,256 | 261,269 |
| Other comprehensive income, net of income tax | | |
| Translation differences of foreign operations: | | |
| Net gain /(loss) on investment hedging of foreign operations | (926) | 3,737 |
| Total translation differences of foreign operations | (926) | 3,737 |
| Cash flow hedges: | | |
| Net gain /(loss) on cash flow hedges | 12,682 | (1,810) |
| Net amount transferred to income | (676) | (2,130) |
| Total cash flow hedges | 12,006 | (3,940) |
| Available for sale investments | | |
| Net gain /(loss) on available for sale investments | 9,594 | 5,353 |
| Net amount transferred to income | (2,770) | (58) |
| Total available for sale investments | 6,824 | 5,295 |
| Income tax attributable to other comprehensive income: | | |
| Income tax attributable to available for sale investments | 399 | (415) |
| Income tax attributable to cash flow hedges | (2,578) | 872 |
| Total income tax attributable to other comprehensive income | (2,179) | 457 |
| Total comprehensive income | 15,725 | 5,549 |
| Total comprehensive income for the year | 286,981 | 266,818 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to equity holders of the Bank | 286,981 | 266,817 |
| Comprehensive income attributable to non-controlling interest | - | 1 |
| Total comprehensive income | 286,981 | 266,818 |

Notes 1 to 38 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, 2012 and December 31, 2011 *(figures in millions of Chilean Pesos MCLP$)*

| | Capital | Reserves | Accumulated other comprehensive income | | | | Retained earnings | | | | Total Equity | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Other reserves from profits | Available for sale instruments | Cash flow hedges | Cumulative translation adjustment | Total | Retained earnings | Income for the period | Minimum dividend provision | Total | Total attributable to equity holders of the bank | Non-controlling interest | Total equity |
| As of January 1, 2011 | 882,273 | - | 5,322 | 2,859 | (1,558) | 6,623 | (5,188) | 222,075 | (66,623) | 150,264 | 1,039,160 | 6 | 1,039,166 |
| Transfer to retained earnings | - | - | - | - | - | - | 5,188 | (5,188) | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | (72,175) | 66,623 | (5,552) | (5,552) | (3) | (5,555) |
| Capitalization of reserves | 144,712 | - | - | - | - | - | - | (144,712) | - | (144,712) | - | - | - |
| Other comprehensive income | - | - | 4,880 | (3,068) | 3,737 | 5,549 | - | - | - | - | 5,549 | - | 5,549 |
| Income for 2011 period | - | - | - | - | - | - | - | 261,268 | - | 261,268 | 261,268 | 1 | 261,269 |
| Provision for minimum dividends 2011 | - | - | - | - | - | - | - | - | (78,380) | (78,380) | (78,380) | - | (78,380) |
| As of December 31, 2011 | 1,026,985 | - | 10,202 | (209) | 2,179 | 12,172 | - | 261,268 | (78,380) | 182,888 | 1,222,045 | 4 | 1,222,049 |
| As of January 1, 2012 | 1,026,985 | - | 10,202 | (209) | 2,179 | 12,172 | - | 261,268 | (78,380) | 182,888 | 1,222,045 | 4 | 1,222,049 |
| Transfer to retained earnings | - | - | - | - | - | - | 261,268 | (261,268) | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | (86,073) | - | 78,380 | (7,693) | (7,693) | (3) | (7,696) |
| Capitalization of reserves | 175,195 | - | - | - | - | - | (175,195) | - | - | (175,195) | - | - | - |
| Other comprehensive income | - | - | 7,223 | 9,428 | (926) | 15,725 | - | - | - | - | 15,725 | - | 15,725 |
| Income for 2012 period | - | - | - | - | - | - | - | 271,256 | - | 271,256 | 271,256 | - | 271,256 |
| Provision for minimum dividends 2012 | - | - | - | - | - | - | - | - | (81,377) | (81,377) | (81,377) | - | (81,377) |
| As of December 31, 2012 | 1,202,180 | - | 17,425 | 9,219 | 1,253 | 27,897 | - | 271,256 | (81,377) | 189,879 | 1,419,956 | 1 | 1,419,957 |

Notes 1 to 38 are an integral part of these consolidated financial statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Notes | For the years ended December 31 2012 MCLP$ | 2011 MCLP$ |
|---|---|---|---|
| CASH FLOW (USED IN) PROVIDED BY OPERATING ACTIVITIES: | | | |
| CONSOLIDATED NET INCOME FOR THE PERIOD | | 271,256 | 261,269 |
| Charges (credits) to income not representing cash flow: | | | |
| Depreciation and amortization | 31 | 38,850 | 37,521 |
| Impairment of fixed assets | 31 | 642 | - |
| Provision for loan losses | 28 | 135,275 | 122,314 |
| Adjustment to fair value of financial instruments | | 6,325 | (7,896) |
| Net income from investment in companies | | (6,559) | (8,482) |
| Net loss (gain) from sale of assets received in lieu of payment | | 6,299 | (2,953) |
| Loss (gain) from sale of property, plant and equipment | | 283 | 820 |
| Write-off of assets received in lieu of payment | 15 | 3,506 | 3,136 |
| Income tax | | 55,847 | 51,090 |
| Other changes (credits) to income not representing cash flows | | (19,504) | 23,692 |
| Net charge for interest, indexation and fees accrued on assets and liabilities | | 45,117 | 1,550 |
| Changes in assets and liabilities affecting operating cash flows: | | | |
| Net (increase) decrease in loans and receivables from banks | | (15,681) | 28,402 |
| Net (increase) decrease in loans and receivables from customers | | (1,751,740) | (1,853,686) |
| Net (increase) decrease in investments | | 98,401 | (672,787) |
| Increase in deposits and other liabilities payable | | 445,875 | 328,353 |
| Increase in obligations under agreements to repurchase | | (25,153) | 32,565 |
| Increase in time deposits and savings accounts | | 487,308 | 1,240,901 |
| Increase in interbank borrowings | | 179,134 | 67,407 |
| Increase in other financial obligations | | 1,095 | 3,211 |
| Loans from the Central Bank of Chile (long-term) | | 524,824 | 241,601 |
| Repayment of loans from the Central Bank of Chile (long-term) | | (243,375) | (109,831) |
| Foreign borrowings (long-term) | | 8,581,535 | 13,515,067 |
| Repayment of foreign borrowings long-term | | (8,828,922) | (13,090,578) |
| Total cash flows (used in) provided by operating activities | | (9,362) | 212,686 |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | |
| Purchase of property, plant and equipment | 12 | (20,316) | (109,519) |
| Proceeds from sale of property, plant and equipment | | 266 | 13 |
| Investments in other companies | | (2,025) | (1,640) |
| Investment dividends | | 2,291 | 1,951 |
| Sale of assets received in lieu of payment or in foreclosure | | 4,421 | 4,435 |
| Net decrease (increase) in other assets and liabilities | | (28,121) | (169,265) |
| Total cash flows (used in) investing activities | | (43,484) | (274,025) |
| CASH FLOW FROM FINANCING ACTIVITIES: | | | |
| Redemption of letters of credit | | (23,504) | (33,243) |
| Bond issuance | | 675,034 | 324,409 |
| Bond redemption | | (158,534) | (38,477) |
| Dividends paid | 23 | (86,073) | (72,175) |
| Total cash flows provided by financing activities | | 406,923 | 180,514 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR | | 354,077 | 119,175 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 5 | 1,399,462 | 1,280,287 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 5 | 1,753,539 | 1,399,462 |

Notes 1 to 38 are an integral part of these consolidated financial statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012 AND DECEMBER 31, 2011 AND FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

### GENERAL INFORMATION

Banco de Crédito e Inversiones or Banco BCI (hereinafter the "Bank") is a corporation incorporated in Chile and regulated by the Superintendency of Banks and Financial Institutions (SBIF). Its corporate domicile is El Golf number 125 in the community of Las Condes. The consolidated financial statements as of and for the years ended December 31, 2012 and 2011 include the Bank and its subsidiaries listed below, as well as its Miami Branch. The Bank participates in all of the businesses and transactions permitted by the General Banking Law, including retail, corporate and real estate banking, large and medium size companies' services, private banking and asset management services.

The Consolidated Statements of Comprehensive Income include the net income for the years and other comprehensive income recognized in equity, including exchange differences in the translation of Chilean pesos from US dollars in the Miami Branch. The income to be considered for distribution of dividends is the income for the year attributable to the equity holders of the Bank, as stated in the Consolidated Statement of Income.

The Consolidated Financial Statements of the Bank, Miami Branch and Subsidiaries as of and for the years ended December 31, 2012 have been approved and authorized for issuance by the Board of Directors in the meeting held on February 26, 2013.

The Bank exercises control of the following entities and therefore includes them in the consolidation of the Financial Statements:

| | Ownership Interest | | | |
|---|---|---|---|---|
| | Direct | | Indirect | |
| | 2012 | 2011 | 2012 | 2011 |
| Entity | % | % | % | % |
| Análisis y Servicios S.A. | 99.00 | 99.00 | 1.00 | 1.00 |
| BCI Asset Management Administradora de Fondos S.A. (1) (2) | 99.90 | 99.90 | 0.10 | 0.10 |
| BCI Asesoría Financiera S.A. | 99.00 | 99.00 | 1.00 | 1.00 |
| BCI Corredor de Bolsa S.A. | 99.95 | 99.95 | 0.05 | 0.05 |
| BCI Corredores de Seguros S.A. | 99.00 | 99.00 | 1.00 | 1.00 |
| BCI Factoring S.A. | 99.97 | 99.97 | 0.03 | 0.03 |
| BCI Securitizadora S.A. | 99.90 | 99.90 | - | - |
| Banco de Crédito e Inversiones Sucursal Miami | 100.00 | 100.00 | - | - |
| Servicio de Normalización y Cobranza Normaliza S.A. | 99.90 | 99.90 | 0.10 | 0.10 |
| Incentivos y Promociones Limitada (3) | ECE | ECE | ECE | ECE |
| BCI Activos Inmobiliarios Fondo de Inversión Privado (2) | 40.00 | 40.00 | - | - |
| Terrenos y Desarrollo S.A.(2) | 100.00 | 100.00 | - | - |

!1) On December 29, 2011 the Superintendency of Securities and Insurance approved the merger by incorporation of BCI Administradora General de Fondos S.A. to BCI Asset Management Administradora de Fondos S.A.
(2) For the purposes of consolidation, the subsidiary consolidates its results with BCI Activos Inmobiliarios y Terrenos y Desarrollo S.A.
(3) Special- Purpose Entity (SPE) dedicated to promoting credit and debit card products. The Bank does not hold any ownership interest in that company.

Assets and operating income of the subsidiaries as a whole represent 15.06% (12.46% in 2011) and 17.56% (16.13% in 2011) respectively, of the corresponding balance of consolidated assets and consolidated operating income respectively.

All consolidation eliminations and adjustments have been made and non-controlling interest has been recognized and presented in the Consolidated Statements of Income under "Non-controlling interest".

For the purposes of consolidation, the asset and liability accounts of the Miami Branch have been translated into Chilean pesos at the year-end exchange rate and the statement of income accounts at the average exchange rate for each month.

## MAIN ACCOUNTING POLICIES APPLIED

### a) Basis of preparation

The consolidated financial statements have been prepared in accordance with the Compendium of Accounting Standards issued by the Superintendency of Banks and Financial Institutions (SBIF), the regulatory agency set up under Article 15 of the General Banking Law, which stipulates that, pursuant to legal provisions, banks must apply the accounting criteria issued by that Superintendency and, in all such matters not specifically covered by it, provided they do not contradict its instructions, they must abide by the generally accepted accounting criteria, which are the technical standards issued by the Chilean Association of Accountants (Colegio de Contadores de Chile A.G.) which are mainly consistent with international accounting and financial standards issued by the International Accounting Standards Board (IASB). Where there are discrepancies between accounting policies and criteria, those issued by the SBIF are followed.

Notes to the Consolidated Financial Statements contain additional information to that presented in the Consolidated Statements of Financial Position, the Consolidated Statements of Income, the Consolidated Statements of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statements of Cash Flow. Notes provide narrative descriptions or disaggregation of such statements in a clear, relevant, reliable and comparable form.

### b) Basis of consolidation

The Consolidated Financial Statements comprise the consolidated financial statements of the Bank, Miami branch and subsidiaries as of December 31, 2012 and 2011, for the years ending on those dates. The standards issued by the SBIF have been uniformly applied to the financial statements of the subsidiaries (including the special-purpose entities that the Bank controls).

The intercompany balances and any unrealized income or expense arising from intercompany transactions between entities in consolidation are eliminated during the preparation of these financial statements. The unrealized income arising from transactions with companies whose investment is recorded by the participation method are eliminated from the investment to the extent of the group's interest in these companies.

#### i- Controlled entities

These are entities over which the Bank can exert control, an ability displayed in general, although not only by the ownership, direct or indirect, of at least 50% of the voting rights of the associated entities or when the Bank controls the entity, control being understood as the power to significantly influence the financing and operating policies of an entity in order to obtain benefits from its activities.

#### ii- Subsidiaries

These are entities over which the Bank can exert control, an ability displayed in general, although not only by the ownership, direct or indirect, of at least 50% of the voting rights of the associated entities or even of a percentage inferior or null if, as in the case of agreements with the shareholders of said entities, the control is given to the Bank.

#### iii- Special purpose entities

The Special-Purpose Entities (SPE) are generally created to accomplish specific and well-defined objectives, such as the achievement of customer loyalty. A SPE is consolidated if the Bank, based on the evaluation of the fundamentals of the SPE's relationship with the Bank and the risks and advantages of the SPE, concludes it has control over the SPE.

### c) Non-controlling interest

It represents the portion of net income and net assets of which, directly or indirectly, the Bank is not owner. Non-controlling interest is presented separately in the Consolidated Statements of Income, of Comprehensive Income of Financial Position and Statement of Changes in Equity

### d) Functional currency

The Bank has defined its functional currency and presentation currency as Chilean Pesos ($). Likewise, all the entities of the group have defined the Chilean Peso as the functional currency, except for the Miami branch, which has established the American dollar as its functional currency.

The balances of the financial statements of the consolidated entities whose functional currency is other than the Chilean peso are converted into Chilean pesos in the following way:

i- Assets and liabilities, by application of the exchange rates as of December 31, 2012 and 2011.
ii- Income and expenses and cash flows, by application of the average accounting exchange rates of each month.

The cumulative translation adjustments produced when translating into Chilean pesos the balances of entities whose functional currency is other than the Chilean peso, are presented in the consolidated statement of comprehensive income under the line item "Cumulative translation adjustments". When the decrease of the element that generated them occurs, these cumulative translation adjustments are reclassified as income.

All the information presented in Chilean pesos has been rounded to the closest million unit.

### e) Operating segments

The operating segments of the Bank are determined on the basis of the different business units it manages. These business units provide products and services subject to different risks and performances and therefore the key decision-making organisms of the Bank evaluate their performance separately.

### f) Transactions in foreign currency

As stated previously, the functional currency of the Bank is the Chilean peso. Therefore, all the balances and transactions denominated in currencies different from the peso are considered denominated in "foreign currency". The differences in the exchange rate produced when converting the balances from foreign currency into functional currency are recorded as foreign exchange gains (losses).

At December 31, 2012, the assets and liabilities in foreign currency of the Bank are shown at their equivalent value in pesos, calculated using the exchange rate of Ch$479.47 per US$1 (Ch$520.45 per US$1 in 2011).

### g) Assets and liabilities valuation criteria

The assets and liabilities valuation criteria recognized in the Consolidated Statements of Financial Position are the following:

**i- Assets and liabilities valued 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 rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

In the case of financial assets, the amortized cost also includes adjustments to their value caused by the impairment recognized.

The effective interest rate method is a procedure of calculating the amortized cost of a financial instrument by discounting the expected cash flows throughout the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the instrument.

**ii- Assets valued at fair value:**
For financial instruments traded in active markets, the determination of fair values is based on their listed or recent transaction prices. This includes instruments traded in local or international stock markets, brokers' pricings or "Over the counter" counterparts.

The most objective and habitual reference of the fair value of an asset or liability is the price that would be paid in an organized and transparent market ("quoted price" or "market price").

When there is no market price to determine the amount of the fair value for a certain asset or liability, the price established in recent transactions of similar instruments is considered in order to estimate its fair value.

In those cases when it is not possible to determine the fair value of a financial asset or a financial liability, these are measure at amortized cost.

For the remainder of the financial instruments, the fair value is determined by using valuation techniques. In these techniques, the fair value is estimated from observable data with respect to similar financing instruments, using models to estimate the current value of the expected cash flows or other valuation techniques, using inputs (e.g. deposits, swaps, exchange rates, volatilities, etc.) existing at the date of the financial statements.

As of the dates of the financial statements, the Bank has no instruments whose fair value had been determined based on unobservable data. However, for this type of instrument, the Bank has models developed internally, which are based on techniques and methods generally recognized in the industry. When the data used in the models is unobservable, the Bank must develop assumptions in order to estimate the fair values. These valuations are known as Level 3 valuations. The instruments according to their valuation level are detailed in Note 34.

The results of the models are always an estimate or approximation of the value and cannot be determined with certainty. Consequently, the valuation techniques applied may not reflect all the relevant factors for the Bank's positions. Therefore, the valuations are adjusted, when applicable, in order to reflect additional factors, such as liquidity or credit risks of the counterpart. Based on the model and the credit risk policies of the Bank, the Management estimates that these adjustments to the valuations are necessary and appropriate in order to reasonably present the values of the financial instruments in the consolidated financial statements. The data, prices and parameters used in the valuations are carefully and regularly checked, and adjusted if necessary.

**iii- Assets valued at acquisition cost:**
Recorded acquisition cost is understood as the cost of the transaction for the acquisition of the asset, less impairment losses if applicable.

The Consolidated Financial Statements have been prepared based on the amortized cost, except for:

- The derivative financial instruments, measured at their fair value.
- Assets received in lieu of payment are measured at the lower of carrying amount or fair value less costs to sell.
- The trading instruments, measured at fair value.
- The available for sale financial assets, measured at fair value.
- The property, plant and equipment, measured at fair value when the senior management has considered valuating the assets and concludes that such valuation should be considered as the cost attributed for the first application.

**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 buy 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 Bank derecognizes the financial asset and separately recognizes as assets or liabilities any rights and obligations created or retained in the transfer.

2-If the Bank retains substantially all the risks and rewards of ownership of the financial asset (such as the financial assets 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 Bank continues to recognize the transferred asset in its entirety and continue recording using the same criteria 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 ownership of the financial asset (such as the sale of financial assets with the option to buy or a sale issued with a high or low probability of being finalized, the use of assets where the grantor does not retain subordinated financing or give up a credit improvement to the new owners, among other similar cases), the Bank determines whether it has retained control of the financial asset, in this case:

a. If the transferring entity does not retain the control of the transferred financial asset: then it is derecognized from the Consolidated Statement of Financial Position and any withheld right or obligation is recognized or created as a consequence of the transfer.

b. If the transferring entity maintains the control of the transferred financial asset: then it continues recognizing the asset in the Consolidated Statement of Financial Position and recognizes a financial liability associated with the transferred financial asset. The net amount of the transferred asset and the associated liability will be the amortized cost of the withheld rights and obligations if the transferred asset is measured by its amortized cost, or the fair value of the withheld rights and obligations if the transferred asset is measured by its fair value.

Accordingly, financial assets are only derecognized from the Consolidated Statement of Financial Position when, and only when, the contractual rights to the cash flows from the financial asset expire; or when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to third parties.

Similarly, financial liabilities are derecognized from the Consolidated Statement of Financial Position when, and only when, the obligations are discharged, cancelled or expired.

### h) Investment instruments

The 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 keeping until their maturity. The rest of the investment instruments are considered as available for sale.

The investment instruments are initially recorded at their fair value, including transaction costs. The available for sale instruments are then valued at their fair value according to market prices or valuations obtained from models. The unrealized gains or losses originated by the change in its fair value are recognized in other comprehensive income. When these investments are transferred or become impaired, the amount of adjustments at fair value accumulated in equity is transferred to income and is recorded under "Trading and investment income, net".

The investments in held to maturity financial assets are recorded at their amortized cost value plus interest and inflation - indexing, less the provisions for impairment constituted when its carrying amount exceeds the estimated recovery value.

The interests and inflation – indexing of held to maturity and available for sale investments are included in "Interest income".

The purchases and sales of investment instruments that must be submitted within the period established by the market's regulations or conventions are recorded at the date of trade on which the purchase or sale of the asset is agreed. The rest of the sales or purchases are recorded on their settlement date.

### i) Trading investments

The trading investments correspond to securities acquired with the intention of generating profits from the price fluctuation in the short-term or through gross earnings' margins, or that are included in a portfolio in which there is a short-term profit taking strategy.

Trading investments are valued at their fair value in accordance with market prices at the balance sheet date. The transaction costs are recognized directly in income. The profits or losses coming from the adjustments for their valuation at fair value, as well as the income from the trading activities, are included in "Trading and investment income, net" in the consolidated statements of income.

The interests and inflation - indexing are recorded in "Trading and investment income, net" of the consolidated statement of income.

All the purchases and sales of trading investments that must be submitted within the period established by the market's regulations or conventions are recorded at the date of trade on which the purchase or sale of the asset is agreed. Any other purchase or sale is recorded on its settlement date.

### j) Transactions of securities purchased under resale agreements

Transactions of resale agreements are performed as a form of investment. Under these agreements, financing instruments are purchased, which are included as assets in "Securities purchased under resale agreements" and are valued according to the agreed interest rate.

Transactions of resale agreements are also performed as a form of financing. The investments that are sold subject to a repurchase obligation and that serves as collateral for the loan are part of their respective accounts "Trading investments" or "Available for sale investments". The repurchase obligation of the investment is classified under liabilities as "Securities sold under resale agreements" as valued according to the agreed interest rate.

### k) Derivatives

The financial derivative instruments, which include forwards in foreign currency and Unidades de Fomento (UF), interest rate futures, currency and interest rate swaps, currency and interest rate options and other financial derivative instruments are recorded initially on the balance sheet at their transaction value (including transaction costs) and subsequently valued 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 recorded as an asset when their fair value is positive and as a liability when they are negative in "Financial derivative instruments".

Certain derivatives incorporated in other financial instruments are treated as separate derivatives when their risk and characteristics are not closely related with those of the main agreement and such instrument is not recorded at its fair value with its unrealized gains and losses included in income.
At the moment of subscribing to a derivative agreement, the Bank must designate it either as a derivative instrument for trading or for hedge accounting purposes.

The changes in the fair value of derivative instruments held for trading are included in "Trading and investment income, net" of the consolidated statement of income.

If the derivative instrument is classified for hedge accounting purposes, it can be: (1) a fair value hedge of existing assets or liabilities or firm commitments or (2) a cash flow hedge related to existing assets or liabilities or expected 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 recorded as trading derivatives, even when they provide effective hedging for the management of risk positions.

When a derivative hedges the exposure to changes in the fair value of an existing item of the asset or liability, it is recorded at its fair value. The gains or losses coming from the fair value measurement, both from the hedged item and hedging derivative, are recorded with effect in the income of the period.

If the item hedged in a fair value hedge is a firm commitment, the changes in the fair value of the commitment regarding the covered risk are recorded as assets or liabilities with effect on the income statement of the period. Gains or losses from the fair value measurement of the hedging derivative are recorded with effect on the income statement of the period. When a new asset or liability is acquired as a result of the commitment, the initial recognition of the acquired asset or liability is adjusted to incorporate the accumulated effect of valuation at fair value of the firm commitment recorded in the consolidated statement of financial position.

When a derivative hedges exposure to changes in the cash flows of existing assets or liabilities, or expected transactions, the effective portion of its changes in fair value is recorded in shareholders' equity. Any ineffective portion is registered directly in the income statement of the period.

The amounts recorded directly in shareholders' equity are recorded in the income statement in the same periods in which the assets or liabilities hedged affect results.

When a fair value interest rate hedge is performed for a portfolio and the item hedged is a currency amount instead of specific assets or liabilities, the gains or losses coming from the fair value measurement, both of the hedged portfolio and the hedging derivative, are recorded with effect on the income statement of the period, but the fair value measurement of the hedged portfolio is presented in the statement of financial position under "Other assets" or "Other liabilities", depending on the position of the hedged portfolio at some time.

### l) Loans and accounts receivable from customers

Loans receivable are non derivative financial assets with fixed or determined charges that are not priced in an active market and which the Bank does not intend to sell immediately or in the short-term.

Loans receivable are initially measured at their fair value plus direct costs of transaction and subsequently measured at their amortized cost using the effective interest rate method.

The regulatory framework that regulates this subject is located in item N°3 of Chapter B-2 of the Accounting Standards Compendium issued by the SBIF.

#### i- Leasing contracts

Accounts receivable from leasing contracts, included under "Loans and accounts receivable from customers" correspond to periodic installments of leasing contracts that comply with the requirements to be qualified as financial leasing and are presented at present value at period – end.

### 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 responsibility from the transferor, anticipating a percentage of the total amount receivable of the debtor of the transferred documents.

## m) Credit risk provisions

The provisions required to cover the loss risks of the assets have been constituted in accordance with the regulations and instructions of the Superintendency of Banks and Financial Institutions (SBIF). The assets are presented net of said provisions, or showing the reduction in the case of investments. In the case of contingent credits, they are shown as liabilities under "Provisions".

The Bank uses models and methods based on individual and group analysis of the debtors to constitute the investments' provisions of loans as indicated in the Accounting Standards Compendium issued by the SBIF.

### i- Individual evaluation provisions

The individual evaluation of the debtors is necessary when it involves companies which, due to their size, complexity or level of exposure with the entity, are required to be identified and analyzed in detail.

Naturally, the analysis of the debtors should be focused on their capacity and disposition to comply with their credit obligations by means of sufficient and reliable information, and analyzing their credit in matters of guarantees, terms, interest rates, currency, inflation - indexation, etc.

For the effects of creating the provisions, the debtors and their operations related to contingent investments and loans must be classified in their corresponding risk category, after being assigned to one of the following portfolio status: normal, substandard and noncompliance.

### ii- Portfolios in normal and substandard compliance

The portfolio in normal compliance includes those whose payment capacity allows them to comply with their obligations and commitments, a condition that according to their economic-financial situation evaluation, is not expected to change. The classifications assigned to this portfolio are categories A1 to A6.

The substandard portfolio includes the debtors with financial difficulties or significant worsening of their payment capacity presenting reasonable doubt regarding the total reimbursement of principal and interest under the contractually agreed terms, showing that they are less likely to comply with their financial obligations in the short term.

In addition, those debtors that recently present arrears over 30 days will also be part of the substandard portfolio. The classifications assigned to this portfolio are categories B1 to B4.

As a result of an individual analysis of these debtors, the banks must classify them under the following categories, assigning them, subsequently, the probability percentages of noncompliance and loss given default, resulting in the consequent percentage of expected loss:

| Type of Portfolio | Debtor Category | Default probability (%) | Loss due to non-compliance (%) | 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- Provisions on portfolios in normal and substandard compliance

In order to determine the amount of provisions to be constituted for the normal and substandard Portfolios the exposure must be estimated first, to which the respective loss percentages (expressed in decimals) will be applied, which are comprised by the noncompliance probability (PI in Spanish) and loss due to the noncompliance probability (PDI in Spanish) established for the category in which the debtor and/or guarantor is classified, as applicable.

The exposure subject to provisions corresponds to the investments plus the contingent loans, less the amount to be recovered by means of the execution of the guaranties. Likewise, investment is understood as the book value of loans and accounts receivable from the respective debtor, while contingent loans is understood as the value resulting from applying the indicated in N°3 of Chapter B-3 of the Accounting Standards Compendium.

iv- Overdue portfolio
The Overdue Portfolio includes the debtors and their loans for which their recovery is considered remote, since they show impaired or no payment capacity at all. This portfolio includes those debtors with evident signs of possible bankruptcy, as well as those in which a forced debt renegotiation is necessary in order to avoid noncompliance, and also includes any debtor presenting arrears equal or above 90 days in the payment of interests or principal of any loan. This portfolio includes debtors classified under categories C1 to C6 in the classification scale established below and all the loans, including 100% of the amount of contingent loans that those debtors maintain.

For the effects of allocating provisions on the overdue portfolio, provision percentages are used, which must be applied on the amount of the exposure, which corresponds to the sum of investments and contingent loans held by the same debtor. In order to apply this percentage, an expected loss rate must be estimated first, deducting from the amount of exposure the recoverable amounts by means of execution of guaranties and, in the case of having solid data that justifies them, deducting also the current value of the recoveries that can be obtained by executing collection actions, net of expenses associated to them. That loss rate must be classified into one of the six categories defined according to the range of losses effectively expected by the Bank for all the operations of a same debtor.

These categories, their range of losses according to the estimated by the Bank, and the provision percentages which must be applied on the amounts of the exposures are indicated in the following table:

| Type of Portfolio | Risk Scale | Expected Loss Range | Provision (%) |
|---|---|---|---|
| Overdue Portfolio | C1 | More than 0 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- Write-off of loans
The write-off of loans should be calculated from the start of their delay in payment and should be accounted for once they are overdue as follows:

| Type of loan | Overdue |
|---|---|
| Consumer loans with or without guarantees | 6 months |
| Other operations without guarantees | 24 months |
| Commercial loans with guarantees | 36 months |
| Mortgage loans | 48 months |
| Consumer leasing | 6 months |
| Other non property leasing | 12 months |
| Property leasing (commercial or housing) | 36 months |

These time periods refer to the time from the date at which the payment (total or partial) of the overdue loan was due.

vi- Recovery of written off loans
The recoveries of loans that were written-off, are recognized directly as income.

## n) Income and expenses from fees

Income and expenses from fees are recorded in the income statement using different criteria according to their nature. The most significant are:

- Those corresponding to singular acts are recognized when the act which originates them is produced.
- Those originating from transactions or services performed over time are recognized throughout the duration of said transactions or services.

## o) Impairment

i- Financial assets:
A financial asset is valued on each closing date to determine if objective evidence of impairment exists. A financial asset is impaired if there is objective evidence showing that one or more events have had a future negative effect on the asset.

A loss due to impairment, regarding financial assets recorded at their amortized cost, is calculated as the difference between the book value of the asset and the current value of the estimated cash flows, discounted from the effective interest rate.

A loss due to impairment, regarding an available for sale financial asset, is calculated in relation to its fair value.

Financial assets that are individually significant are examined individually to determine their impairment. The remaining financial assets are evaluated in groups that share similar credit risk characteristics.

All the losses due to impairment are recorded in the income statement. Any accumulated loss in relation to an available for sale financial asset previously registered in equity is transferred to the income statement.

Reversal of a loss due to impairment only occurs if it can be objectively related with an event occurring after it was recorded. In the case of financial assets registered at amortized cost and of those available for sale that are securities for sale, it is recorded in the income statement.

For assets of "Loans and accounts receivable from customers", the impaired portfolio is defined according to Chapter B-2 of the Accounting Standards Compendium of the SBIF as "loans of the debtors for which there is evidence that they will not comply with any of their obligations in the agreed payment conditions, without the possibility of recovering the debt by use of the collateral, by means of exercise of judicial collection actions or by renegotiation".

Policies regarding impairment measurement indicate that it is measured monthly and subject to the following criteria:

### ii- Impaired Portfolio Status

It is distinguished in operations classified individually, those that have a credit risk classification equal or superior to C1.

The rest of the operations are classified in the following groups:

- Operations of loans with arrears more than or equal to 90 days.

- Renegotiated operations.

- 100% of the operations associated with the client are moved to the impaired portfolio.

Operations related with mortgage loans for housing or loans for superior studies financing of the Law N°20,027 are excluded as long as no non-compliance conditions of those established in Circular N°3,454 of December 10, 2008 arise.

The behavior in the financing system is not considered to determine the entry to the impaired portfolio.

**Exit conditions:**

**Individual case:** Having improved its risk classification.

Group case:

a) Non-renegotiated operations: loan operations in the impaired portfolio may return to the normal portfolio only if the operation complies with the following conditions:

- Record at least 6 consecutive installments of principal and interest, paying them on schedule or with a maximum delay of 30 days.
- Have all its obligations up to date and have no other loan operations in the impaired portfolio.
- In any case, it must not record any arrears in the rest of the financial system in the last 90 days (last three periods informed in the SBIF at the date of inquiry).

b) Renegotiated operations: they may exit the impaired portfolio only if the operation complies with the following conditions:

- Record at least 6 consecutive installments of principal and interest, paying them on schedule or with a maximum delay of 30 days.
- Have all its obligations up to date and have no other loan operations in the impaired portfolio.
- Have no other renegotiated operation issued within the last 6 months.
- In any case, it must not record any arrears in the rest of the financial system in the last 90 days (last three periods informed in the SBIF at the date of inquiry).

c) Group renegotiated portfolio originated from write-off: written-off operations that had been renegotiated may exit the impaired portfolio and enter the normal portfolio only if the operation complies with the following conditions:

- Payment of 30% of the originally renegotiated operation (total balance of the negotiated operation) or have paid the first 6 maturities negotiated in the renegotiated operation.
- Have its principal and interests payment up to date.
- Have no other operations in the impaired portfolio.
- Records no arrears in the rest of the financial system in the last 90 days.

### iii- Income and expenses from interest and inflation - indexation

However, in the case of expired credit and of the current loans with high risk of unrecoverability, a prudent criterion is followed by suspending the accrued interest and inflation – indexation; and only recognizing them in the accounts when they are received.

- **Amount to suspend:**
  The amount of income suspended on an accrual basis corresponds to the amount calculated between the date of suspension and the balance sheet date, which corresponds to the last day of the month.

- **Date of suspension:**

**Loans with individual evaluations:**

**a)** Loans classified as C5 and C6: the accrual is suspended as it is in the impaired portfolio.

**b)** Loans classified as C3 and C4: the accrual is suspended when belonging to the impaired portfolio for more than three months.

**Loans with group evaluations:**

For the loans with guarantees less than 80%, it is suspended when the loan or one of the installments has not been paid for six months.

The coverage percentage of 80% of the guarantee refers to the difference between the calculated value of the guarantee and value of the operations covered by the guarantee, including contingent loans, from the moment the loan qualifies for impaired portfolio status.

### iv- Non-financial assets

The book value of non financial assets of the Bank, excluding investment properties and deferred taxes is checked on every submission date to determine if indications of impairment exist. If such indications exist, then the amount of the asset to be recovered is calculated. In the case of goodwill and intangible assets with an indefinite useful life or which are not available for use yet, the amounts to be recovered are estimated on each submission date.

A loss from impairment in relation with goodwill is not reversed. Regarding other assets, losses from impairment recorded in previous periods are evaluated on each submission date for indications that an event related to the impairment has occurred. A loss from impairment is reversed if a change in the estimations used to determine the recoverable amount has occurred. A loss from impairment is reversed as long as the book value of the asset does not exceed the book value that had been determined; net of depreciation or amortization, and if no loss from impairment has been recorded.

### p) Investment in companies

Investments in companies are those over which the Bank has the ability of exerting a significant influence, although it does not have control or joint control. This capacity is usually expressed in a share between 20% and 50% of the voting rights of the entity and it is valued using the equity method on the financial statements.

Joint ventures are those entities where the Bank has joint control with other investors. The shares in joint venture entities are valued using the equity method on the financial statements.

The entities valued using the equity methods are detailed as follows:

| Company | Share 2012 % | Share 2011 % |
|---|---|---|
| AFT S.A. | 20.00 | 20.00 |
| Centro de Compensación Automático ACH Chile | 33.33 | 33.33 |
| Sociedad Interbancaria de Depósitos de Valores S.A. | 7.03 | 7.03 |
| Transbank S.A. | 8.72 | 8.72 |
| Redbanc S.A. | 12.71 | 12.71 |
| Servipag Ltda. | 50.00 | 50.00 |
| Artikos Chile S.A. | 50.00 | 50.00 |
| Nexus S.A. | 12.90 | 12.90 |
| Combanc S.A. | 10.93 | 10.50 |
| Bolsa de Comercio de Santiago* | - | 2.08 |
| CCLV Contraparte Central S.A.** | - | 0.15 |
| Bolsa Electrónica de Chile* | - | 2.44 |
| Bolsa de Valores de Valparaíso** | - | 1.67 |
| Credicorp Ltda. | 1.85 | 1.77 |

(*) Until 2011, the Bank recorded these investments using the equity method, and as of 2012, the Bank chose to measure these investments at the fair value of the shares held in the Bolsa de Comercio de Santiago and the Bolsa Electrónica de Chile, reflecting changes in fair value in "other comprehensive income". These shares are valued at the closing price of trading.

(**) As established by the International Financial Reporting Standards (IFRS), there are limited circumstances where the cost can be considered a reasonable approximation of fair value. The Company believes that this is the case of shares held in the Bolsa de Valores de Valparaíso and CCLV Contraparte Central S.A., given the absence of transactions to establish fair value. Consequently, these investments in 2012 were valued at historical cost.

### q) Investment in other companies

Investments in other companies are those where the Bank has no significant influence and are presented at their acquisition cost.

### r) Intangible assets

#### i- Goodwill

The goodwill represents the excess of acquisition cost over fair value of the company's share of the identifiable net assets of the subsidiary on the date of acquisition.

The goodwill originated before January 1, 2009 is registered at its cost value corrected until December 31, 2007, less the accumulated amortization according to the remaining useful life of the same.

The goodwill originated after January 1, 2009 is recorded at its fair value, less losses from impairment.

#### ii- Software

The software acquired by the Bank is recorded at its cost less the accumulated amortization and losses from impairment.

The expenses in software developed internally are recorded as assets when the Bank is capable of proving its intention and ability to complete its development and use it internally to generate future economic benefits, and can confidently measure the cost of completing 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. The software developed internally is recorded at its capitalized cost less the accumulated amortization and losses from impairment.

The subsequent expenses of the recorded asset are capitalized only when the future economic benefits of the specific assets in the related areas increase. The rest of the expenses are recorded in the income statement.

Amortization is recorded in the income statement using the straight-line method according to the estimated useful life of the software, starting on the date it is ready for use. The estimated useful life of the software is usually six years.

### s) Property, plant and equipment

The items of property, plant and equipment, excluding property, are measured at cost less accumulated depreciation and losses from impairment.

Property was measured by a commercial valuation on December 31, 2007.

The cost includes expenses attributed directly to the asset acquisition and any other cost directly attributable to the process of having the asset in conditions to be used.

When part of an item of the fixed asset has a different useful life, it is registered as a separate item (property componentization).

Depreciation is recorded in the Consolidated Statement of Income based on the straight-line depreciation method over the useful life of item or each component of an item of the fixed asset. Leased assets are depreciated over the shorter of the lease term and its useful life, unless it is certain that the Bank will obtain the property at the end of the leasing period.

The estimated useful lives for the current and comparative periods are the following:

| | 2012 | 2011 |
|---|---|---|
| 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 |

## t) Assets received in payment

Assets received in payment are classified under "Other assets". They are recorded at the lower value between their acquisition cost and net realizable value less required regulatory write-offs and are recorded net of provisions. The regulatory write-offs are required by the Superintendency of Banks and Financial Institutions if the asset is not sold within one year from its reception.

## u) Staff benefits

### i- Staff vacations

The annual cost of staff vacations and benefits are recorded on accrual basis.

### ii- Short-term benefits

The entity contemplates an annual incentives plan for its staff for achieving objectives, consisting of a determined number or portion of monthly remunerations and is provisioned on the basis of the estimated amount to be distributed.

### iii- Indemnification for years of service

The Bank and its subsidiaries have no payments agreed with its staff for the concept of indemnification for years of service.

## v) Leases

### i- Operating lease

When the Bank or the subsidiaries act as lessee and the contract qualifies as an operating lease, the total amount of the payments is recorded in the operating results.

At the end of the operating lease period, any payment for penalties under the contract required by the lessor are recorded as expenses of the period in which said contract ended.

### ii- Financial lease

In the case of financial leases, the sum of the minimum lease payments of the installments to be received from the lessee plus the contractual purchase option price is recorded as financing to third parties, and is therefore registered in "Loans and accounts receivable from customers".

## w) Cash flow statement

For the elaboration of the Consolidated Statement of Cash Flows, the indirect method is used, in which, starting from the consolidated statement of the Bank, the non-monetary transactions are incorporated, as well as the income and expenses associated with the cash flows from activities classified as being of investment or financing.

For the elaboration of the consolidated statement of cash flows the following concepts are considered:

- **Cash flows:** the cash and cash equivalent inflow and outflow, understood as the short-term investments of great liquidity and low risk of changes in their value such as: deposits in the Central Bank of Chile, in local banks and abroad.

- **Operating activities:** they correspond to normal activities performed by the banks, as well as other activities that cannot be qualified as investment or financing activities.

- **Investment activities:** they correspond to the acquisition, abandonment or disposition by other means of long-term assets and other investments not included in cash and cash equivalent.

- **Financing activities:** the activities that cause changes in size and composition of net equity and liabilities and that do not form part of the operating and investment activities.

## x) Contingent provisions and liabilities

Provisions are liabilities for which there is uncertainty regarding their quantity or maturity. These provisions are recorded in the balance sheet when they comply with the following requirements:

- It is a current obligation resulting from previous events and,
- At the date of the consolidated financial statements it is likely that the Bank or its subsidiaries will have to dispose of resources in order to settle the obligation and the amount of these resources can be measured in a reliable way.

A contingent asset or liability is any obligation arising from previous events and whose existence will be confirmed only if one or more uncertain future events happen and these events are not under the Bank's control.

Provisions (which are measured considering the best available information regarding the consequences of the related event and are re-estimated on every accounting closure) are used to cover specific obligations for which they were originally recorded, proceeding to their reversal, total or partial, when said obligations disappear or decrease.

Provisions are classified according to the corresponding obligations, which are:

- Provisions for staff benefits and remunerations.
- Provisions for minimum dividends.
- Provisions for contingent credit risk.
- Provisions for contingencies (include additional provisions).

i) Additional provisions
The SBIF has defined that the additional provisions are those not deriving from the application of valuation models to the portfolio or to compensate deficiencies in them and that their establishment must be justified by assumed risk as defined in unpredictable economic fluctuations.

The additional provisions must be approved by the Board of Directors. The Bank must have documented procedures and criteria for their use and constitution.

These provisions, in accordance with the established under N°10 of Chapter B-1 of the Compendium of Accounting Standards issued by the SBIF, will be recorded as liabilities.

### y) Use of estimates and judgments

The preparation of the consolidated financial statements require the Management of the Bank to make decisions, estimates and assumptions that affect the application of the accounting policies and the amount of assets, liabilities, income and expenses presented. The actual results may differ from these estimates.

The relevant estimates and assumptions are reviewed on a regular basis by the Senior Management of the Bank in order to quantify certain assets, liabilities, income, expenses and uncertainties. The review of the accounting estimates are recorded in the period in which the estimate is revised and in over future period affected.

In particular, the information regarding more significant areas of uncertainties and critical judgment estimates in the application of accounting policies that have the most important effect on the amounts recorded in the consolidated financial statements are described in the following notes:

- Losses from impairment of certain assets.
- Valuation of financial instruments.
- Useful life of material and intangible assets.
- Goodwill valuation.
- Use of tax losses.
- Commitments and contingencies.

### z) Income tax and deferred taxes

The Bank records, when applicable, assets and liabilities from deferred taxes from the future estimate of the tax effects attributable to differences between the book value of the assets and liabilities and their tax values. The measurement of assets and liabilities for deferred taxes is performed based on the tax rate that, according to the tax regulations in force, must be applied in the year in which the liabilities for deferred taxes are performed or liquidated. The future effects of changes in the tax regulations or in tax rates are recorded in the deferred taxes as of the date in which the law that approves said changes is published.

Consequently, as of December 31, 2012 the deferred income taxes and current income tax have been adjusted to the new rate for first category income tax (20%) which was published September 27, 2012 as part of Law N°20.630.

As of December 31, 2012 and 2011, the Bank recognized net deferred income tax asset, which management has assessed that it is likely to be realized, permitting the use of temporary differences existing at each year end.

### ab) Non-current assets held for sale

Non-current assets (or an identifiable group that comprises assets and liabilities) that are expected to be recovered mainly through sales, instead of being recovered by their continuous use, are classified as 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 value between book value and fair value less the sales cost.

### ac) Securitization

The Bank does not present capital instruments as financial liabilities or equity instruments in the securitization processes.

### ad) Dividends on common shares

The portion of the year's profit that must be distributed among the shareholders in compliance with the Corporate Law N° 18.046 or dividends policy is recognized in equity for the year during which the profit was generated.

The dividends for the year have been recognized in the Consolidated Statement of Financial Position as of the date at which it was agreed.

### ae) Earnings per share

The basic earnings per share is determined by dividing the net result attributable to the Bank during the period by the weighted average number of shares during that period.

Diluted earnings per share is calculated similarly to basic earnings, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of stock options, warrants and convertible debt.

### af) Reclassifications

Due to the modifications implemented by Circular 3503, the Bank recorded said modifications during 2011, against equity and additional provisions. In accordance with the instructions of the Superintendency of Banks and Financial Institutions, these effects have been reclassified to the corresponding provision.

### ag) Income and expenses from service fees

Income and expenses from fees are recorded in the results with different criteria according to their nature. The most significant are:

- Those corresponding to singular acts are recognized when the act which originates them is produced.
- Those originating from transactions or services extended in time are recognized throughout the duration of said transactions or services.
- Those linked to financial assets or liabilities are recognized on being charged.

### ah) Statements of changes in equity

The Statement of Changes in Equity presented in these Consolidated Financial Statements, show changes in the total consolidated equity during the year. This information is presented in two statements: the Consolidated Statement of Comprehensive Income and Statement of Changes in Equity. The main features of the information contained in the two statements are explained below:

- **Consolidated Statement of Comprehensive Income** - This presents the effect on the Statement of Changes in Equity related to the income and expenses incurred by the Bank as a result of its activities during the year, distinguishing those recorded as results in the consolidated income statement of period and other income and expenses recognized directly in equity.

Therefore, the following is presented in this financial statement:

a) The consolidated profit;

b) Net income and expenses recognized temporarily as valuation adjustments in net equity;

c) Net income and expenses recognized definitively in equity;

d) The income tax payable for the items listed in b) and c) above, except for the valuation adjustments arising from investments in associates and multigroup entities accounted for using the equity method, which are presented net; and

e) The total consolidated recognized income and expense, calculated as the sum of a) – d), showing separately the amounts attributable to the parent entity and non-controlling interest.

- **Consolidated Statement of Changes in Equity** - This presents all movements occurring in equity, including those due to changes in accounting policies and corrections of errors which have been recorded as part of net income for the year as recorded in retained earnings or directly against equity, as the accounting pronouncement requires. This statement, reconciles the carrying amount at the beginning and end of the year of all items comprising net equity, grouping the movements according to their nature as follows:

a) Adjustments for changes in accounting policies and corrections of errors including changes in equity arising as a result of the retroactive restatement of balances of financial statements due to changes in accounting policies or to correct errors which have been recorded as part of net income for the year as recorded in retained earnings or directly against equity, as the accounting pronouncement requires. During the year there were no adjustments for changes in accounting policies and corrections of errors.

b) The income and expense recognized in the year includes the total aggregate items recorded in the Consolidated Statement of Income.

## NOTE 2 ACCOUNTING CHANGES

### NEW AND REVISED STANDARDS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD ("IASB")

**2.1 New accounting pronouncements:**

a) The following new and revised IFRS have been adopted in these financial statements:

| Amendments to Standards | Effective date: |
|---|---|
| IAS 12, Income Taxes– Limited scope amendment (recovery of underlying assets) | Annual periods beginning on or after January 1, 2012 |
| IFRS 1 (revised), First time Adoption of IFRS- (i)Elimination of fixed dates for first time adoption – (ii) Severe hyperinflation | Annual periods beginning on or after July 1, 2011 |
| IFRS 7, Financial Instruments: Disclosures –Amendments enhancing disclosures about transfers of financial assets | Annual periods beginning on or after July 1, 2011 |

The application of these amendments of IFRS has not had any material impact on the accounting policies of the Bank or the amounts reported in these Consolidated Financial Statements. However, it could affect the accounting for future transactions or agreements.

b) As of the date of issuance of these consolidated financial statements, the following accounting pronouncements have been issued by the IASB but they are not yet effective:

| New Standards, Interpretations and Amendments | Effective date |
|---|---|
| IFRS 9, Financial Instruments – Classification and Measurement | Annual periods beginning on or after January 1, 2015. |
| IFRS 10, Consolidated Financial Statements | Annual periods beginning on or after January 1, 2013 |
| IFRS 11, Joint Arrangements | Annual periods beginning on or after January 1, 2013 |
| IFRS 12, Disclosure of Involvement with Other Entities | Annual periods beginning on or after January 1, 2013 |
| IAS 27 (2011), Separate Financial Statements | Annual periods beginning on or after January 1, 2013 |
| IAS 28 (2011), Investments in Associates and Joint Ventures | Annual periods beginning on or after January 1, 2013 |
| IFRS 13, Fair Value Measurements | Annual periods beginning on or after January 1, 2013 |
| **Amendments to Standards** | **Effective date** |
| IAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income | Annual periods beginning on or after July 1, 2012 |
| IAS 19, Employee benefits (2011) | Annual periods beginning on or after January 1, 2013 |
| IAS 32, Financial instruments: presentation – Clarified requirements for offsetting of financial assets and financial liabilities and amends disclosures | Annual periods beginning on or after January 1, 2014 |
| IFRS 7, Financial Instruments: Disclosures –Amendments to existing disclosures on offsetting of financial assets and financial liabilities | Annual periods beginning on or after January 1, 2013 |
| IFRS 10, IFRS 11, and IFRS 12 – Consolidation of Financial Statements, Joint Arrangements and Disclosures of Involvement with Other Entities – Transition Guides | Annual periods beginning on or after January 1, 2013 |

The Bank's Management estimates that the future adoption of the aforementioned Standards, Amendments, and Interpretations will not have a significant impact on the Bank's consolidated financial statements in the period of their initial application.

## NOTE 3 SIGNIFICANT EVENTS

### a) Distribution of dividends and capitalization of earnings

The Ordinary Shareholders' Meeting of March 30, 2012 approved distributing the 2011 net profits of MCLP$ 261,268 as follows:

- Distribute a dividend of CLP$825 per share for 104,331,470 shares issued and registered in the Register of Shareholders, which amounts to MCLP$86,073.

- Allocate the remaining balance of MCLP$ 175,195 to the reserve fund for capitalization.

### b) Increase in capital stock

On March 30, 2012, the Extraordinary Shareholders' Meeting approved, among other things, increasing the capital stock by MCLP$175,195, by capitalizing retained earnings.

1) Capitalizing the amount of MCLP$130,634, without issuing any shares and

2) Capitalizing the amount of MCLP$44,560 by issuing 1,523,797 paid-up shares.

According to its current statutes, the Bank's capital stock was MCLP$ 1,026,985 divided into 104,331,470 no-par-value shares of the same series. As a result of the agreed upon capital increase, the capital stock of Banco de Crédito e Inversiones is MCLP$1,202,180, and it will be divided into 105,855,267 no-par-value shares of the same series.

The issue of such shares was approved by the Superintendency of Banks and Financial Institutions on May 28, 2012 by Resolution N° 127.The corresponding certificate and extract of this resolution was published in the Diario Oficial on June 5, 2012 and was recorded in pages 36.125 N° 25.377 of the Registro de Comercio del Conservador de Bienes Raíces (Santiago Real Estate Registrar) of 2012.

The issuance of the paid-up shares was recorded in N°5/2012 of the Register of Stocks of this Superintendency.

In the Board of Directors' meeting held on June 26, 2012 it was agreed that the paid-in shares would be issued and distributed on July 25, 2012.

### c) Bond issue and placement

- No subordinated bonds were issued in 2012.

- In 2012, the following placement of current Bonds was made in foreign currency:

On March 26, 2012, a placement of $1,000,000,000 Mexican pesos was made corresponding to the Series BCI12 Bond maturing on October 7, 2013 at a 28-day TIIE rate + 0.40% (TIIE is the Interbank Equilibrium Interest Rate in Mexico), whose rate at the end of September was 5.20%.

On September 6, 2012, the Bank placed a Bond in the United States of America (ISIN Reg S: USP32133CE16) for the amount of US$ 600,000,000 in accordance with Rule 144A and Regulation S of the Securities Act of the United States of America, which has an annual yield of 3.00% and will mature on September 13, 2017.

- In 2012, the following Bond issuances were made in UF (Chilean inflation index-linked units of account):

On August 1, 2012, Series AF1 Bond for UF 10,000,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 2.60% maturing on August 1, 2017.

On August 1, 2012, Series AF2 Bond for UF 10,000,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 2.60% maturing on August 1, 2022.

In 2012, the following Bond placements were made in UF (Chilean inflation index – linked units of account):

On February 20, 2012, the Series AE1 Bond for UF 500,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.45% maturing on August 2, 2016.

On March 6, 2012, Series AE1 Bond for UF 1,000,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.40% maturing on August 1, 2016.

On March 6, 2012, Series AE1 Bond for UF 500,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.40% maturing on August 1, 2016.

On March 12, 2012, Series AE1 Bond for UF 1,000,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.40% maturing on August 1, 2016.

On March 27, 2012, Series AE1 Bond for UF 95,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.50% maturing on August 1, 2016.

On March 28, 2012, Series AE1 Bond for UF 65,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.50% maturing on August 1, 2016.

On March 28, 2012, Series AE1 Bond for UF 15,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.50% maturing on August 1, 2016.

On April 5, 2012, Series AE1 Bond for UF 700,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.56% maturing on August 1, 2016.

On April 17, 2012, Series AE2 Bond for UF 1,000,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.75% maturing on August 1, 2021.

On April 18, 2012, Series AE2 Bond for UF 500,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.75% maturing on August 1, 2021.

On April 23, 2012, Series AE1 Bond for UF 150,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.50% maturing on August 1, 2016.

On April 27, 2012, Series AE1 Bond for UF 100,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.53% maturing on August 1, 2016.

On May 2, 2012, Series AE2 Bond for UF 2,000,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.73% maturing on August 1, 2021.

On May 15, 2012, Series AE1 Bond for UF 100,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.50% maturing on August 1, 2016.

On May 22, 2012, Series AE1 Bond for UF 70,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.50% maturing on August 1, 2016.

On May 22, 2012, Series AE2 Bond for UF 1,135,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.70% maturing on August 1, 2021.

On May 29, 2012, Series AE2 Bond for UF 500,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.65% maturing on August 1, 2021.

On June 11, 2012, Series AE1 Bond for UF 1,000,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.60% maturing on August 1, 2016.

On June 15, 2012, Series AE2 Bond for UF 1,000,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.72% maturing on August 1, 2021.

On June 20, 2012, Series AE2 Bond for UF 965,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.72% maturing on August 1, 2021.

On July 12, 2012, Series AE1 Bond for UF 2,000,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.82% maturing on August 1, 2016.

On July 12, 2012, Series AE1 Bond for UF 1,000,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.82% maturing on August 1, 2016.

On July 12, 2012, Series AE1 Bond for UF 105,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.72% maturing on August 1, 2016.

On July 13, 2012, Series AE1 Bond for UF 1,000,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.72% maturing on August 1, 2016.

On July 17, 2012, Series AE1 Bond for UF 600,000 at Internal Rate of Return (TIR, in its Spanish acronym) of 3.70% maturing on August 1, 2016.

### d) Ratification of Appointment of Director

In the Extraordinary Board Meeting held on October 16, 2012, the Board received the resignation of the Director Mr. Juan Edgardo Goldenberg Peñafiel (not leading to a replacement). The Board Meeting held on March 30, 2012, led to the final designation of the Director Mario Gómez Dubravcic, who had been appointed to the position at the Board Meeting of May 24, 2011 to replace Mr. Ignacio Yarur Arrasate, Mr. Gomez will serve as Director until the Annual General Meeting of Shareholders in 2013 when the entire Board should be modified.

# NOTE 4 BUSINESS SEGMENTS

## a) Structure of the segments

Segment reporting is presented by the Bank based on the information provided to the chief operating decision maker, which is geared towards optimizing customer service with regard to its products and services.

These are:

| | |
|---|---|
| Commercial Banking | This segment includes legal entities whose annual sales are in excess of UF 12,000 per year, as well as business loans, finance leases, real estate and transactions involving derivative instruments. |
| Retail Banking | This segment includes individuals and legal entities with annual sales of less than UF12,000 per year. |
| Finance and Investment Banking | This segment includes the following areas: trading, distribution, corporations, institutions, international and private banking. |
| Subsidiaries and Others | This includes the subsidiaries BCI Factoring S.A., BCI Asset Management Administradora General de Fondos S.A. (*), BCI Corredores de Seguros S.A., BCI Corredor de Bolsa S.A., BCI Asesoría Financiera S.A. and BCI Securitizadora S.A. |

(*) On December 29, 2011, the Superintendency of Securities and Insurance approved the merger of BCI Administradora General de Fondos S.A. by BCI Asset Management Administradora de Fondos S.A.

The Management of the indicated commercial areas is measured under the concepts presented in this note, which are based on the same accounting principles applied in the consolidated statements of income.

Expenses are allocated to the various segments basically in 3 stages:

Direct expenses: These are expenses that can be allocated directly to each of the cost centers of each segment; they are clearly recognizable and assignable. For example, personnel expenses, materials and equipment and depreciation.

Indirect expenses (centralized allocation of expenses): There are expenses recorded in common cost centers, which, according to the Bank's policy, are distributed to the various segments. For example, telephone which is distributed with consideration of the number of employees per department, real estate depreciation in relation to the number of square meters used, etc.

Support management expenses: These are allocated with consideration of the time and resources used by the various segments based on their requirements. These expenses are defined in advance and agreed to by the areas involved (user and support area).

## b) Income Statement 2012

| | For the year ended December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | Commercial Banking | Retail Banking | Finance and Investment Banking | Subsidiaries and Others | Consolidated total |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Net interest income | 195,928 | 277,575 | 101,333 | 20,347 | 595,183 |
| Net service fee income | 35,860 | 72,560 | 4,766 | 76,508 | 189,694 |
| Other operating income | 11,546 | 11,291 | 60,312 | 36,834 | 119,983 |
| Total operating income | 243,334 | 361,426 | 166,411 | 133,689 | 904,860 |
| Provisions for loan losses | (17,470) | (100,070) | 3,748 | (21,483) | (135,275) |
| Net operating income | 225,864 | 261,356 | 170,159 | 112,206 | 769,585 |
| Total operating expenses | (93,761) | (220,515) | (36,135) | (52,521) | (402,932) |
| OPERATING INCOME BY SEGMENT | 132,103 | 40,841 | 134,024 | 59,685 | 366,653 |

## c) Reconciliation of the operating income per segment and the net income for the year:

| | MCLP$ |
|---|---|
| Segment operating income | 366,653 |
| Unallocated operating expenses* | (46,109) |
| Consolidated operating income | 320,544 |
| Investment income** | 6,559 |
| Income before income tax | 327,103 |
| Income tax | (55,847) |
| Net income for the year | 271,256 |

(*) Unallocated operating expense includes corporate expenses not directly identified with businesses due to their nature and they are therefore unallocated.
(**) The income for investment in companies contains income which cannot be identified directly with the indicated segments.

## d) Volume of business 2012:

| | December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | Commercial Banking | Retail Banking | Finance and Investment Banking | Subsidiaries and Others | Consolidated total |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Assets | 5,757,111 | 5,241,455 | 6,569,810 | 358,202 | 17,926,578 |
| Liabilities | 5,257,451 | 4,861,718 | 6,015,313 | 372,139 | 16,506,621 |
| Equity | - | - | - | - | 1,419,957 |

## e) Income Statement 2011:

| | For the year ended December 31, 2011 | | | | |
|---|---|---|---|---|---|
| | Commercial Banking | Retail Banking | Finance and Investment Banking | Subsidiaries and Others | Consolidated total |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Net interest income | 178,370 | 232,799 | 132,922 | 11,259 | 555,350 |
| Net service fee income | 23,615 | 67,192 | 5,889 | 72,575 | 169,271 |
| Other operating income | (11,925) | 12,707 | 58,964 | 23,394 | 83,140 |
| Total Operating Income | 190,060 | 312,698 | 197,775 | 107,228 | 807,761 |
| Provisions for loan losses | 1,575 | (70,884) | (29,812) | (23,193) | (122,314) |
| Net Operating Income | 191,635 | 241,814 | 167,963 | 84,035 | 685,447 |
| Total Operating Expenses | (75,504) | (194,350) | (31,021) | (46,103) | (346,978) |
| OPERATING INCOME BY SEGMENT | 116,131 | 47,464 | 136,942 | 37,932 | 338,469 |

## f) Reconciliation of the operating income per segment and the net income for the year

| | MM$ |
|---|---|
| Segment operating income | 338,469 |
| Unallocated operating expenses* | (34,592) |
| Consolidated operating income | 303,877 |
| Investment income** | 8,482 |
| Income before income tax | 312,359 |
| Income tax | (51,090) |
| Net income for the year | 261,269 |

(*) Unallocated operating expense includes corporate expenses not directly identified with businesses due to their nature and they are therefore unallocated.
(**) The income for investment in companies contains income which cannot be identified directly with the indicated segments.

## g) Volume of business 2011:

| | December 31, 2011 | | | | |
|---|---|---|---|---|---|
| | Commercial Banking | Retail Banking | Finance and Investment Banking | Subsidiaries and others | Consolidated total |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| ASSETS | 5,190,109 | 4,631,824 | 5,987,639 | 300,089 | 16,109,661 |
| LIABILITIES | 4,745,186 | 4,287,901 | 5,533,380 | 321,145 | 14,887,612 |
| EQUITY | - | - | - | - | 1,222,049 |

## h) Concentration of Clients

There are no clients that individually represent more than 10% of the income from the segments mentioned.

## i) Transactions between segments

The main transaction between the segments corresponds to the rate of transfer (cost of funds) that the segment Finance and Investment Banking applies to operations of assets and liabilities in the other segments. In the case of the operations of assets, Finance and Investment Banking charges a rate of transfer, while for operations of liabilities this segment pays a rate.

Also, there are other transactions which generate operations in the segment "Subsidiaries and others".

## NOTE 5 CASH AND CASH EQUIVALENTS

### a) Details of balances included under cash and cash equivalents, and their reconciliation with the consolidated statement of cash flows at each year end, are as follows:

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Cash and due from banks | | |
| Cash | 322,351 | 257,401 |
| Deposits in Central Bank of Chile* | 704,240 | 631,210 |
| Deposits in local banks | 4,576 | 2,282 |
| Deposits abroad | 428,452 | 308,688 |
| Subtotal cash and bank deposits | 1,459,619 | 1,199,581 |
| Operations pending settlement, net | 145,498 | 118,381 |
| Highly liquid financial instruments | 13,614 | 7,953 |
| Investments under agreements to resell | 134,808 | 73,547 |
| Total cash and cash equivalents | 1,753,539 | 1,399,462 |

(*) The level of cash and deposits at the Central Bank of Chile meets the monthly average reserve requirements.

### b) Operations pending settlement:

Operations pending settlement correspond to those transactions in course of collection which will increase or decrease the funds at the Central Bank of Chile or in foreign banks, usually within 12 or 24 hours. At each period end, details are as follows:

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Assets | | |
| Outstanding notes from other banks | 158,203 | 140,009 |
| Funds receivable | 236,193 | 135,464 |
| Subtotal assets | 394,396 | 275,473 |
| Liabilities | | |
| Funds payable | 248,898 | 157,092 |
| Subtotal liabilities | 248,898 | 157,092 |
| Operations pending settlement, net | 145,498 | 118,381 |

## NOTE 6 TRADING INVESTMENTS

The following is the detail of instruments designated as trading investments:

| | As of December 31 | |
|---|---|---|
| | 2012 MCLP$ | 2011 MCLP$ |
| **Instruments of the Government and Central Bank of Chile:** | | |
| Bonds of the Central Bank of Chile | 870,243 | 818,211 |
| Promissory notes of the Central Bank of Chile | 2,799 | 4,389 |
| Other instruments of the Government and the Central Bank of Chile | - | 37,656 |
| **Instruments of other domestic institutions:** | | |
| Bonds | 57 | 7,641 |
| Time deposits | 227,477 | 255,021 |
| Letters of credit | 4,047 | 13,075 |
| Documents issued by other financing institutions | 85,643 | 69,065 |
| Other instruments | 14,603 | 13,925 |
| **Instruments of other foreign institutions:** | | |
| Other instruments | 1,919 | - |
| **Investments in mutual funds:** | | |
| Funds administrated by related entities | 16,504 | 22,979 |
| Funds administrated by third parties | 227 | 516 |
| Total | 1,223,519 | 1,242,478 |

## NOTE 7 INVESTMENTS UNDER SALE AGREEMENTS AND OBLIGATIONS UNDER REPURCHASE

### a) Securities purchased under resale agreements:

| Type of entity | Maturity of the agreement: Up to 3 months | | Between 3 months-1year | | Over 1 year | | Balance as of 31.12.2012 |
|---|---|---|---|---|---|---|---|
| | | Average rate | | Average rate | | Average rate | |
| | MCLP$ | % | MCLP$ | % | MCLP$ | % | MCLP$ |
| Related individual or corporation | - | - | - | - | - | - | - |
| Bank operating in the country | - | - | - | - | - | - | - |
| Securities broker | 54,452 | 0,75 | 4,084 | 0,54 | - | - | 58,536 |
| Other financing institution operating in the country | - | - | - | - | - | - | - |
| Foreign financing institution | - | - | - | - | - | - | - |
| Other individual or corporation | 72,675 | 0,52 | 3,597 | 0,54 | - | - | 76,272 |
| Total | 127,127 | - | 7,681 | - | - | - | 134,808 |

| Type of entity | Maturity of the agreement: Up to 3 months | | Between 3 months-1year | | Over 1 year | | Balance as of 31.12.2011 |
|---|---|---|---|---|---|---|---|
| | | Average rate | | Average rate | | Average rate | |
| | MCLP$ | % | MCLP$ | % | MCLP$ | % | MCLP$ |
| Related individual or corporation | - | - | - | - | - | - | - |
| Bank operating in the country | - | - | - | - | - | - | - |
| Securities broker | 29,657 | 0,56 | 400 | 0,64 | - | - | 30,057 |
| Other financing institution operating in the country | - | - | - | - | - | - | - |
| Foreign financing institution | - | - | - | - | - | - | - |
| Other individual or corporation | 40,405 | 2,46 | 3,085 | 0,53 | - | - | 43,490 |
| Total | 70,062 | - | 3,485 | - | - | - | 73,547 |

### b) Securities sold under repurchase agreements:

| Type of entity | Maturity of the agreement: Up to 3 months MCLP$ | Up to 3 months Average rate % | Between 3 months-1year MCLP$ | Between 3 months-1year Average rate % | Over 1 year MCLP$ | Over 1 year Average rate % | Balance as of 31.12.2011 MCLP$ |
|---|---|---|---|---|---|---|---|
| Related individual or corporation | 20,016 | 0,49 | - | - | - | - | 20,016 |
| Bank operating in the country | 12,007 | 0,47 | - | - | - | - | 12,007 |
| Securities broker | 96,097 | 0,44 | - | - | - | - | 96,097 |
| Other financing institution operating in the country | - | - | - | - | - | - | - |
| Foreign financing institution | - | - | - | - | - | - | - |
| Other individual or corporation | 197,034 | 0,43 | 9 | 0,72 | - | - | 197,043 |
| Total | 325,154 | - | 9 | - | - | - | 325,163 |

| Type of entity | Maturity of the agreement: Up to 3 months MCLP$ | Up to 3 months Average rate % | Between 3 months-1year MCLP$ | Between 3 months-1year Average rate % | Over 1 year MCLP$ | Over 1 year Average rate % | Balance as of 31.12.2011 MCLP$ |
|---|---|---|---|---|---|---|---|
| Related individual or corporation | - | - | - | - | - | - | - |
| Bank operating in the country | 4,791 | 0,49 | - | - | - | - | 4,791 |
| Securities broker | 2,143 | 0,72 | - | - | - | - | 2,143 |
| Other financing institution operating in the country | 2,759 | 0,42 | - | - | - | - | 2,759 |
| Foreign financing institution | - | - | - | - | - | - | - |
| Other individual or corporation | 337,495 | 1,13 | 3,131 | 0,50 | - | - | 340,626 |
| Total | 347,188 | - | 3,131 | - | - | - | 350,319 |

## NOTE 8 FINANCIAL DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

### a) As of December 31, 2012 and 2011, the Bank and its subsidiaries hold the following portfolio of derivative instruments:

| | As of December 31: 2012 Assets MCLP$ | 2012 Liabilities MCLP$ | 2011 Assets MCLP$ | 2011 Liabilities MCLP$ |
|---|---|---|---|---|
| Trading derivatives | | | | |
| Forwards | 127,732 | 122,407 | 191,731 | 176,104 |
| Swaps | 206,846 | 166,832 | 353,444 | 339,342 |
| Call options | 809 | 255 | 490 | 417 |
| Put options | 184 | 442 | 56 | 259 |
| Futures | 174 | - | 316 | - |
| Others | - | - | - | - |
| Subtotal | 335,745 | 289,936 | 546,037 | 516,122 |
| Hedge accounting derivatives | | | | |
| Forwards | 1,649 | 7,177 | 608 | - |
| Swaps | 131,762 | 131,123 | 90,307 | 109,501 |
| Call options | - | - | - | - |
| Put options | - | - | - | - |
| Futures | - | - | - | - |
| Others | - | - | - | - |
| Subtotal | 133,411 | 138,300 | 90,915 | 109,501 |
| Total | 469,156 | 428,236 | 636,952 | 625,623 |

| | Notional amount of contracts by maturity 2012 | | | Notional amount of contracts by maturity 2011 | | |
|---|---|---|---|---|---|---|
| | Up to 3 months | Between 3 months - 1 year | Over 1 year | Up to 3 months | Between 3 months - 1 year | Over 1 year |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Fair value hedging derivatives | | | | | | |
| Forwards | - | - | - | - | - | - |
| Swaps | 85,000 | 479 | 329,036 | 13,000 | 430,694 | 133,483 |
| Call options | - | - | - | - | - | - |
| Put options | - | - | - | - | - | - |
| Futures | - | - | - | - | - | - |
| Others | - | - | - | - | - | - |
| Subtotal | 85,000 | 479 | 329,036 | 13,000 | 430,694 | 133,483 |
| Trading derivatives | | | | | | |
| Forwards | 8,865,405 | 6,910,732 | 603,054 | 9,647,177 | 6,526,244 | 434,199 |
| Swaps | 3,453,255 | 8,135,945 | 11,705,124 | 4,357,619 | 9,283,861 | 8,561,906 |
| Call options | 38,214 | 53,845 | 1,103 | 234 | 13,688 | 4,164 |
| Put options | 40,419 | 12,706 | - | 234 | 13,688 | 4,164 |
| Futures | 2 | - | - | 2 | - | - |
| Others | - | - | - | - | - | - |
| Subtotal | 12,397,295 | 15,113,228 | 12,309,281 | 14,005,266 | 15,837,481 | 9,004,433 |
| Cash flow hedging derivatives | | | | | | |
| Forwards | 352,344 | 260,794 | - | 75,800 | 271,987 | - |
| Swaps | - | 196,659 | 706,673 | - | 13,376 | 751,497 |
| Call options | - | - | - | - | - | - |
| Put options | - | - | - | - | - | - |
| Futures | - | - | - | - | - | - |
| Others | - | - | - | - | - | - |
| Subtotal | 352,344 | 457,453 | 706,673 | 75,800 | 285,363 | 751,497 |
| Total | 12,834,639 | 15,571,160 | 13,344,990 | 14,094,066 | 16,553,538 | 9,889,413 |

## b) Types of derivatives

The Bank uses hedge accounting to manage the fair value and cash flow risk they are exposed to.

**Fair value hedges:**
For both positions in foreign currency and in local currency, the fair value of the position is hedged against changes in the base rate, for this type of strategy the implied credit spread is not considered. These operations reduce the duration of the positions and reduce the risk of changes in fair value due to changes in interest rates.

Below is a summary table detailing the items and instruments used in hedge accounting of fair values as of December 31, 2012 and 2011:

| | As of December 31 2012 | 2011 |
|---|---|---|
| Hedged item | MCLP$ | MCLP$ |
| Bonds (MX) | 36,522 | 57,864 |
| Loans (MX) | 54,480 | 78,375 |
| Time deposits (CLP$) | 144,745 | 352,675 |
| Time deposits (UF) | 20,557 | 2,229 |
| Bond 144 | 240,041 | - |
| Total | 496,345 | 491,143 |
| Hedging instrument | | |
| Swap Rate (MX) | 91,002 | 136,239 |
| Swap Rate (CLP$) | 405,343 | 354,904 |
| Total | 496,345 | 491,143 |

**Cash flow hedges:**

The Bank uses cash flow hedge instruments such as Cross Currency Swaps, Forwards (inflation and exchange rate) and UF rate Swaps for the assets and liabilities exposed to variations in interest rates, exchange rates and or/inflation.

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| Hedged item | MCLP$ | MCLP$ |
| Time deposits CLP / Assets UF | 899,469 | 685,764 |
| Assets UF >1Y | 280,941 | 492,698 |
| Future obligations USD | 459,823 | - |
| Bond MXN y Assets USD | 113,673 | 79,975 |
| Total | 1,753,906 | 1,258,437 |
| Hedging instrument | | |
| Swap rate | 899,469 | 685,764 |
| Forward UF | 280,941 | 492,698 |
| Forward USD | 459,823 | - |
| CCS | 113,673 | 79,975 |
| Total | 1,753,906 | 1,258,437 |

Below are the time periods for which it is expected that there will be flows from the cash flow hedges:

| | Periods for expected cash flows in MCLP$ | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2012 | | | | |
| Hedged item | Within 1Y | Between 1Y and 5Y | Between 5Y and 10Y | More than 10Y | Total |
| Income from cash flows | (226,272) | (687,129) | - | - | (913,401) |
| Expense of cash flows | 218,154 | 693,743 | - | - | 911,897 |
| Net cash flows | (8,118) | 6,614 | - | - | (1,504) |
| Hedging instrument | | | | | |
| Income from cash flows | 226,272 | 687,129 | - | - | 913,401 |
| Expense of cash flows | (218,154) | (693,743) | - | - | (911,897) |
| Net cash flows | 8,118 | (6,614) | - | - | 1,504 |

| | As of December 31, 2011 | | | | |
|---|---|---|---|---|---|
| Hedged item | Within 1Y | Between 1Y and 5Y | Between 5Y and 10Y | More than 10Y | Total |
| Income from cash flows | (25,975) | (661,934) | - | - | (687,909) |
| Expense of cash flows | 25,429 | 665,892 | - | - | 691,321 |
| Net cash flows | (546) | 3,958 | - | - | 3,412 |
| Hedging instrument | | | | | |
| Income from cash flows | 25,975 | 661,934 | - | - | 687,909 |
| Expense of cash flows | (25,429) | (665,892) | - | - | (691,321) |
| Net cash flows | 546 | (3,958) | - | - | (3,412) |

## NOTE 9 INTERBANK LOANS

### a) At the closure of each period, the balances contained in "Interbank loans" are the following:

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| **Domestic banks** | | |
| Interbank highly liquid loans | - | 5,208 |
| Provisions for loans with domestic banks | - | (2) |
| **Foreign banks** | | |
| Interbank commercial loans | 88,594 | 67,498 |
| Provisions for loans with foreign banks | (288) | (110) |
| **Total** | 88,306 | 72,594 |

### b) The amount for credit provisions and impairment due from banks for each period is as follows:

| | As of December 31, 2012 | | | As of December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Domestic Banks | Foreign Banks | Total | Domestic Banks | Foreign Banks | Total |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Balance as of January 1 | 2 | 110 | 112 | - | 232 | 232 |
| Established provisions | - | 178 | 178 | 2 | - | 2 |
| Released provisions | (2) | - | (2) | - | (122) | (122) |
| **Balance as of December 31** | - | 288 | 288 | 2 | 110 | 112 |

# NOTE 10 LOANS AND RECEIVABLES FROM CUSTOMERS

## a) Loans and receivables from customers

| As of December 31, 2012 | Assets Before Allowances | | | Allowances Established | | | |
|---|---|---|---|---|---|---|---|
| | Normal Portfolio MCLP$ | Impaired Portfolio MCLP$ | Total MCLP$ | Individual Provisions MCLP$ | Group Provisions MCLP$ | Total MCLP$ | Net Assets MCLP$ |
| Commercial loans: | | | | | | | |
| Commercial loans | 6,170,221 | 319,927 | 6,490,148 | (103,553) | (46,225) | (149,778) | 6,340,370 |
| Foreign trade loans | 863,737 | 23,620 | 887,357 | (19,092) | (297) | (19,389) | 867,968 |
| Checking accounts | 117,498 | 8,746 | 126,244 | (1,920) | (3,869) | (5,789) | 120,455 |
| Factoring operations | 570,373 | 13,679 | 584,052 | (9,474) | (1,281) | (10,755) | 573,297 |
| Leasing transactions | 676,678 | 25,108 | 701,786 | (9,821) | (1,360) | (11,181) | 690,605 |
| Other loans and receivables | 158,282 | 12,172 | 170,454 | (327) | (4,500) | (4,827) | 165,627 |
| Subtotal | 8,556,789 | 403,252 | 8,960,041 | (144,187) | (57,532) | (201,719) | 8,758,322 |
| Mortgage loans: | | | | | | | |
| Letters of credit | 51,053 | 4,281 | 55,334 | - | (520) | (520) | 54,814 |
| Endorsable mortgage loans | 21,892 | 3,954 | 25,846 | - | (359) | (359) | 25,487 |
| Other mortgage loans | 2,258,354 | 127,465 | 2,385,819 | - | (8,743) | (8,743) | 2,377,076 |
| Subtotal | 2,331,299 | 135,700 | 2,466,999 | - | (9,622) | (9,622) | 2,457,377 |
| Consumer loans: | | | | | | | |
| Consumer loans in installments | 1,174,478 | 146,402 | 1,320,880 | - | (72,993) | (72,993) | 1,247,887 |
| Checking accounts | 74,109 | 6,665 | 80,774 | - | (6,105) | (6,105) | 74,669 |
| Credit card debtors | 207,605 | 9,650 | 217,255 | - | (8,906) | (8,906) | 208,349 |
| Consumer leasing transactions | 694 | 209 | 903 | - | (18) | (18) | 885 |
| Other loans and receivables | 632 | 13 | 645 | - | (10) | (10) | 635 |
| Subtotal | 1,457,518 | 162,939 | 1,620,457 | - | (88,032) | (88,032) | 1,532,425 |
| TOTAL | 12,345,606 | 701,891 | 13,047,497 | (144,187) | (155,186) | (299,373) | 12,748,124 |

| As of December 31, 2011 | Assets Before Allowances | | | Allowances Established | | | Net Assets |
|---|---|---|---|---|---|---|---|
| | Normal Portfolio | Impaired Portfolio | Total | Individual Provisions | Group Provisions | Total | |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Commercial loans: | | | | | | | |
| Commercial loans | 5.034.345 | 341.365 | 5.375.710 | (101.243) | (36.672) | (137.915) | 5.237.795 |
| Foreign trade loans | 899.633 | 63.721 | 963.354 | (31.019) | (304) | (31.323) | 932.031 |
| Checking accounts | 128.231 | 7.402 | 135.633 | (2.006) | (2.524) | (4.530) | 131.103 |
| Factoring operations | 570.908 | 12.374 | 583.282 | - | - | - | 583.282 |
| Leasing transactions | 563.127 | 45.700 | 608.827 | (14.742) | (1.327) | (16.069) | 592.758 |
| Other loans and receivables | 133.779 | 7.815 | 141.594 | (366) | (1.772) | (2.138) | 139.456 |
| Subtotal | 7.330.023 | 478.377 | 7.808.400 | (149.376) | (42.599) | (191.975) | 7.616.425 |
| Mortgage loans: | | | | | | | |
| Letters of credit | 62.545 | 5.887 | 68.432 | - | (533) | (533) | 67.899 |
| Endorsable mortgage loans | 25.470 | 4.789 | 30.259 | - | (378) | (378) | 29.881 |
| Other mortgage loans | 1.960.659 | 109.362 | 2.070.021 | - | (8.700) | (8.700) | 2.061.321 |
| Subtotal | 2.048.674 | 120.038 | 2.168.712 | - | (9.611) | (9.611) | 2.159.101 |
| Consumer loans: | | | | | | | |
| Consumer loans in installments | 1.025.621 | 107.588 | 1.133.209 | - | (62.596) | (62.596) | 1.070.613 |
| Checking accounts | 63.248 | 7.963 | 71.211 | - | (6.293) | (6.293) | 64.918 |
| Credit card debtors | 183.452 | 7.737 | 191.189 | - | (6.785) | (6.785) | 184.404 |
| Consumer leasing transactions | 914 | 10 | 924 | - | (10) | (10) | 914 |
| Other loans and receivables | 4.192 | 14 | 4.206 | - | (27) | (27) | 4.179 |
| Subtotal | 1.277.427 | 123.312 | 1.400.739 | - | (75.711) | (75.711) | 1.325.028 |
| TOTAL | 10.656.124 | 721.727 | 11.377.851 | (149.376) | (127.921) | (277.297) | 11.100.554 |

The collateral received by the Bank to assure the rights receivable reflected in its loans portfolio correspond to mortgages, collateral on movable and property assets, warrants and mercantile and commercial financial instrument types. As of December 31, 2012 and 2011 the fair values of the collateral corresponds to 107.07% and 107.12% of the related assets respectively.

In the case of mortgage collaterals, as of December 31, 2012 and 2011 the fair value of the collateral correspond to 114.90% and 116.26% of the balance receivable from loans respectively.

The Bank uses financial lease agreements presented in this account to finance the acquisition of property of its clients, both movable and real estate. As of December 31, 2012 and 2011 approximately MCLP$404,625 and MCLP$369,197 correspond to financial leases on movable assets respectively, and MCLP$298,064 and MCLP$240,554 correspond to financial leases on property respectively.

The Bank has obtained assets in lieu of payment for an amount of MCLP$3,440 for 2012 and MCLP$3,798 for 2011 through the execution of collaterals or pledge of collateral assets.

The financial leases of the Bank principally consist of real estate and personal property contracts, with the option of purchase and duration of between 1 and 10 years, depending on each contract.

The following is a conciliation between gross investment and the present value of minimum payments as of December 31, 2012:

| | As of December 31, | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Gross financial leases | 836,592 | 715,901 |
| Income from financial leases not accrued | (133,903) | (106,150) |
| Net Financial leases | 702,689 | 609,751 |

| | As of December 31, | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Less than 1 year | 205,787 | 185,810 |
| Between 1 and 5 years | 381,238 | 314,056 |
| Over 5 years | 115,664 | 109,885 |
| Total | 702,689 | 609,751 |

There is no evidence of impairment of the financial lease contracts that the Bank holds.

## b) Portfolio characteristics

As of December 31, 2012 and 2011, the loan portfolio before allowances for loan losses by type of the customer's economic activity is as follows:

| | National Loans | | Foreign Loans | | Total | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ | % | % |
| Commercial loans: | | | | | | | | |
| Agriculture and livestock except fruit | 178,629 | 171,592 | 29,696 | 46,074 | 208,325 | 217,666 | 1.60% | 1.91% |
| Fruit | 39,472 | 34,939 | 39,471 | 49,587 | 78,943 | 84,526 | 0.61% | 0.74% |
| Forestry and wood extraction | 75,627 | 58,497 | 6,924 | 5,616 | 82,551 | 64,113 | 0.63% | 0.56% |
| Fishing | 34,337 | 29,020 | 147,524 | 152,118 | 181,861 | 181,138 | 1.39% | 1.59% |
| Mining | 66,217 | 37,346 | 24,933 | 35,729 | 91,150 | 73,075 | 0.70% | 0.64% |
| Crude oil and natural gas production | 1,064 | 2,076 | 20,189 | 6,625 | 21,253 | 8,701 | 0.16% | 0.08% |
| Food, beverages and tobacco industry | 130,260 | 94,743 | 78,666 | 71,253 | 208,926 | 165,996 | 1.60% | 1.46% |
| Textile and leather industry | 24,805 | 32,342 | 17,190 | 22,840 | 41,995 | 55,182 | 0.32% | 0.48% |
| Timber and furniture industry | 30,623 | 31,274 | 16,692 | 21,115 | 47,315 | 52,389 | 0.36% | 0.46% |
| Print and editorial industry | 28,950 | 31,423 | 3,713 | 7,995 | 32,663 | 39,418 | 0.25% | 0.35% |
| Chemical producs, derived from oil, carbon, rubber and plastic | 147,166 | 132,820 | 89,767 | 35,227 | 236,933 | 168,047 | 1.82% | 1.48% |
| Production of metal and non metal production, machinary and equipment | 309,333 | 221,159 | 114,390 | 126,016 | 423,723 | 347,175 | 3.25% | 3.05% |
| Other manufacturing industries | 17,672 | 20,841 | 30,478 | 20,021 | 48,150 | 40,862 | 0.37% | 0.36% |
| Electricity, gas and water | 138,030 | 183,817 | 211,511 | 86,151 | 349,541 | 269,968 | 2.68% | 2.37% |
| Home Construction | 684,613 | 594,825 | 7,000 | 14,173 | 691,613 | 608,998 | 5.30% | 5.35% |
| Other construction | 326,751 | 263,388 | 13,965 | 17,130 | 340,716 | 280,518 | 2.61% | 2.47% |
| Wholesale business | 454,754 | 462,554 | 311,863 | 245,764 | 766,617 | 708,318 | 5.88% | 6.23% |
| Retail, restaurants and hotels | 686,939 | 557,769 | 171,728 | 209,987 | 858,667 | 767,756 | 6.58% | 6.75% |
| Transportation and storage | 314,442 | 294,535 | 116,423 | 156,329 | 430,865 | 450,864 | 3.30% | 3.96% |
| Communications | 96,928 | 115,953 | 5,229 | 9,507 | 102,157 | 125,460 | 0.78% | 1.10% |
| Financial and insurance companies | 1,306,310 | 955,350 | 162,993 | 81,409 | 1,469,303 | 1,036,759 | 11.26% | 9.11% |
| Real estate and service providers | 813,700 | 746,531 | 103,812 | 87,197 | 917,512 | 833,728 | 7.03% | 7.33% |
| Services | 1,269,733 | 1,156,681 | 59,529 | 71,062 | 1,329,262 | 1,227,743 | 10.19% | 10.80% |
| Subtotal | 7,176,355 | 6,229,475 | 1,783,686 | 1,578,925 | 8,960,041 | 7,808,400 | 68.67% | 68.63% |
| Mortgage loans | 2,466,999 | 2,168,712 | - | - | 2,466,999 | 2,168,712 | 18.91% | 19.06% |
| Consumer loans | 1,613,324 | 1,390,606 | 7,133 | 10,133 | 1,620,457 | 1,400,739 | 12.42% | 12.31% |
| Total | 11,256,678 | 9,788,793 | 1,790,819 | 1,589,058 | 13,047,497 | 11,377,851 | 100.00% | 100.00% |

## c) Provisions:

The changes in allowances for loan losses during the years ended December 31, 2012 and 2011 are summarized as follows:

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Individual Provisions | Group Provisions | Total | Individual Provisions | Group Provisions | Total |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Balances as of January 1 | 149,376 | 127,921 | 277,297 | 146,114 | 103,214 | 249,328 |
| Portfolio write-offs | | | | | | |
| Commercial loans | (18,346) | (23,479) | (41,825) | (19,113) | (18,581) | (37,694) |
| Mortgage Loans | - | (4,666) | (4,666) | - | (4,017) | (4,017) |
| Consumer Loans | - | (93,248) | (93,248) | - | (67,406) | (67,406) |
| Total Write-offs | (18,346) | (121,393) | (139,739) | (19,113) | (90,004) | (109,117) |
| Established provisions | 31,311 | 149,172 | 180,483 | 34,404 | 127,795 | 162,199 |
| Released provisions | (18,154) | (514) | (18,668) | (12,029) | (13,084) | (25,113) |
| Balances as of December 31 | 144,187 | 155,186 | 299,373 | 149,376 | 127,921 | 277,297 |

In addition to these provisions for credit risk, the provisions for country risk are maintained to cover operations abroad and additional provisions agreed by the Board, which are presented as liabilities in "Provisions" (Note 20). Therefore, the total of provisions for credit risk constituted for different concepts correspond to the following:

| | As of December 31, | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Individual and group provisions | 299,373 | 277,297 |
| Provisions for contingent credit risk (Note 20) | 18,279 | 15,048 |
| Provisions for contingencies (Note 20) | 48,254 | 46,078 |
| Provisions for country risk (Note 20) | 720 | 760 |
| Provisions on due from banks (Note 9) | 288 | 112 |
| Total | 366,914 | 339,295 |

During 2012 and 2011 the Bank has not performed operations of purchase, sale, substitution or swap of credits of the loans portfolio with other financial institutions.

## NOTE 11 INVESTMENT INSTRUMENTS

As of December 31, 2012 and 2011, the detail of instruments designated as financial instruments available for sale and held to maturity is the following:

| | As of December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | Available for sale MCLP$ | Held to maturity MCLP$ | Total MCLP$ | Available for sale MCLP$ | Held to maturity MCLP$ | Total MCLP$ |
| Investments priced in active markets | | | | | | |
| Of the government and Central Bank of Chile | | | | | | |
| Instruments of the Central Bank of Chile | 130,375 | - | 130,375 | 86,782 | - | 86,782 |
| Bonds or promissory notes of the Treasury | 3,131 | - | 3,131 | 43 | - | 43 |
| Other fiscal instruments | 34,059 | - | 34,059 | 26,904 | - | 26,904 |
| Other instruments issued in the country: | | | | | | |
| Instruments from other banks of the country | 264,250 | - | 264,250 | 412,788 | - | 412,788 |
| Bonds and instruments from companies | 113,593 | - | 113,593 | 115,980 | - | 115,980 |
| Other instruments issued in the country(*) | 1,324 | - | 1,324 | 2,158 | - | 2,158 |
| Instruments issued abroad: | | | | | | |
| Instruments from foreign governments or foreign central banks | - | - | - | 15,094 | - | 15,094 |
| Instruments from foreign governments and banks | 209,494 | - | 209,494 | 158,822 | - | 158,822 |
| Bonds issued abroad | 15,155 | - | 15,155 | 11,019 | - | 11,019 |
| Other instruments issued abroad | - | - | - | - | - | - |
| Total | 771,381 | - | 771,381 | 829,590 | - | 829,590 |

As of December 31, 2012, the portfolio of available for sale instruments includes an unrealized profit net of deferred taxes of MCLP$17,425 (MCLP$10,202 as of December 31, 2011) recorded as valuation adjustments in equity.

(*) Includes the shares that the BCI Corredor de Bolsa S.A. subsidiary has in the Santiago Stock Exchange and in the Chilean Electronic Stock Exchange (BEC in Spanish), valued at fair value, reflecting said value in "Other comprehensive income". These shares are valued according to their last transaction value.

During the 2012 and 2011 periods, there is no evidence of impairment in the instruments available for sale.

## NOTE 12 INVESTMENT IN COMPANIES

### a) As of December 31 2012 and 2011, the main investments in companies are detailed below:

| Company | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2011 | | | |
| | Equity MCLP$ | Share % | Investment value MCLP$ | Income/ Loss MCLP$ | Equity MCLP$ | Share % | Investment value MCLP$ | Income/ Loss MCLP$ |
| Investments valued at equity value: | | | | | | | | |
| Redbanc S.A. | 4,109 | 12.71 | 522 | (125) | 5.480 | 12.71 | 697 | 164 |
| Servipag Ltda. | 6,756 | 50.00 | 3,378 | (321) | 7.397 | 50.00 | 3,699 | 611 |
| Combanc S.A. | 4,337 | 10.93 | 474 | 81 | 3.795 | 10.50 | 398 | 76 |
| Transbank S.A. | 6,306 | 8.72 | 550 | 107 | 6.274 | 8.72 | 547 | 104 |
| Nexus S.A. | 6,412 | 12.90 | 827 | 278 | 6.412 | 12.90 | 827 | 150 |
| Artikos Chile S.A. | 1,129 | 50.00 | 565 | (428) | 1.984 | 50.00 | 992 | 72 |
| AFT S.A. | 6,076 | 20.00 | 1,215 | (528) | 8.714 | 20.00 | 1,743 | 966 |
| Centro de Compensación Automático ACH Chile | 1,609 | 33.33 | 536 | 247 | 1.252 | 33.33 | 417 | 202 |
| Sociedad Interbancaria de Depósitos de Valores S.A. | 1,711 | 7.03 | 120 | 21 | 1.573 | 7.03 | 111 | 24 |
| Credicorp Ltda. | 1,982,934 | 1.84 | 57,946 | 7,115 | 1.641.141 | 1.81 | 51,674 | 5,670 |
| Investments valued at cost: | | | | | | | | |
| SWIFT shares | | | 34 | - | | | 13 | - |
| Other shares | | | 849 | 10 | | | 42 | 373 |
| Bladex shares | | | 219 | 102 | | | 219 | 70 |
| Total | | | 67,235 | 6,559 | | | 61,379 | 8,482 |

b) The movement of investment in companies for the 2012 and 2011 periods is the following:

| | 2012 MCLP$ | 2011 MCLP$ |
|---|---|---|
| Balance at the beginning of the period | 61,379 | 52,037 |
| Investment acquisition | 2,025 | 1,640 |
| Translation adjustment | (32) | 4,382 |
| Share of income | 6,343 | 6,818 |
| Dividends received | (2,140) | (1,732) |
| Minimum dividends provision | (340) | (256) |
| Others | - | (1,510) |
| Total | 67,235 | 61,379 |

As of December 31, 2012 and 2011, there was no impairment recorded on the investments.

## NOTE 13 INTANGIBLE ASSETS

a) The composition of this account as of December 31, 2012 and 2011 is the following:

| | Years of useful life | Useful life remaining | 2012 | | |
|---|---|---|---|---|---|
| | | | Gross balance MCLP$ | Accumulated amortization & impairment MCLP$ | Net balance MCLP$ |
| Intangibles acquired independently | 6 | 3 | 26,145 | (18,235) | 7,910 |
| Intangibles acquired in business combination | 10 | 1 | 39,051 | (35,328) | 3,723 |
| Intangibles generated internally | 6 | 4 | 121,125 | (51,790) | 69,335 |
| Incorporation rights | - | - | - | - | - |
| Total | | | 186,321 | (105,353) | 80,968 |

| | Years of useful life | Useful life remaining | 2011 | | |
|---|---|---|---|---|---|
| | | | Gross balance MM$ | Accumulated amortization & impairment MM$ | Net balance MM$ |
| Intangibles acquired independently | 6 | 4 | 23,361 | (16,027) | 7,334 |
| Intangibles acquired in business combination | 10 | 2 | 39,204 | (31,602) | 7,602 |
| Intangibles generated internally | 6 | 5 | 103,133 | (39,668) | 63,465 |
| Incorporation rights | - | - | - | - | - |
| Total | | | 165,698 | (87,297) | 78,401 |

Software corresponds to accounting-administrative systems such as SmartStream, SAP and Management Systems.

Goodwill is generated by business combinations related to Atlas and Conosur, which as of December 2012 and 2011 did not show signs of impairment.

### b) The movement of the intangible assets account during the 2012 and 2011 periods is the following:

| | Intangibles acquired independently | Intangibles acquired in business combination | Intangibles generated internally | Incorporation rights | Total |
|---|---|---|---|---|---|
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Balance as of January, 2012 | 23,361 | 39,204 | 103,133 | - | 165,698 |
| Additions | 2,318 | - | 15,169 | - | 17,487 |
| Retirements | - | - | - | - | - |
| Transfers | 466 | (153) | 2,823 | - | 3,136 |
| Gross balance as of December 2012 | 26,145 | 39,051 | 121,125 | - | 186,321 |
| Amortization for the year | (2,330) | (3,879) | (11,969) | - | (18,178) |
| Accumulated amortization | (15,905) | (31,449) | (39,821) | - | (87,175) |
| Balance as of December 2012 | 7,910 | 3,723 | 69,335 | - | 80,968 |
| Balance as of January, 2011 | 20,942 | 39,204 | 84,583 | 1,463 | 146,192 |
| Additions | 3,097 | - | 29,814 | - | 32,911 |
| Retirements | (678) | - | (11,264) | (1,463) | (13,405) |
| Transfers | - | - | - | - | - |
| Gross balance as of December 2011 | 23,361 | 39,204 | 103,133 | - | 165,698 |
| Amortization for the year | (2,138) | (3,986) | (10,930) | - | (17,054) |
| Accumulated amortization | (13,889) | (27,616) | (28,738) | - | (70,243) |
| Balance as of December 2011 | 7,334 | 7,602 | 63,465 | - | 78,401 |

## NOTE 14 PROPERTY, PLANT AND EQUIPMENT

### a) The composition of property, plant and equipment as of December 31, 2012 and 2011 is the following:

| | As of December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | Years of useful life | Useful life remaining | Gross balance | Accumulated depreciation | Net balance |
| | | | MCLP$ | MCLP$ | MCLP$ |
| Land and buildings | 37 | 27 | 181,135 | (34,397) | 146,738 |
| Equipment* | 5 | 3 | 97,335 | (75,438) | 21,897 |
| Others | 8 | 4 | 58,238 | (21,816) | 36,422 |
| Total | | | 336,708 | (131,651) | 205,057 |

| | As of December 31, 2011 | | | | |
|---|---|---|---|---|---|
| | Years of useful life | Useful life remaining | Gross balance | Accumulated depreciation | Net balance |
| | | | MCLP$ | MCLP$ | MCLP$ |
| Land and buildings | 37 | 28 | 187,544 | (27,989) | 159,555 |
| Equipment | 5 | 4 | 98,329 | (71,199) | 27,130 |
| Others | 8 | 5 | 39,461 | (19,735) | 19,726 |
| Total | | | 325,334 | (118,923) | 206,411 |

(*) As of December 31, 2012 MCLP$ 642 was recorded as impairment of equipment (as of December 31, 2011 this was MCLP$ 0).

### b) The movement of property, plant and equipment as of December 31, 2012 and 2011 is the following:

| | Land and buildings MCLP$ | Equipment MCLP$ | Others MCLP$ | Total MCLP$ |
|---|---|---|---|---|
| 2012 | | | | |
| Cost | | | | |
| Balance as of January 1, 2012 | 187,544 | 98,329 | 39,461 | 325,334 |
| Additions | 6,345 | 5,350 | 8,621 | 20,316 |
| Disposals | (174) | (5,219) | (1,611) | (7,004) |
| Transfers | (12,368) | 82 | 11,647 | (639) |
| Others | (212) | (77) | 120 | (169) |
| Impairment (1) | - | (1,130) | - | (1,130) |
| Gross balance as of December 31, 2012 | 181,135 | 97,335 | 58,238 | 336,708 |
| Accumulated depreciation | (34,397) | (75,926) | (21,816) | (132,139) |
| Accumulated reversal of depreciation associated with impairment (1) | - | 488 | - | 488 |
| Total accumulated depreciation | (34,397) | (75,438) | (21,816) | (131,651) |
| Net property, plant and equipment balance as of December 31, 2012 | 146,738 | 21,897 | 36,422 | 205,057 |

(1) The net impairment of MCLP$642 corresponds to the gross balance of impairment less the corresponding reversal of accumulated depreciation.

| | Land and buildings MCLP$ | Equipment MCLP$ | Others MCLP$ | Total MCLP$ |
|---|---|---|---|---|
| 2011 | | | | |
| Cost | | | | |
| Balance as of January 1, 2011 | 179,904 | 93,359 | 43,716 | 316,979 |
| Additions | 46,609 | 22,168 | 40,742 | 109,519 |
| Disposals | (6,228) | (6,939) | (4,188) | (17,355) |
| Transfers | (20,136) | (7,687) | (41,853) | (69,676) |
| Others | (12,605) | (2,572) | 1,044 | (14,133) |
| Impairment | - | - | - | - |
| Gross balance as of December 31, 2011 | 187,544 | 98,329 | 39,461 | 325,334 |
| Accumulated depreciation | (27,989) | (71,199) | (19,735) | (118,923) |
| Accumulated reversal of depreciation associated with impairment | - | - | - | - |
| Total accumulated depreciation | (27,989) | (71,199) | (19,735) | (118,923) |
| Net property, plant and equipment balance as of December 31, 2011 | 159,555 | 27,130 | 19,726 | 206,411 |

**c)** As of December 31 2012 and 2011 the Bank has no operating lease agreements.

**d)** As of December 31 2012 and 2011 the Bank has financing lease agreements that cannot be rescinded unilaterally. The information of future payments is detailed as follows:

| | Future payments of financing lease agreements | | | |
|---|---|---|---|---|
| | Up to 1 year MCLP$ | 1 to 5 years MCLP$ | Over 5 years MCLP$ | Total MCLP$ |
| At December 31, 2012 | 202 | 453 | - | 655 |
| At December 31, 2011 | 182 | 625 | 9 | 816 |

On the other hand, the balances for property, plant and equipment under financing lease as of December 31, 2012 amount to MCLP$1,642 (MCLP$1,664 at December 31, 2011) and are presented as part of "Others" of property, plant and equipment.

## NOTE 15 CURRENT AND DEFERRED TAX

### a) Current tax

The Bank as of December 31, 2012 and 2011, has constituted the provision of first-category income tax and the provision of Unique Tax of Article N°21 of the Income Law, which was determined based on the tributary legal dispositions in force and have reflected assets amounting MCLP$ 4,237 as of December 31 2012 (MCLP$8,688 in 2011). Said provision is presented net of collectible taxes, as detailed as follows:

| | As of December 31, | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Income tax (20% and 17% tax rate) | (67,582) | (66,716) |
| 35% provision for income tax | (282) | (252) |
| Less: | | |
| Monthly tax provisional payments | 59,225 | 70,087 |
| Credit for training expenses | 1,213 | 1,249 |
| Credit for acquisition of property, plant and equipment | 15 | 20 |
| Credit for donations | 1,779 | 1,250 |
| Collectible income tax | 8,677 | 2,249 |
| Other collectible taxes and withholdings | 1,192 | 801 |
| Total | 4,237 | 8,688 |

### b) Income tax

The effect of taxes on the income during the periods comprehended between January 1 and December 31, 2012 and 2011 is the following:

| | As of December 31, | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Income tax charges: | | |
| Current year tax | (60,413) | (66,716) |
| Surplus/deficit of previous year provision | - | 5,220 |
| | (60,413) | (61,496) |
| Credit (charge) for deferred taxes: | | |
| Origination and reversal of temporary differences | 7,186 | 9,263 |
| Rate change of 1st category income tax | (4) | (185) |
| | 7,182 | 9,078 |
| Subtotal | (53,231) | (52,418) |
| | | |
| Tax for rejected expenses article N°21 | (102) | (65) |
| Others | (2,514) | 1,393 |
| Charge to income statement | (55,847) | (51,090) |

### c) Reconciliation of the effective tax rate

The following is the reconciliation of the income tax rate with the effective rate applied in determining the tax charge as of December 31, 2012 and 2011.

| | As of December 31 | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Tax rate % | Amount MCLP$ | Tax rate % | Amount MCLP$ |
| Income before tax | | 327,103 | | 312,359 |
| Applicable tax rate | 20.00 | | 20.00 | |
| Statutory income tax | | 65,421 | | 62,472 |
| Tax effect of non-deductible expenses in calculation of taxable income | | | | |
| Permanent differences | (1.407) | (4,602) | (2.65) | (8,271) |
| Unique tax (rejected expenses) | 0.006 | 20 | 0.02 | 65 |
| Effect of rate change | (0.001) | (4) | (0.06) | (185) |
| Result from investment in companies | (0.724) | (2,368) | (0.20) | (626) |
| Others | (0.801) | (2,620) | (0.75) | (2,365) |
| Effective rate and income tax charge | 17.07 | 55,847 | 16.36 | 51,090 |

The effective income tax rate for 2012, and 2011 was 17.07%, and 16.36% respectively.

## d) Effect of deferred taxes on equity

The deferred tax recorded with charges to shareholders' equity as of December 31, 2012 and 2011 is composed of the following:

| | Accumulated as of December 31 | | Effect on period 2012 |
|---|---|---|---|
| | 2012 MCLP$ | 2011 MCLP$ | |
| Financial investments available for sale | (1,703) | (2,102) | 399 |
| Cash flow hedges | (2,411) | 167 | (2,578) |
| Effect of deferred tax on shareholders' equity | (4,114) | (1,935) | (2,179) |

## e) Effect of deferred taxes on the income statement

During 2012 and 2011 the Bank has recorded in its consolidated financial statements the effects of deferred taxes according to IAS 12.

The effect of income taxes on assets, liabilities and income assigned by temporary differences is presented as follows:

| | As of December 31 | | | As of December 31 | | |
|---|---|---|---|---|---|---|
| | Assets MCLP$ | Liabilities MCLP$ | Net MCLP$ | Assets MCLP$ | Liabilities MCLP$ | Net MCLP$ |
| Provisions for loan losses | 46,177 | - | 46,177 | 33,887 | - | 33,887 |
| Provisions for staff vacations & bonuses | 5,203 | - | 5,203 | 5,027 | - | 5,027 |
| Derivative contracts operations | 2,411 | - | 2,411 | - | - | - |
| Leasing operations (net) | - | (1,873) | (1,873) | 4,071 | - | 4,071 |
| Others | 6,318 | - | 6,318 | 4,560 | - | 4,560 |
| Property, plant and equipment | - | (12,259) | (12,259) | - | (15,095) | (15,095) |
| Transitory assets | - | (18,260) | (18,260) | - | (8,671) | (8,671) |
| Subordinate bonds | - | (6,212) | (6,212) | - | (4,435) | (4,435) |
| Securities trading | - | (1,540) | (1,540) | - | (5,622) | (5,622) |
| Derivative contracts operations | - | - | - | - | (844) | (844) |
| Others | - | (347) | (347) | - | (446) | (446) |
| Total assets (liabilities), net | 60,109 | (40,491) | 19,618 | 47,545 | (35,113) | 12,432 |
| Effect of deferred tax on equity | - | (4,114) | (4,114) | - | (1,935) | (1,935) |
| Net effect for deferred tax assets | 60,109 | (44,605) | 15,504 | 47,545 | (37,048) | 10,497 |

## f) Tax treatment of loans and accounts receivable, provisions, write-offs and recoveries.

As of December 31, 2012 and 2011, the Bank presents the following information on provisions, write offs and renegotiations. This information corresponds to the Bank's operations and therefore excludes the subsidiaries.

### a. Loans and accounts receivable from customers

| Loans and accounts receivable From customers as of 31.12.2012 | Assets at financial Statement value | Assets at tax value | | |
|---|---|---|---|---|
| | | Total | Past due portfolio With collateral | Past due portfolio Without collateral |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Commercial loans | 7,312,605 | 7,332,471 | 108,867 | 100,660 |
| Consumer loans | 1,618,948 | 1,625,492 | 7,218 | 23,018 |
| Mortgage loans for housing | 2,466,999 | 2,473,476 | 151,278 | 7,028 |

| Loans and accounts receivable From customers as of 31.12.2011 | Assets at financial Statement value | Assets at tax value | | |
|---|---|---|---|---|
| | | Total | Past due portfolio With collateral | Past due portfolio Without collateral |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Commercial loans | 5,761,147 | 5,760,078 | 73,096 | 101,177 |
| Consumer loans | 1,394,340 | 1,389,811 | 9,983 | 79,852 |
| Mortgage loans for housing | 1,941,488 | 1,938,141 | 32,238 | 178 |

### b. Provisions

| Provisions for past due portfolio | Balance at 01.1.2012 MCLP$ | Write-offs on provisions MCLP$ | Established provisions MCLP$ | Released provisions MCLP$ | Balance at 31.12.2012 MCLP$ |
|---|---|---|---|---|---|
| Commercial loans | 97,954 | (52,989) | 103,238 | (47,543) | 100,660 |
| Consumer loans | 51,439 | (117,459) | 108,829 | (18,092) | 24,717 |
| Mortgage loans for housing | 2,795 | - | 6,239 | (3,706) | 5,328 |

| Provisions for past due portfolio | Balance at 01.1.2011 MCLP$ | Write-offs on provisions MCLP$ | Established provisions MCLP$ | Released provisions MCLP$ | Balance at 31.12.2011 MCLP$ |
|---|---|---|---|---|---|
| Commercial loans | 89,533 | (24,247) | 76,166 | (43,498) | 97,954 |
| Consumer loans | 71,838 | (65,233) | 85,433 | (40,599) | 51,439 |
| Mortgage loans for housing | 3,447 | - | 1,325 | (1,977) | 2,795 |

### c. Write-offs and recoveries

| Direct write-offs and recoveries as of 31.12.2012 | MCLP$ | Application of Art. 31 N°4 subsections one and three | MCLP$ |
|---|---|---|---|
| Direct write-offs Art. 31 N°4 subsection two | 13,956 | Write-offs according to subsection one | - |
| Write-offs that originated provisions release | - | Write-offs according to subsection three | - |
| Recoveries or renegotiations of written-off credits | 41,260 | | |

| Direct write-offs and recoveries as of 31.12.2011 | MCLP$ | Application of Art. 31 N°4 subsections one and three | MCLP$ |
|---|---|---|---|
| Direct write-offs Art. 31 N°4 subsection two | 11,929 | Write-offs according to subsection one | - |
| Write-offs that originated provisions release | - | Write-offs according to subsection three | - |
| Recoveries or renegotiations of written-off credits | 40,341 | | |

## NOTE 16 OTHER ASSETS

### a) As of December 31, 2012 and 2011 the composition of the account is the following:

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Assets for leasing (*) | 17,895 | 42,341 |
| Assets received in payment or awarded: | | |
| Assets received in payment | 745 | 1,741 |
| Assets awarded from judicial auctions | 1,909 | 2,138 |
| Provisions for assets received in payment or awarded (**) | (112) | (156) |
| Other assets: | | |
| Guarantee deposits | 39,260 | 47,600 |
| Investments in gold | 3,597 | 3,726 |
| VAT fiscal credit | 6,176 | 5,097 |
| Expenses paid in advance | 27,317 | 38,571 |
| Assets from property, plant and equipment for sale | 4,838 | 4,838 |
| Assets recovered from lease agreements available for sale (***) | 5,220 | 2,406 |
| Valuation adjustments for macro-hedges | 42 | 109 |
| Accounts receivable with related companies | 228 | 263 |
| Accounts receivable | 62,656 | 48,176 |
| Assets to be recovered | 10,038 | 10,916 |
| Fair value fluctuation of hedged item | 393 | 709 |
| Other assets | 39,461 | 67,993 |
| Total | 219,663 | 276,468 |

(*) Correspond to property, plant and equipment available to be delivered under financing lease..

(**) The provisions of assets received in payment or awarded are registered according to what has been stipulated in the Accounting Standards Compendium Chapter B-5 N°3, which implies recording a provision for the difference between the initial value plus additions and the realization value, when the first is higher.

(***) Within the same line item, the recovered assets from leasing agreements available for sale are included, which correspond to movable assets.

These properties are available for sale assets as the sale is very likely to happen. For most of the assets, the sale is expected to be fulfilled in a one-year term starting from the date when the asset is classified as "assets from property, plant and equipment available for sale and/or asset recovered in leasing held for sale".

### b) The variation of the provision of assets received in payment or awarded, during the 2012 and 2011 periods is the following:

| | Provisions on assets |
|---|---|
| Accumulated amortization and impairment | MCLP$ |
| Balance as of January 1, 2012 | 156 |
| Established provisions | 128 |
| Release of provisions | (172) |
| Balance as of December 31, 2012 | 112 |
| Balance as of January 1, 2011 | 259 |
| Established provisions | 172 |
| Release of provisions | (275) |
| Balance as of December 31, 2011 | 156 |

## NOTE 17 DEPOSITS AND OTHER OBLIGATIONS PAYABLE ON DEMAND AND TIME DEPOSITS

As of December 31, 2012 and 2011 the composition of this account is the following:

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Deposits and other obligations payable on demand | | |
| Current accounts | 2,951,814 | 2,630,376 |
| Other deposits and accounts payable on demand | 373,782 | 332,491 |
| Other obligations payable on demand | 292,769 | 209,613 |
| Total | 3,618,365 | 3,172,480 |
| Savings accounts and time deposits | | |
| Time deposits | 7,172,073 | 6,697,230 |
| Savings accounts | 49,187 | 50,239 |
| Guarantees | 1,328 | 1,585 |
| Total | 7,222,588 | 6,749,054 |

## NOTE 18 INTERBANK BORROWINGS

As of December 31, 2012 and 2011 the composition of this account is the following:

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Loans received from financial institutions and Central Bank of Chile: | | |
| Other obligations with Central Bank of Chile | 415,194 | 132,138 |
| Subtotal | 415,194 | 132,138 |
| Loans received from domestic financial institutions: | | |
| Interbank loans | 320,136 | 68,159 |
| Other obligations | 86,722 | 159,777 |
| Subtotal | 406,858 | 227,936 |
| Loans received from financial institutions abroad: | | |
| Foreign trade financing | 762,741 | 862,046 |
| Loans and other obligations | 475,651 | 624,974 |
| Subtotal | 1,238,392 | 1,487,020 |
| Total | 2,060,444 | 1,847,094 |

## NOTE 19 ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL OBLIGATIONS

### a) As of December 31, 2012 and 2011, details are as follows:

| | As of December 31 2012 MCLP$ | 2011 MCLP$ |
|---|---|---|
| Other debentures: | | |
| Public bonds | 74,133 | 78,791 |
| Other local bonds | 40,908 | 33,154 |
| Foreign bonds | 28 | 2,882 |
| Total | 115,069 | 114,827 |
| Issued debt instruments: | | |
| Letters of credit | 72,520 | 102,626 |
| Current bonds | 1,345,138 | 730,638 |
| Subordinated bonds | 647,416 | 640,370 |
| Total | 2,065,074 | 1,473,634 |

### b) As of December 31, 2012 and 2011 the maturities of the current and subordinated bonds are as follows:

| | As of December 31, 2012 | | |
|---|---|---|---|
| | Long term MCLP$ | Short term MCLP$ | Total MCLP$ |
| By short and long term maturities | | | |
| Current bonds | 1,308,372 | 36,766 | 1,345,138 |
| Subordinated bonds | 647,416 | - | 647,416 |
| Total | 1,955,788 | 36,766 | 1,992,554 |

| | As of December 31, 2011 | | |
|---|---|---|---|
| | Long term MCLP$ | Short term MCLP$ | Total MCLP$ |
| By short and long term maturities | | | |
| Current bonds | 619,220 | 111,418 | 730,638 |
| Subordinated bonds | 640,370 | - | 640,370 |
| Total | 1,259,590 | 111,418 | 1,371,008 |

### c) Details of placements of current and subordinated bonds as of December 31, 2012 are as follows:

CURRENT BONDS IN UNIDADES DE FOMENTO (UF = inflation index-linked units of account)

| Series | UF Issued | UF Placed | Date of Issue | Maturity Date | Average rate | Balance Due UF | Balance Due MCLP$ |
|---|---|---|---|---|---|---|---|
| SERIE_X | 5,000,000 | 5,000,000 | 01/06/2007 | 01/06/2017 | 3.85% | 4,844,685 | 110,656 |
| SERIE_AA | 10,000,000 | 10,000,000 | 01/07/2008 | 01/07/2014 | 3.94% | 9,428,660 | 215,358 |
| SERIE_AB | 10,000,000 | 10,000,000 | 01/07/2008 | 01/07/2018 | 3.67% | 8,193,877 | 187,154 |
| SERIE_AE1 | 10,000,000 | 10,000,000 | 01/08/2011 | 01/08/2016 | 3.59% | 9,788,439 | 223,575 |
| SERIE_AE2 | 10,000,000 | 10,000,000 | 01/08/2011 | 01/08/2021 | 3.73% | 9,303,942 | 212,510 |
| SERIE_AF1 | 10,000,000 | - | 01/08/2012 | 01/08/2017 | - | - | - |
| SERIE_AF2 | 10,000,000 | - | 01/08/2012 | 01/08/2022 | - | - | - |
| Subtotal | 65,000,000 | 45,000,000 | | | | 41,559,603 | 949,253 |

CURRENT BONDS IN FOREIGN CURRENCY- MEXICAN PESOS

| Series | Amount Issued | Date of Issue | Maturity Date | Average rate | Balance Owed Mexican Pesos | Balance Owed MCLP$ |
|---|---|---|---|---|---|---|
| BCI11 | 2,000,000,000 | 15-07-2011 | 11-07-2014 | 5.80% | 1,990,639,160 | 73,486 |
| BCI12 | 1,000,000,000 | 26-03-2012 | 07-10-2013 | 5.64% | 995,955,000 | 36,766 |
| Total | 3,000,000,000 (*) | | | | 2,986,594,160 | 110,252 |

(*) These bond issues were made in Mexico under an approved program dated 29/06/2011 for a total of $8,000,000,000 Mexican pesos. The program has an expiration date of 29/06/2016.

CURRENT BONDS IN FOREIGN CURRENCY- US DOLLAR

| Series | Amount Issued | Amount Placed | Date of Issue | Maturity Date | Average rate | Balance Owed Due US$ | Balance MCLP$ |
|---|---|---|---|---|---|---|---|
| USP32133CE16 | 600,000,000 | 600,000,000 | 13-09-2012 | 13-09-2017 | 3.54% | 595.726.129 | 285,633 |
| Total | 600,000,000(*) | 600,000,000 | | | | 595.726.129 | 285,633 |

(*) These amounts are amortized in accordance with the effective interest rate method and therefore the initial costs of placing the bond have been discounted.

SUBORDINATED BONDS IN UNIDADES DE FOMENTO

| Series | UF Issued | UF Placed | Date of Issue | Maturity Date | Average rate | Balance Due UF | Balance Due MCLP$ |
|---|---|---|---|---|---|---|---|
| SERIE_C y D | 2,000,000 | 2,000,000 | 01/12/1995 | 01/12/2016 | 6.92% | 687,540 | 15,704 |
| SERIE_E | 1,500,000 | 1,500,000 | 01/11/1997 | 01/11/2018 | 7.37% | 733,833 | 16,761 |
| SERIE_F | 1,200,000 | 1,200,000 | 01/05/1999 | 01/05/2024 | 7.73% | 803,861 | 18,361 |
| SERIE_G | 400,000 | 400,000 | 01/05/1999 | 01/05/2025 | 7.92% | 279,333 | 6,380 |
| SERIE_L | 1,200,000 | 1,200,000 | 01/10/2001 | 01/10/2026 | 6.39% | 940,828 | 21,489 |
| SERIE_M | 1,800,000 | 1,800,000 | 01/10/2001 | 01/10/2027 | 6.43% | 1,435,230 | 32,782 |
| SERIE_N | 1,500,000 | 1,500,000 | 01/06/2004 | 01/06/2029 | 5.25% | 1,269,004 | 28,985 |
| SERIE_O | 1,500,000 | 1,500,000 | 01/06/2004 | 01/06/2030 | 3.93% | 1,256,070 | 28,690 |
| SERIE_R | 1,500,000 | 1,500,000 | 01/06/2005 | 01/06/2038 | 4.72% | 597,235 | 13,641 |
| SERIE_S | 2,000,000 | 2,000,000 | 01/12/2005 | 01/12/2030 | 4.86% | 1,679,403 | 38,359 |
| SERIE_T | 2,000,000 | 2,000,000 | 01/12/2005 | 01/12/2031 | 4.52% | 1,740,929 | 39,764 |
| SERIE_U | 2,000,000 | 2,000,000 | 01/06/2007 | 01/06/2032 | 4.19% | 1,855,494 | 42,381 |
| SERIE_Y | 4,000,000 | 4,000,000 | 01/12/2007 | 01/12/2030 | 4.25% | 1,896,800 | 43,324 |
| SERIE_W | 4,000,000 | 4,000,000 | 01/06/2008 | 01/06/2036 | 4.05% | 1,577,600 | 36,034 |
| SERIE_AC | 6,000,000 | 6,000,000 | 01/03/2010 | 01/03/2040 | 3.96% | 5,466,095 | 124,850 |
| SERIE_AD 1 | 4,000,000 | 4,000,000 | 01/06/2010 | 01/06/2040 | 4.17% | 3,505,146 | 80,060 |
| SERIE_AD 2 | 3,000,000 | 3,000,000 | 01/06/2010 | 01/06/2042 | 4.14% | 2,620,394 | 59,851 |
| Subtotal | 39,600,000 | 39,600,000 | | | | 28,344,795 | 647,416 |

## NOTE 20 PROVISIONS

The provisions established as of December 31, 2012 and 2011 were as follows:

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Provisions for staff benefits and remuneration | 23,279 | 20,631 |
| Provisions for minimum dividends | 81,377 | 78,380 |
| Provisions for contingent credit risk | 18,279 | 15,048 |
| Provisions for contingencies (*) | 55,770 | 55,310 |
| Provisions for country risk | 720 | 760 |
| Total | 179,425 | 170,129 |

(*) Includes additional provisions for MCh$48,254 (MCh$46,078 in 2011) which were constituted according to what is instructed by the SBIF (see Note 1.i) v).

### a) Provisions for staff benefits and remunerations

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Provisions for other staff benefits | 15,547 | 13,895 |
| Provisions for vacations | 7,732 | 6,736 |
| Totales | 23,279 | 20,631 |

The provision for other staff benefits reflects bonuses related to the achievement of goals which will be paid in the following year.

### b) Provisions for contingent loans

The provisions established for contingent loans as of December 31, 2012 and 2011 were as follows:

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Provisions for contingent loans | | |
| Guarantee and deposits | 365 | 441 |
| Confirmed foreign letters of credit | 572 | 23 |
| Documented issued letters of credit | 135 | 168 |
| Guarantees | 6,454 | 4,277 |
| Available credit lines | 9,405 | 9,452 |
| Other credit commitments | 1,348 | 687 |
| Total | 18,279 | 15,048 |

### c) The variation of the provisions for the years 2012 and 2011 is as follows:

| | PROVISIONS FOR | | | | | |
|---|---|---|---|---|---|---|
| | Staff benefits & remuneration | Minimum dividends | Contingent credit risk | Contingencies | Country risk | Total |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Balance as of January 1, 2012 | 20,631 | 78,380 | 15,048 | 55,310 | 760 | 170,129 |
| Allocated provisions | 12,808 | 81,377 | 4,502 | 3,165 | 154 | 102,006 |
| Applied provisions | (10,160) | (78,380) | (1,271) | (2,705) | - | (92,516) |
| Release of provisions | - | - | - | - | (194) | (194) |
| Balance as of December 31, 2012 | 23,279 | 81,377 | 18,279 | 55,770 | 720 | 179,425 |
| Balance as of January 1, 2011 | 17,844 | 66,623 | 14,240 | 37,203 | 882 | 136,792 |
| Allocated provisions | 17,746 | 78,380 | 4,739 | 18,107 | - | 118,972 |
| Applied provisions | (14,959) | (66,623) | (3,931) | - | - | (85,513) |
| Release of provisions | - | - | - | - | (122) | (122) |
| Balance as of December 31, 2011 | 20,631 | 78,380 | 15,048 | 55,310 | 760 | 170,129 |

## NOTE 21 OTHER LIABILITIES

As of December 31, 2012 and 2011 the composition of this account is the following:

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Accounts and notes payable | 90,997 | 88,566 |
| Unearned income | 27,526 | 28,895 |
| Valuation adjustments for macro-hedges | - | 904 |
| Sundry creditors | 56,916 | 19,470 |
| Other liabilities | 23,315 | 52,477 |
| Total | 198,754 | 190,312 |

## NOTE 22 CONTINGENCIES AND COMMITMENTS

### a) Commitments and liabilities recorded in off-balance sheet memorandum accounts:

The Bank, Miami branch and its subsidiaries have recorded the following balances related to commitments and business liabilities in off-balance sheet memorandum accounts:

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| CONTINGENT LOANS | MCLP$ | MCLP$ |
| Collateral and Guarantees | | |
| Collateral and Guarantees in foreign currency | 173,822 | 187,190 |
| Confirmed foreign letters of credit | 6,933 | 10,262 |
| Documented issued letters of credit | 114,356 | 138,666 |
| Performance bonds | | |
| Performance bonds in Chilean currency | 667,351 | 584,081 |
| Performance bonds in foreign currency | 171,144 | 131,349 |
| Interbank letters of guarantee cleared lines of credit | 2,352,043 | 2,200,156 |
| Other credit commitments | | |
| Higher education loans Law 20,027 | 126,709 | 43,925 |
| Others | 193,384 | 209,884 |
| THIRD PARTY OPERATIONS | | |
| Collections | | |
| Foreign Collections | 86,913 | 97,907 |
| Domestic Collections | 122,656 | 111,956 |
| CUSTODY OF SECURITIES | | |
| Securities in custody with the bank | 130,663 | 120,810 |
| Total | 4,145,974 | 3,836,186 |

### b) Lawsuits and legal proceedings

The Bank and its subsidiaries have various legal lawsuits pending related to their businesses and which, in the opinion of the Management and their internal legal advisers, will not result in additional liabilities to those previously recorded by the Bank and its subsidiaries. The Management has not considered it necessary to allocate additional provisions to those already made for these contingencies, Note 20.

### c) Operating guarantees:

▪ Direct commitments
As of December 31, 2012, BCI Corredor de Bolsa S.A. has given guarantees to secure real - time operations at the Santiago Stock Exchange which amount to MCLP$ 83,338.

As of December 31, 2012, BCI Corredor de Bolsa S.A. maintains guarantees for appropriate settlement of transactions using the CCLV system in the Santiago Stock Exchange for MCLP$4,000.

As of December 31, 2012, BCI Corredor de Bolsa S.A. maintains guarantees abroad for international market transactions for MCLP$ 48.

As of December 31, 2012, BCI Corredor de Bolsa S.A. maintains guarantees furnished for commitments involving short stock sales and loan transactions in Chile's Electronic Stock Exchanges in the amount of MCLP$ 10,886.

As of December 31, 2012 BCI Corredores de Seguros S.A. has taken out the following insurance policies to comply with the provisions of letter d), Article 58 of Statutory Decree 251 of 1931, with respect to the proper fulfillment of all of the obligations issuing from its activities:

- Insurance Policy for Insurance Brokers No. 10021389 for an insured amount of UF 500 taken out with Compañía de Seguros Generales Consorcio Nacional de Seguros S.A., valid from April 15, 2012 to April 14, 2013, stipulating the insuring company's right to claim restitution from the broker for any and all sums that it may have disbursed to pay third parties harmed by the deficient brokerage of the broker.

- Professional Third Party Insurance Policy for Insurance Brokers No. 10021400 for an insured amount of UF 60,000 and a deductible of UF 500 taken out with Compañía de Seguros Generales Consorcio Nacional de Seguros S.A., valid from April 15, 2012 to April 14, 2013, with a view to protecting the broker against possible lawsuits by third parties, with the insuring company being empowered to request repayment by the broker of all payments made to the third party bringing the lawsuit.

As of December 31, 2012, BCI Factoring S.A. has approved hedges for operators of the Factor Chain International for MCLP$1,378 equivalent to US$2,880,000.90, of which MCLP$165, equivalent to US$ 345,710.50, has been used.

▪ Operating guarantees
As of December 31, 2012, BCI Corredor de Bolsa S.A. has furnished a guarantee of UF 20,000 in order to comply with the provisions of Article 30 of Law 18.045, which is to ensure proper, full fulfillment of all of its obligations as a securities broker and whose beneficiaries are present or future creditors that it has or may have by reason of its securities brokerage transactions. This guarantee is policy Nº 330-12-00000024 taken out with Compañía de Seguros de Mapfre Garantía y Crédito on August 19, 2012, valid through to August 19, 2013, with the Santiago Stock Exchange being the beneficiary in representation of the possible creditors.

BCI Asset Management Administradora General de Fondos S.A. has a performance bond with Banco de Crédito de Inversiones as provided for in article 226 of Law 18.045 of the Securities Market and the provisions of NCG. 125 of 2001, which stipulate that General Fund Managers must furnish a constant guarantee for each fund managed, which shall always be equivalent to UF 10.000 or 1% of the average equity of the calendar year prior to the date on which it was calculated.

Similarly, in order to comply with the provisions of Section IV of Circular 1790, mutual funds defined as guaranteed structured mutual funds shall have at all times a guarantee furnished by a third party other than the company managing the funds.

▪ Officer loyalty or employee loyalty insurance
As of December 31, 2012 BCI Corredor de Bolsa S.A. has an insurance policy taken out with BCI Corredores de Seguros S.A., protecting Banco Crédito e Inversiones and its subsidiaries under Comprehensive Banking Insurance Policy No. 2344079-9, valid from November 30, 2012 to November 30, 2013, with coverage of UF 100,000.

### d) Contingent loans and liabilities

In order to meet the needs of its customers, the Bank assumed several irrevocable commitments and contingent obligations. Although these obligations are not recognized in the balance sheet, they include credit risks and, therefore, are part of the Bank's overall risk.

The table below shows the contractual amounts of the transactions obligating the Bank to grant loans and the amount of the provisions made for the risk of loan losses assumed:

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Sureties and finances | 173,822 | 187,190 |
| Documentary letters of credit | 114,356 | 138,666 |
| Performance bonds | 838,495 | 715,430 |
| Amounts available for credit card users | 2,101,315 | 1,235,704 |
| Provisions | (18,279) | (15,048) |
| Total | 3,209,709 | 2,261,942 |

## e) Responsibilities

The Bank and its subsidiaries have the following responsibilities derived in the normal course of business:

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Documents in collection | 209,569 | 209,863 |
| Custody of assets | 130,663 | 120,810 |
| Total | 340,232 | 330,673 |

## NOTE 23 EQUITY

### a) Capital stock and preferential shares

Movement of shares in the periods is as follows:

| | Common shares | |
|---|---|---|
| | 2012 | 2011 |
| | Nº | Nº |
| Issued as of January 1 | 104,331,470 | 103,106,155 |
| Issue of shares paid | 1,523,797 | 1,225,315 |
| Total issued | 105,855,267 | 104,331,470 |

The Extraordinary Shareholders' Meeting of March 30, 2012 approved the issue of 1,523,797 authorized shares.

The Superintendencia de Bancos e Instituciones Financieras (SBIF) recorded the issuance of shares in the Registry of Securities (Registro de Valores) under Resolution N°127 dated May 28, 2012.The corresponding certificate and extract of this resolution was published in the Diario Oficial on June 5, 2012 and was recorded in pages 36.125 N° 25.377 of the Registro de Comercio del Conservador de Bienes Raíces (Santiago Real Estate Registrar) of 2012.

The issuance of the shares was registered in the Registry of Securities as N°5/2012.

In the Board of Directors' meeting as of June 26, 2012, the date of the issuance and distribution of the shares was agreed to be July 25, 2012.

### b) At the closure of each period, the shareholders distribution is the following:

| | Shares | |
|---|---|---|
| 2012 | Number of shares | % of participation |
| Empresas Juan Yarur S.A.C. | 56,876,476 | 53.73 |
| Jorge Yarur Bascuñan | 4,473,497 | 4.23 |
| Inversiones BCP S.A. | 3,876,865 | 3.66 |
| Sociedad Financiera del Rimac S.A. | 3,677,935 | 3.47 |
| Banco de Chile (third parties) | 2,524,729 | 2.39 |
| AFP Provida S.A. | 2,426,684 | 2.29 |
| Banco Itau (investors) | 2,386,670 | 2.25 |
| AFP Habitat S.A. | 2,195,391 | 2.07 |
| Inversiones Jordan Dos S.A. | 2,114,520 | 2.00 |
| AFP Cuprum S.A. | 1,747,108 | 1.65 |
| Bci Corredor de Bolsa S.A. (third parties) | 1,695,636 | 1.60 |
| Tarascona Corporation | 1,515,618 | 1.43 |
| AFP Capital S.A. | 1,386,865 | 1.31 |
| Inversiones Millaray S.A. | 1,287,850 | 1.22 |
| Banco Santander (Foreign investors) | 1,231,371 | 1.16 |
| Inmobiliaria e Inversiones Cerro Sombrero S.A. | 1,161,440 | 1.10 |
| Luis Enrique Yarur Rey | 1,033,979 | 0.98 |
| Banchile Corredores de Bolsa S.A. | 666,581 | 0.63 |
| Celfin Capital S.A. Corredores de Bolsa | 655,771 | 0.62 |
| Bolsa de Comercio de Santiago Bolsa de Valores | 620,641 | 0.59 |
| Modesto Collados Nuñez | 611,848 | 0.58 |
| Larrain Vial S.A. Corredores de Bolsa | 590,423 | 0.56 |
| Inversiones VYR Ltda. | 563,349 | 0.53 |
| Inmobiliaria e Inversiones Chosica S.A. | 435,433 | 0.41 |
| Inversiones Lo Recabarren S.A. | 334,405 | 0.32 |
| Other shareholders | 9,764,182 | 9.22 |
| Total | 105,855,267 | 100.00 |

| 2011 | Shares<br>Number of shares | % of participation |
|---|---|---|
| Empresas Juan Yarur S.A.C. | 56,057,734 | 53.73 |
| Jorge Yarur Bascuñan | 4,409,101 | 4.23 |
| Inversiones BCP Ltda. | 3,752,890 | 3.60 |
| Sociedad Financiera del Rimac S.A. | 3,624,991 | 3.47 |
| AFP Provida S.A. | 2,393,754 | 2.29 |
| Inversiones Jordan Dos S.A. | 2,084,081 | 2.00 |
| AFP Habitat S.A. | 2,051,370 | 1.97 |
| AFP Cuprum S.A. | 1,927,252 | 1.85 |
| Banco Itau (investors) | 1,744,674 | 1.67 |
| Banco de Chile (third parties) | 1,744,122 | 1.67 |
| AFP Capital S.A. | 1,695,993 | 1.63 |
| Bci Corredor de Bolsa S.A. (third parties) | 1,580,846 | 1.52 |
| Tarascona Corporation | 1,537,138 | 1.47 |
| Inversiones Millaray S.A. | 1,247,674 | 1.20 |
| Banco Santander (Foreign investors) | 1,151,133 | 1.10 |
| Inmobiliaria e Inversiones Cerro Sombrero S.A. | 1,144,721 | 1.10 |
| Luis Enrique Yarur Rey | 1,019,095 | 0.98 |
| Banchile Corredores de Bolsa S.A. | 792,496 | 0.76 |
| Celfin Capital S.A. Corredores de Bolsa | 657,280 | 0.63 |
| Modesto Collados Nuñez | 603,040 | 0.58 |
| Larrain Vial S.A. Corredora de Bolsa | 569,695 | 0.55 |
| Inversiones VYR Ltda. | 555,240 | 0.53 |
| Moneda Administradora de Fondos de Inversión S.A. | 502,430 | 0.48 |
| Bolsa de Comercio de Santiago Bolsa de Valores | 483,591 | 0.46 |
| Santander S.A. Corredores de Bolsa | 433,180 | 0.42 |
| Other shareholders | 10,567,949 | 10.11 |
| Total | 104,331,470 | 100.00 |

## c) Dividends

The following dividends were declared by the Bank in the year ended December 31, 2012 and 2011:

| | As of December 31<br>2012<br>CLP$ | <br>2011<br>CLP$ |
|---|---|---|
| CLP$ per common share | 825 | 700 |

The dividend declared as of March 30, 2012 was MCLP$ 86,073. The mandatory dividend provision as of December 31, 2011 was MCLP$ 78,380.

## d) For the year ended December 31, the composition of diluted earnings and basic earnings is as follows:

| | As of December 31<br>2012<br>CLP$ | <br>2011<br>CLP$ |
|---|---|---|
| Basic earnings per share | 2,563 | 2,504 |
| Diluted earnings per share | 2,563 | 2,504 |

### e) Cumulative translation adjustment

As of December 31, 2012, the reconciliation of cumulative translation adjustment as a separate component of shareholders' equity is as follows:

| | MCLP$ |
|---|---|
| Balance as of January 1, 2011 | (1,558) |
| Charges of net exchange differences | 3,737 |
| Final balance as of December 31, 2011 | 2,179 |
| Balance as of January 1, 2012 | 2,179 |
| Charges of net exchange differences | (926) |
| Final balance as of December 31, 2012 | 1,253 |

Reconciliation of the available for sale portfolio and cash flow hedge.

| | Available for sale MCLP$ | Cash flow hedges MCLP$ |
|---|---|---|
| Accumulated comprehensive income 2010 | 5,322 | 2,859 |
| Movement transferred to P&L | (58) | (2,130) |
| Mark to Market of portfolio | 4,938 | (938) |
| Accumulated comprehensive income 2011 | 10,202 | (209) |
| Movement transferred to P&L | (2,770) | (676) |
| Mark to Market of portfolio | 9,993 | 10,104 |
| Accumulated comprehensive income 2012 | 17,425 | 9,219 |

### f) Capital requirements

The basic capital for the year 2012 is equivalent to the net amount that should be shown in the Consolidated Financial Statements as Shareholders' equity attributable to equity holders, as indicated in the Compendium of Accounting Regulations. According to General Banking Law, the Bank should maintain a minimum ratio of effective stockholders' equity to consolidated risk-weighted assets of 8%, net of required allowances, and a minimum ratio of net basic capital to consolidated total assets of 3%, net of required allowances. Effective stockholders' equity for these purposes is Capital and reserves or Net capital with the following adjustments: a) the addition of subordinated bonds up to 50% of Net capital base, b) additional provisions as added, c) all goodwill and paid premium are deducted d) assets that correspond to investments in non-consolidated subsidiaries.

The assets are weighted according to a risk category to which a risk percentage is assigned according to the amount of capital necessary to support each of these assets. Five risk categories are applied (0%, 10%, 20%, 60% and 100%). For example, cash, deposits with other banks and financial instruments issued by the Central Bank of Chile have 0% risk, which means that according to the regulations in force, capital is not needed to endorse these assets. Property, plant and equipment have a 100% risk, which means that a minimum capital equivalent to the 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".

The levels of basic capital and effective shareholders' equity at the closing of each period are the following:

| | Consolidated assets | | Risk-weighted assets | |
|---|---|---|---|---|
| | December 2012 MCLP$ | December 2011 MCLP$ | December 2012 MCLP$ | December 2011 MCLP$ |
| Balance sheet assets (net of provisions) | | | | |
| Cash and deposits in banks | 1,459,619 | 1,199,581 | - | - |
| Items in course of collection | 394,396 | 275,473 | 108,598 | 79,030 |
| Trading portfolio financial assets | 1,223,519 | 1,242,478 | 96,807 | 116,259 |
| Investments under agreements to resell | 134,808 | 73,547 | 134,808 | 73,547 |
| Derivative financial instruments | 469,156 | 636,952 | 394,435 | 336,818 |
| Interbank loans | 88,306 | 72,594 | 88,306 | 72,594 |
| Loans and receivable from customers, net | 12,748,124 | 11,100,554 | 11,764,505 | 10,185,983 |
| Financial investments available for sale | 771,381 | 829,590 | 396,135 | 388,326 |
| Investments in other companies | 67,235 | 61,379 | 67,235 | 61,379 |
| Intangible assets | 80,968 | 78,401 | 79,683 | 75,674 |
| Property, plant and equipment, net | 205,057 | 206,411 | 205,057 | 206,411 |
| Current income tax provision | 73,185 | 77,025 | 7,319 | 7,703 |
| Deferred income tax | 60,109 | 47,545 | 6,011 | 4,754 |
| Other assets | 219,663 | 276,468 | 219,663 | 276,468 |
| Off-balance sheet assets | | | | |
| Contingent loans | 1,987,461 | 1,876,247 | 1,192,477 | 1,125,748 |
| Additions and deductions | 177,638 | (197,538) | - | - |
| Total assets | 20,160,625 | 17,856,707 | 14,761,039 | 13,010,694 |

| | Amount | |
|---|---|---|
| | December 2012 MCLP$ | December 2011 MCLP$ |
| Basic capital | 1,419,956 | 1,222,045 |
| Effective shareholders' equity | 2,008,120 | 1,810,901 |
| Consolidated assets | 20,160,625 | 17,856,707 |
| Risk-weighted assets | 14,761,039 | 13,010,694 |

| | Ratio | |
|---|---|---|
| | December 2012 MCLP$ | December 2011 MCLP$ |
| Basic capital/consolidated assets | 7,04 | 6,84 |
| Basic capital/risk-weighted assets | 9,62 | 9,39 |
| Effective shareholders' equity/risk-weighted assets | 13,60 | 13,92 |

## NOTE 24 INCOME AND EXPENSES FROM INTERESTS AND READJUSTMENTS

a) At the closure of the years ending 2012 and 2011, the composition of income from interests and inflation indexation is the following:

| | For the years | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | Interest | Inflation - Indexation | Total | Interest | Inflation - Indexation | Total |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Repurchase agreements | 2,184 | 1,857 | 4,041 | 1,665 | 891 | 2,556 |
| Interbank loans | 1,158 | - | 1,158 | 1,569 | - | 1,569 |
| Commercial loans | 564,952 | 67,969 | 632,921 | 457,756 | 91,278 | 549,034 |
| Mortgage loans | 105,633 | 52,055 | 157,688 | 90,885 | 74,798 | 165,683 |
| Consumer loans | 264,257 | 583 | 264,840 | 215,996 | 811 | 216,807 |
| Investment instruments | 33,016 | 8,636 | 41,652 | 32,678 | 11,760 | 44,438 |
| Other income (*) | 14,895 | 1,824 | 16,719 | 15,781 | 2,845 | 18,626 |
| Hedge Accounting result (MTM) | 8,007 | - | 8,007 | (1,743) | - | (1,743) |
| Total income from interest and readjustment | 994,102 | 132,924 | 1,127,026 | 814,587 | 182,383 | 996,970 |

(*) Includes interest on overnight deposits, Central Bank current account of liquidity and others.

b) At the closure of the years ending 2012 and 2011, the composition of expenses from interest and inflation – indexation is the following:

| | For the years | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Demand deposits | (2,129) | (1,437) |
| Repurchase agreements | (19,777) | (15,962) |
| Time deposits and borrowings | (359,983) | (286,869) |
| Borrowings from financial institutions | (33,618) | (26,272) |
| Issued debt instruments | (111,166) | (107,342) |
| Other financial obligations | (4,029) | (4,328) |
| Income from accounting hedges | (565) | 1,321 |
| Other interest and inflation - indexation expenses | (576) | (731) |
| Total expenses from interest and inflation - indexation | (531,843) | (441,620) |

## NOTE 25 INCOME AND EXPENSES FROM FEES

For the years 2012 and 2011 the composition of income and expenses from fees is the following:

| | For the years | |
|---|---|---|
| | 2012 MCLP$ | 2011 MCLP$ |
| Income from commissions: | | |
| Lines of credit and overdrafts | 20,085 | 19,214 |
| Guarantees and letters of credit fees | 17,992 | 9,371 |
| Credit card services | 42,190 | 35,870 |
| Commissions for account administration | 31,081 | 30,466 |
| Collection service fees | 40,859 | 37,438 |
| Securities brokerage fees | 4,896 | 5,049 |
| Mutual and investment fund management fees | 27,381 | 25,817 |
| Insurance brokerage fees | 30,776 | 28,666 |
| Remuneration for services provided | 15,970 | 15,559 |
| Other services | 8,728 | 6,006 |
| Total income from fees | 239,958 | 213,456 |
| Expenses from commissions | | |
| Credit card operating fees | (25,019) | (21,841) |
| Securities trading expenses | (9,684) | (8,604) |
| Other | (15,561) | (13,740) |
| Total expenses from fees | (50,264) | (44,185) |

## NOTE 26 TRADING AND INVESTMENT INCOME

For the years 2012 and 2011, the detail of trading and investment income is the following

| | For the years | |
|---|---|---|
| | 2012 MCLP$ | 2011 MCLP$ |
| Trading instruments | 71,553 | 74,724 |
| Financial derivative instruments | (47,230) | 65,140 |
| Other instruments at fair value through profit and loss | 7,932 | (12,022) |
| Sale of investments available for sale (realized gain) | 5,771 | 3,870 |
| Other | (264) | (189) |
| Total | 37,762 | 131,523 |

## NOTE 27 FOREIGN EXCHANGE GAINS (LOSSES)

The detail of the foreign exchange gains (losses) at the end of each year is the following:

| | For the years | |
|---|---|---|
| | 2012 MCLP$ | 2011 MCLP$ |
| Exchange difference | | |
| Gains from exchange differences | 9,336,853 | 9,325,057 |
| Losses from exchange differences | (9,254,509) | (9,401,342) |
| Subtotal | 82,344 | (76,285) |
| Foreign currency fluctuation effect for assets and liabilities denominated in foreign currency | | |
| Net result for assets and liabilities in foreign currency | (19,076) | 9,523 |
| Subtotal | (19,076) | 9,523 |
| Total | 63,268 | (66,762) |

## NOTE 28 PROVISIONS FOR LOAN LOSSES

The movement recorded for the years 2012 and 2011, for provisions and impairment is the following:

| For the year 2012 | Interbank loans MCLP$ | Loans and accounts receivable from customers: Commercial loans MCLP$ | Mortgage loans MCLP$ | Consumer loans MCLP$ | Contingent loans MCLP$ | Additional provisions MCLP$ | TOTAL MCLP$ |
|---|---|---|---|---|---|---|---|
| Provisions Established | | | | | | | |
| Individual provisions | 174 | 15,154 | - | - | 2,878 | - | 18,206 |
| Group provisions | - | 61,877 | 12 | 108,411 | 1,067 | 2,176 | 173,543 |
| Total provisions established | 174 | 77,031 | 12 | 108,411 | 3,945 | 2,176 | 191,749 |
| Release of provisions | | | | | | | |
| Individual provisions | (1) | (18,123) | - | - | (526) | - | (18,650) |
| Group provisions | - | (505) | - | (10) | (569) | - | (1,084) |
| Total release of provisions | (1) | (18,628) | - | (10) | (1,095) | - | (19,734) |
| Recovery of written-off assets | - | (11,951) | - | (24,789) | - | - | (36,740) |
| Net provisions for credit risk | 173 | 46,452 | 12 | 83,612 | 2,850 | 2,176 | 135,275 |

| For the year 2011 | Interbank loans | Loans and accounts receivable from customers: Commercial loans | Mortgage loans | Consumer loans | Contingent loans | Additional provisions | TOTAL |
|---|---|---|---|---|---|---|---|
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Provisions Established | | | | | | | |
| Individual provisions | 2 | 20,497 | - | - | 1,855 | - | 22,354 |
| Group provisions | - | 62,363 | 543 | 84,103 | 2,627 | 14,832 | 164,468 |
| Total provisions established | 2 | 82,860 | 543 | 84,103 | 4,482 | 14,832 | 186,822 |
| Release of provisions | | | | | | | |
| Individual provisions | (121) | (11,753) | - | - | (1,728) | - | (13,602) |
| Group provisions | - | (9,892) | - | (3,192) | (2,462) | - | (15,546) |
| Total release of provisions | (121) | (21,645) | - | (3,192) | (4,190) | - | (29,148) |
| Recovery of written-off assets | - | (11,084) | - | (24,276) | - | - | (35,360) |
| Net provisions for credit risk | (119) | 50,131 | 543 | 56,635 | 292 | 14,832 | 122,314 |

In Management's opinion, the provisions for credit risk and impairment cover all eventual losses that may occur as a result of the non-recovery of assets, according to the data examined by the Bank.

## NOTE 29 PERSONNEL SALARIES AND EXPENSES

The composition of personnel salaries and expenses during 2012 and 2011 is the following:

| | For the years 2012 | 2011 |
|---|---|---|
| | MCLP$ | MCLP$ |
| Staff remunerations | 106,938 | 95,183 |
| Bonuses or awards | 102,802 | 85,021 |
| Severance payments | 8,249 | 8,715 |
| Training expenses | 2,320 | 2,393 |
| Other staff expenses | 14,614 | 12,106 |
| Total | 234,923 | 203,418 |

## NOTE 30 ADMINISTRATIVE EXPENSES

For the years 2012 and 2011 the composition of this account is the following:

| | For the years | |
|---|---|---|
| | 2012 MCLP$ | 2011 MCLP$ |
| General administrative expenses | | |
| Maintenance and repairs of the bank's property, plant and equipment | 7,186 | 5,944 |
| Office rentals | 21,365 | 19,103 |
| Equipment rental | 329 | 232 |
| Insurance premiums | 2,581 | 1,940 |
| Office materials | 4,251 | 4,136 |
| Computer and communications expenses | 21,572 | 19,780 |
| Lighting, heating and other services | 5,140 | 4,828 |
| Security and custody transportation services | 9,685 | 7,670 |
| Travel expenses | 3,646 | 2,789 |
| Judicial and notarial expenses | 2,625 | 1,515 |
| Fees for technical reports | 3,128 | 3,268 |
| Cleaning services | 2,903 | 2,396 |
| Consulting | 6,304 | 3,702 |
| Postal-related expenses | 1,507 | 1,148 |
| Other general administrative expenses | 16,001 | 11,642 |
| Sub-contracted services | | |
| Data processing | 4,489 | 4,897 |
| Sale of products | 63 | 47 |
| Other | 5,577 | 4,548 |
| Board of Directors expenses | | |
| Board of Directors remunerations | 2,557 | 2,443 |
| Other Board of Directors expenses | 24 | 73 |
| Publicity and advertising | 16,957 | 15,423 |
| Taxes, property taxes and contributions | | |
| Real estate contributions | 1,129 | 842 |
| Licenses | 1,424 | 1,168 |
| Other taxes | 440 | 237 |
| Contribution to SBIF | 4,444 | 3,824 |
| Total | 145,327 | 123,595 |

## NOTE 31 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

a) The amounts corresponding to charges for depreciation, amortization and impairment at the closure of each year are the following:

| | For the years | |
|---|---|---|
| | 2012 MCLP$ | 2011 MCLP$ |
| Depreciation and amortization | | |
| Depreciation of property, plant and equipment | (20,672) | (20,467) |
| Amortization of intangible assets | (18,178) | (17,054) |
| Total | (38,850) | (37,521) |

### b) At year end, the Bank had recognized impairment as follows:

| | For the years | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Impairment | | |
| Investment instruments | - | - |
| Property, plant and equipment | (642) | - |
| Intangibles | - | - |
| Balance at December 31, | (642) | - |

### c) The reconciliation of impairment between January 1, 2012 and 2011 and December 31, 2012 and 2011 was as follows:

| | Depreciation, amortization and impairment | | | | | |
|---|---|---|---|---|---|---|
| | As of December 31, 2012 | | | As of December 31, 2011 | | |
| | Property, plant and equipment | Intangible | Total | Property, plant and equipment | Intangible | Total |
| Balance as of January 1 | 118,923 | 87,297 | 206,220 | 108,570 | 70,243 | 178,813 |
| Charges for depreciation and amortization | 20,672 | 18,178 | 38,850 | 20,467 | 17,054 | 37,521 |
| Impairment of the period | 642 | - | 642 | - | - | - |
| Retirements and sales of the period | (6,821) | - | (6,821) | (10,114) | - | (10,114) |
| Others | (1,765) | (122) | (1,887) | - | - | - |
| Balance as of December 31, | 131,651 | 105,353 | 237,004 | 118,923 | 87,297 | 206,220 |

## NOTE 32 OTHER OPERATING INCOME AND EXPENSES

### a) Other operating income

As of December 31, 2012 and 2011 the composition of operating income is the following:

| | For the years | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Income from assets received in payment | | |
| Gain on sale of assets received in payment | 3,306 | 2,953 |
| Other income | - | - |
| Subtotal | 3,306 | 2,953 |
| Release of provisions for contingencies | | |
| Provisions for country risk | 135 | 199 |
| Other provisions for contingencies | - | 24 |
| Subtotal | 135 | 223 |
| Other income | | |
| Gain on sale of property, plant and equipment | 83 | 13 |
| Insurance claims | 989 | 429 |
| Leasing income | 5,640 | 8,158 |
| Other income | 8,800 | 6,603 |
| Subtotal | 15,512 | 15,203 |
| Total | 18,953 | 18,379 |

### b) Other operating expenses

For the years 2012 and 2011, the composition of operating expenses is the following:

| | For the years | |
|---|---|---|
| | 2012 MCLP$ | 2011 MCLP$ |
| Provisions and expenses for assets received in payment | | |
| Provisions for assets received in payment | 9,635 | - |
| Write-offs of assets received in payment | 3,506 | 3,136 |
| Maintenance expenses for assets received in payment | 351 | 266 |
| Subtotal | 13,492 | 3,402 |
| Establishment of provisions for contingencies | | |
| Provisions for country risk | 154 | - |
| Other provisions for contingencies | 184 | - |
| Subtotal | 338 | - |
| Other expenses | | |
| Loss on sale of property, plant and equipment | 366 | 833 |
| Contributions and donations | 3,450 | 2,583 |
| Write-off of judicial and notary expenses | 2,096 | 1,724 |
| Leasing expenses | 3,221 | 3,136 |
| Non-operating write-offs | 3,885 | 2,059 |
| Agreement expenses | 840 | 735 |
| Other expenses | 1,611 | 2,564 |
| Subtotal | 15,469 | 13,634 |
| Total | 29,299 | 17,036 |

## NOTE 33 TRANSACTIONS WITH RELATED PARTIES

### a) Loans granted to related parties

Loans granted to related parties as of December 31, 2012 and 2011:

| | December 31, 2012 | | | December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Operating companies MCLP$ | Holding companies MCLP$ | Individuals MCLP$ | Operating companies MCLP$ | Holding companies MCLP$ | Individuals MCLP$ |
| Loans and receivables to customers: | | | | | | |
| Commercial loans | 81,253 | 4,699 | 3,698 | 97,648 | 8,641 | 3,715 |
| Mortgage loans | - | - | 15,199 | - | - | 13,497 |
| Consumer loans | - | - | 2,448 | - | - | 2,247 |
| Loans and receivables from customers - gross | 81,253 | 4,699 | 21,345 | 97,648 | 8,641 | 19,459 |
| Provisions for loan losses | (282) | (21) | (39) | (7,143) | (83) | (82) |
| Loans and receivables to customers, net | 80,971 | 4,678 | 21,306 | 90,505 | 8,558 | 19,377 |
| Contingent loans | 1,180 | 1,119 | - | 2,383 | - | - |
| Provisions for contingent loans | (3) | (48) | - | (82) | - | - |
| Contingent loans, net | 1,177 | 1,071 | - | 2,301 | - | - |
| Instruments acquired: | | | | | | |
| For investment | - | - | - | - | - | - |
| Total acquired instruments | - | - | - | - | - | - |

## b) Other transactions with related parties

During the years ended December 31, 2012 and 2011, the Bank has undertaken the following transactions with related parties:

| Company | Relationship with the Bank | Description | Balance Assets (Liability) | Effect on statement of income | |
|---|---|---|---|---|---|
| | | | | Income | (Expense) |
| | | | MCLP$ | MCLP$ | MCLP$ |
| December 2012 | | | | | |
| Artikos Chile S.A. | Joint venture | Procurement service | 660 | 660 | - |
| Bolsa de Comercio de Santiago | Other | Lease of terminals | 118 | 118 | - |
| Bci Seguros de Vida S.A. | Shared headquarters | Collection service for payment of customer premiums and trademark use rights | 6,225 | 484 | 5,741 |
| Bci Seguros Generales S.A. | Shared headquarters | Insurance for the Bank's assets, | 2,053 | 2,053 | - |
| Centro Automatizado S.A. | Associate | Netting Services | 298 | 298 | - |
| Compañía de Formularios Continuos Jordán (Chile) S.A. | Shared headquarters | Printing of forms | 2,250 | 2,250 | - |
| Operadoras de Tarjetas de Crédito Nexus S.A. | Associate | Card processing | 5,394 | 5,394 | - |
| Redbanc S.A. | Associate | Operation of ATMs | 4,288 | 4,288 | - |
| Servipag S.A. | Joint venture | Collection and payment of services | 8,326 | 7,946 | 380 |
| Transbank S.A. | Other | Administration of credit cards | 34,416 | 5,747 | 28,669 |
| Vigamil S.A.C. | Shared headquarters | Printing of forms | 44 | 44 | - |
| Viña Morandé S.A. | Shared headquarters | Purchase of supplies | 33 | 33 | - |

| Company | Relationship with the Bank | Description | Balance Assets (Liability) | Effect on statement of income | |
|---|---|---|---|---|---|
| | | | | Income | (Expense) |
| | | | MCLP$ | MCLP$ | MCLP$ |
| December 2011 | | | | | |
| Artikos Chile S.A. | Joint venture | Procurement service | 683 | 683 | - |
| Bolsa de Comercio de Santiago | Other | Lease of terminals | 159 | 159 | - |
| Bci Seguros de Vida S.A. | Shared headquarters | Collection service for payment of customer premiums and trademark use rights | 6,490 | 287 | 6,203 |
| Bci Seguros Generales S.A. | Shared headquarters | Insurance for the Bank's assets. | 1,882 | 1,882 | - |
| Centro Automatizado S.A. | Associate | Netting Services | 432 | 432 | - |
| Compañía de Formularios Continuos Jordán (Chile) S.A. | Shared headquarters | Printing of forms | 2,530 | 2,530 | - |
| Operadoras de Tarjetas de Crédito Nexus S.A. | Associate | Card processing | 4,826 | 4,826 | - |
| Redbanc S.A. | Associate | Operation of ATMs | 4,436 | 4,011 | 425 |
| Servipag S.A. | Joint venture | Collection and payment of services | 7,153 | 6,998 | 155 |
| Transbank S.A. | Other | Administration of credit cards | 28,882 | 4,914 | 23,968 |
| Vigamil S.A.C. | Shared headquarters | Printing of forms | 168 | 114 | 54 |
| Viña Morandé S.A. | Shared headquarters | Purchase of supplies | 48 | 48 | - |

All of these transactions were undertaken under market conditions in force on the date on which they were entered into.

## c) Other assets and liabilities with related parties

| | As of December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| ASSETS | | |
| Financial derivative agreements | - | - |
| Other assets | - | - |
| LIABILITIES | | |
| Demand deposits | 47,043 | 44,528 |
| Time deposits and other savings accounts | 50,847 | 150,380 |

## d) Related parties income/expense recognized

| | | For the years | | | |
|---|---|---|---|---|---|
| | | 2012 | | 2011 | |
| | | Income | Expenses | Ingresos | Gastos |
| Type of income or expense recognized | Entity | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Income and expenses (net) | Sundry | 7,684 | (2,840) | 8,784 | (6,216) |
| Operational support expenses | Companies supporting the line of business | 34,790 | (29,315) | 30,805 | (26,884) |
| Total | | 42,474 | (32,155) | 39,589 | (33,100) |

## e) Remunerations to members of the Board of Directors and key management personnel

Compensation earned by key personnel corresponds to the following categories:

| | For the year | |
|---|---|---|
| | 2012 | 2011 |
| | MCLP$ | MCLP$ |
| Short-term remunerations for employees (*) | 4,530 | 4,450 |
| Severance indemnities for termination of contract | 530 | 923 |
| Total | 5,060 | 5,373 |

(*) For the year 2012, total expenses corresponding to the Board of Directors of the Bank and its subsidiaries amounted to MCLP$2,581 (MCLP$2,516 for the year 2011).

## f) The Bank holds the following investments in related companies:

The Bank has the following investment relationship with Group entities

| | Participation | |
|---|---|---|
| | 2012 | 2011 |
| Companies | % | % |
| Redbanc S.A. | 12.71 | 12.71 |
| Servipag Ltda. | 50.00 | 50.00 |
| Combanc S.A. | 10.50 | 10.50 |
| Transbank S.A. | 8.72 | 8.72 |
| Nexus S.A. | 12.90 | 12.90 |
| Artikos Chile S.A. | 50.00 | 50.00 |
| AFT S.A. | 20.00 | 20.00 |
| Centro de Compensación Automático ACH Chile | 33.33 | 33.33 |
| Sociedad Interbancaria de Depósitos de Valores S.A. | 7.03 | 7.03 |
| Credicorp Ltda. | 1.85 | 1.81 |

## g) Composition of key personnel

As of December 31, 2012, the composition of the key personnel of the Bank and its subsidiaries is as follows:

| Position | N° of executives |
|---|---|
| Director | 9 |
| General manager | 10 |
| Division and Area Manager | 12 |
| Total | 31 |

## h) Transactions with key management personnel

For the years 2012 and 2011, the Bank has undertaken the following transactions with key personnel, as specified in detail below:

| | For the years | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | Balance owed | Total remuneration | Income of key executives | Balance owed | Total remuneration | Income of key executives |
| | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ | MCLP$ |
| Credit cards and other services | 837 | 969,338 | 25 | 864 | 831,287 | 32 |
| Mortgage loans | 1,283 | 157,688 | 80 | 1,243 | 165,683 | 87 |
| Guarantees | 1,674 | - | - | 1,265 | - | - |
| Total | 3,794 | 1,127,026 | 105 | 3,372 | 996,970 | 119 |

As of December 31, 2012, the Bank has the following contracts:

| No. | Related company | The service involved | Concept | Description of the Contract | Term | Condition |
|---|---|---|---|---|---|---|
| 1 | Bolsa de Comercio de Santiago | Processing the stock exchange management system, through which BCI Corredor de Bolsa S.A. operates | Lease of terminals | Contract to use the stock exchange management software. | Indefinite | Automatic renewal. |
| 2 | Centro de Automatizado S.A. (CCA) | Electronic transactions adjustment center | Center adjustment services. | Participant and incorporation into the electronic transfer center to expedite the completion of fund transfer operations, the Bank operates in the CET as an IFO (Originating Banking Institution) and as an IFR (Receiving Banking Institution). | Indefinite | Automatic renewal every year. |
| 3 | Compañía de Formularios Continuos Jordan ( Chile) S.A. | Printing and making check-books. | Printing of forms. | Printing services are contracted for basic lists, special forms, revenue stamped forms, such as checks and at sight promissory notes. | Indefinite | Automatic renewal every year. |
| 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 | Automatic renewal every 3 years |
| 5 | Redbanc S.A. | Administration of the operations of ATM's, Redcompra and RBI. | Operation of ATMs. | In fulfilling its corporate purpose, the Company will offer the participant, for the use of its customers or users, the electronic data transfer service via automatic tellers or other actual or virtual electronic means. | Indefinite | Automatic renewal every 3 years. |
| 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 | Automatic renewal. |
| 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 | Automatic renewal every 2 years. |
| 8 | Vigamil S.A.C. | Supplier of envelopes and forms. | Printing of forms. | Occasional purchases | N/A | N/A |
| 9 | Viña Morandé S.A. | Not an habitual supplier | Purchase of supplies | Occasional purchases | N/A | N/A |
| 10 | Artikos Chile S.A. | Purchases and logistics services portal, | Purchase of supplies | Electronic purchase service for assets and/or logistics services. | Indefinite | Automatic renewal every year. |
| 11 | BCI Seguros de Vida S.A. | Insurance | Insurance premiums | Individual life insurance policy for executives and guards. | Annual | Contracted annually |
| 12 | BCI Seguros Generales S.A. | Insurance | Insurance premiums | Individual policies for the Bank's physical assets, leased assets and comprehensive banking policy. | Annual | Contracted annually |

## NOTE 34 ASSETS AND LIABILITIES AT FAIR VALUE

### a) Financial instruments not valued at fair value in the financial statements

The following table summarizes the book and fair values of the main financial assets and liabilities which are not included in the Bank's consolidated financial statements at their fair values.

| | Year 2012 | | Year 2011 | |
|---|---|---|---|---|
| | Book value MCLP$ | Fair value MCLP$ | Book value MCLP$ | Fair value MCLP$ |
| Assets | | | | |
| Loans and accounts receivable from customers | | | | |
| Commercial loans | 6,490,148 | 5,691,124 | 5,375,710 | 5,876,526 |
| Other endorsable mortgage loans | 2,385,819 | 2,716,120 | 2,070,021 | 2,416,812 |
| Consumer loans | 1,320,880 | 1,935,823 | 1,133,209 | 1,497,846 |
| Foreign trade loans | 887,357 | 1,674,994 | 963,354 | - |
| Leasing operations | 701,786 | 869,286 | 608,827 | 733,485 |
| Factoring operations | 584,052 | 576,233 | 583,282 | 573,824 |
| Other | 378,082 | 385,591 | 366,151 | 366,151 |
| Subtotal | 12,748,124 | 13,849,171 | 11,100,554 | 11,464,644 |
| TOTAL ASSETS | 12,748,124 | 13,849,171 | 11,100,554 | 11,464,644 |
| Liabilities | | | | |
| Deposits and other borrowings | | | | |
| Time deposits | 7,172,073 | 7,115,216 | 6,697,230 | 6,689,350 |
| Other | 50,515 | 91,164 | 51,824 | 51,824 |
| Subtotal | 7,222,588 | 7,206,380 | 6,749,054 | 6,741,174 |
| Interbank borrowings | | | | |
| Repo operations with Central Bank of Chile | 106 | 2,587 | 166 | 166 |
| Foreign trade financing | 762,741 | 770,931 | 862,046 | 854,600 |
| Other | 475,545 | 1,188,680 | 984,882 | 984,882 |
| Subtotal | 1,238,392 | 1,962,198 | 1,847,094 | 1,839,648 |
| Issued debt instruments | | | | |
| Bonds and subordinated bonds | 1,992,554 | 2,063,235 | 1,371,008 | 1,498,751 |
| Other | 72,520 | 78,607 | 102,626 | 102,626 |
| Subtotal | 2,065,074 | 2,141,842 | 1,473,634 | 1,601,377 |
| TOTAL LIABILITIES | 10,526,054 | 11,310,420 | 10,069,782 | 10,182,199 |

BCI has identified those financial assets and liabilities at amortized cost of most relevance for the preparation of the information presented in this note. To do this, the quantitative materiality of the instrument, as well as its nature, contemplating for example the instrument's term, type etc., have been considered.

**Loans and accounts receivable from customers**
Loans and accounts receivable from customers are shown net of their provisions for credit risk or impairment. The estimated fair value represents the discounted future cash flows expected to be received.

Cash flows are discounted at the relevant market interest rate according to the instrument type, in force at the closure of each period. In order to determine the rate, they are differentiated from others by term and currency.

The approaches used for the incorporation of credit risk of the assets considered for these effects 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), for the residual 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 said operation.

3. The resulting amount when applying the 'provisions/total loans' estimate mentioned in 2) by the current principal and accrued interest outstanding of the respective loan is an estimate approximating the adjustment for credit risk (in other words, resulting in the allowance calculation.)

### Deposits and other borrowings

The estimated fair value of demand accounts and deposits, without an established term, including non-interest bearing accounts, is the amount payable when the customer demands it. The redeemed cost of these deposits is a reasonable approximation of their fair value.

The fair value of time deposits has been estimated on the basis of discounted future cash flows based on interest-rate structures adjusted from transactions observed at the valuation date.

### Interbank borrowings

The fair value of liabilities to financial institutions has been determined using discounted cash flow models, based on the relevant interest-rate curve for the remaining term of the instrument to its maturity.

### Issued debt instruments

The aggregated fair value of the bonds has been calculated based on the effective market prices at the closing of each period.

**b)** Financial instruments valued at fair value

Please refer to Note 1 g) ii 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 hierarchies of inputs used for the valuation techniques, discriminating between “observable” or “unobservable” inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the assumptions of the Bank and subsidiaries in relation to market behavior. The following hierarchy has been created based on these types of input:

**Level 1 –** Quotation values on active markets for assets and liabilities identical to those being valued. This level includes the debt instruments, whether fixed or variable income, equity instruments and financial derivative instruments traded on domestic or international stock markets.

**Level 2 –** Other Inputs observable directly (like prices) or indirectly (i.e. price derivative) for assets and liabilities, which are not quotation values included in Level 1. Prices that require interpolation among a price structure (e.g. derivative instruments belong to this level). The same happens with bonds valued with a valuation technique like interpolation or matrix pricing, based on observable inputs.

**Level 3 –** Inputs that are not based on observable market data (unobservable input). This level includes equity and debt instruments that have significant unobservables.

This hierarchy requires that when observable market data exists, these should be used. The Bank and its subsidiaries consider the relevant observable market data in their valuations whenever it is possible.

## Financial assets and liabilities classified by valuation levels

The following chart shows the assets and liabilities that are presented at fair value in the financial statements, classified in their respective levels of hierarchy previously described:

Figures in MCLP$ as of December 31, 2012

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Domestic fixed income | 1,043,844 | 438,103 | - | 1,481,947 |
| International fixed income | 202,161 | - | 3,993 | 206,154 |
| Total fixed income | 1,246,005 | 438,103 | 3,993 | 1,688,101 |
| Trading derivatives | - | 24,928 | 16,365 | 41,293 |
| Accounting hedge derivatives | - | 2,272 | - | 2,272 |
| Total derivatives | - | 27,200 | 16,365 | 43,565 |

### Transfers between levels 1 and 2

The Bank and its subsidiaries have made no transfers of financial assets or liabilities between levels 1 and 2 during 2012.

### Reconciliation of movements of valuation Level 3

As of December 31, 2012 the consolidated balance sheet has assets valued as level 3 which correspond to USD bonds without market information and Swap TAB contracts for which there are not market observable inputs.

# NOTE 35 - RISK MANAGEMENT

## 1. Introduction

BCI's business activities involve identifying, evaluating, accepting and managing different kinds of risk or combinations of them. The main categories of risk to which the corporation is exposed are credit, liquidity, market, operations, legal and reputation risks.

BCI's policies are designed to identify and analyze these risks, to establish adequate limits and controls, and monitor the risks and compliance with these limits through the use of reliable and updated information systems. BCI periodically examines its risk management policies and systems to reflect changes in the markets, regulations, products and new best practices.

In relation with financial risks, the organizational structure is designed to manage these risks efficiently, transparently and in good time. It is formed by strategic units composed by the Board of Directors, the Executive Committee, the Finances and Risk Committee and Asset and Liabilities Committee (hereinafter "ALCO"). These are divided into operative units such as the Corporate Risk Management and the Balance, Trading and Institutional, and Distribution and Corporate areas, parts of the Investment and Finance Banking division. All this information flow is processed and analyzed by various support units such as Accounting, Middle and Back Office, Management and Process Control and Computers and Systems.

The senior strategic unit is the Board of Directors. Its main responsibilities regarding financial risk management are establishing adequate policies and levels of risk, exposure limits, the monitoring of risks and ensuring best practices through the permanent evaluation of the actions of the Finances and Investment Banking and Corporate Risk Management areas. The Board of Directors delegates to the Executive Committee and the Finances and Risk Committee the supervision and support to the strategic definitions in their interactions with the corporate Management area.

The Finances and Risk Committee also analyzes in detail the strategies and models associated with the treasury function, both in the trading portfolio and the Bank's books, and the performance and risks associated with such strategies.

ALCO - Assets & Liabilities Committee is the committee where the corporation's assets and liabilities policy is discussed and agreed for the approval of the Board of Directors or the Executive Committee. The general objectives of the ALCO Committee are to ensure the Bank's adequate liquidity, protect the capital, make decisions on the financing of loans and maximize the financial margin subject to the risk restrictions imposed by the Board of Directors and the Finances and Risk Committee.

The Corporate Risk Management and its Operational Risk, Credit Risk and Market Risk units are responsible for the integral management of the Bank's risk. While a few years ago it was common in the industry to have an independent management of these risks, the deepening 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 diffuse. Therefore, this management area has a corporate reach, with a comprehensive vision of the risks involved.

The Financial Risk Management has the role of evaluating and controlling the Bank's exposure to market risk, being on or off the balance sheet. 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 balance sheet.

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 deparments (Back Office, Middle Office).
- **iii.** Financial Control and Planning (Accounting, Management Control)
- **iv.** Financial Risk and Credit Risk, dependents of Corporate Risk Management.

The total segregation of duties implies a physical and organizational separation of the areas.

## 2. Liquidity and financing

When banks face confidence crises and bank runs, even if they are solvent they may find themselves in difficulties to comply with their short-term obligations and even face bankruptcy. These situations are uncommon but have large losses associated with them. For this reason, BCI has improved the management of liquidity, defining adequate policies along with procedures and models that accordingly satisfy the regulations in force. The model has four core elements:

1. Presence of a minimum barrier of liquid assets to face stress situations.
2. Regulatory and internal liquidity indicators.
3. Maturity mismatch
4. Alert and contingency plans.

The corporation's policy and liquidity management models seek to guarantee, even in case of unexpected events, the Bank's adequate capacity to meet its short-term obligations satisfactorily. On that matter, BCI has continuously monitored the impact of recent events on the financial markets, introducing more conservative assumptions when they are justified.

The management of liquidity and funding is basically carried out by Treasury in accordance with practices and limits reviewed periodically in 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 Corporation has internally set explicit minimum limits for the liquidity level, parallel to the limits of Technical Reserve, which are periodically subject to simulations of financing stress for balances of current accounts and deposits, which are the Bank's main sources of liquidity. This is done using a periodic evaluation framework of the additional needs of financing due to events of tight liquidity together with the monitoring of the market. In this way, the periodic generation, projection, evaluation and analysis of liquidity stress scenarios, facilitate the anticipation of future difficulties and the agile and reliable execution of preventive actions before unfavorable scenarios.

At regulatory level, liquidity is measured and reported to the SBIF through the standardized liquidity position report. According to bank regulations, BCI has been authorized to use an adjusted liquidity model, generating procedures and models that allow an efficient 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 balance sheet 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.

Regarding liquidity, the regulations of the global financial markets observed during 2011 with respect to the 2008 crisis were altered during 2012 due to the effects of the European crisis originated by the countries denominated as PIIGS (Portugal, Ireland, Italy, Greece and Spain) which has not translated into significant effects on financing costs.

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, no events of current deposits or current accounts balances were observed, confirming the confidence of the people towards the Chilean banking system in general.

FIGURE 1 EVOLUTION OF MAIN SOURCES OF LIQUIDITY YEAR 2012 (BASE 100)

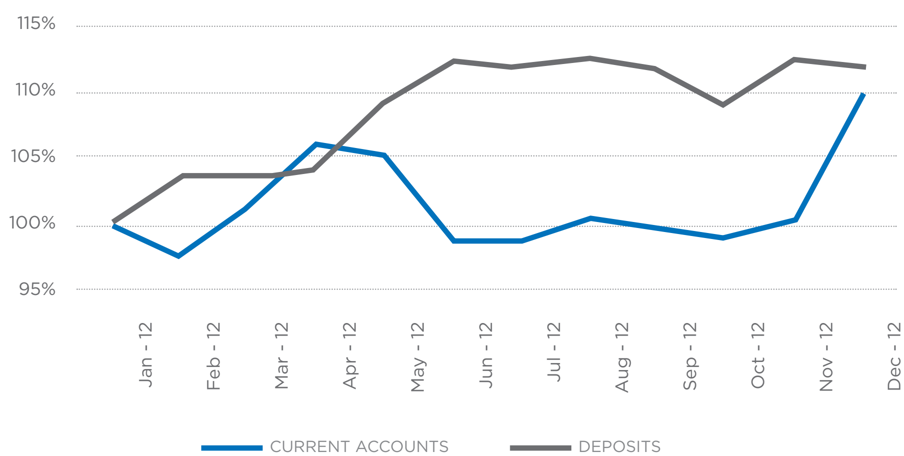
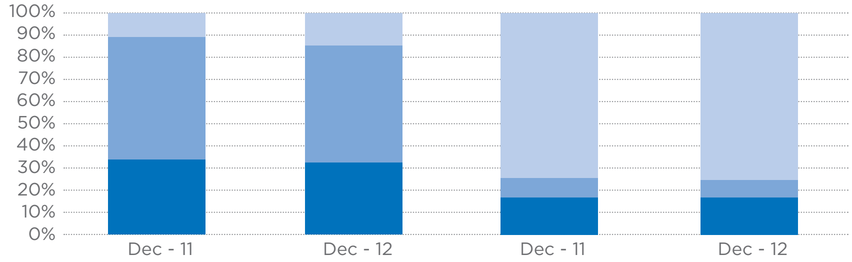


FIGURE 2 DIVERSIFICATION OF LIQUIDITY SOURCES BY SEGMENT YEAR 2012 AND 2011 (%)




| | CURRENTS ACCOUNTS | | TIME DEPOSITS | |
|---|---|---|---|---|
| C & B | 12% | 15% | 75% | 76% |
| Commercial | 55% | 53% | 9% | 7% |
| Retail | 33% | 32% | 16% | 16% |

## a) Variations during 2012

The short-term mismatch indexes remained satisfactory, comfortably within the regulatory limits of one time basic capital (measured at 30 days) and 2 times capital (measured at 90 days).

FIGURE 3. LIQUIDITY INDEXES YEAR 2012-2011 (MAXIMUM = 1)

(a) Short-term mismatch (% on basic capital)

| | Year 2012 | | | | Year 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Average | Maximum | Minimum | Closure | Average | Maximum | Minimum | Closure |
| Mismatch 30 days | 24.4% | 63.6% | (19.2)% | 25.2% | 53.2% | 87.0% | (1.1)% | (1.1)% |
| Mismatch 90 days (*) | 68.4% | 85.1% | 48.0% | 78.3% | 62.0% | 85.2% | 38.9% | 45.6% |

(*) Measurement in relation to 2 times basic capital

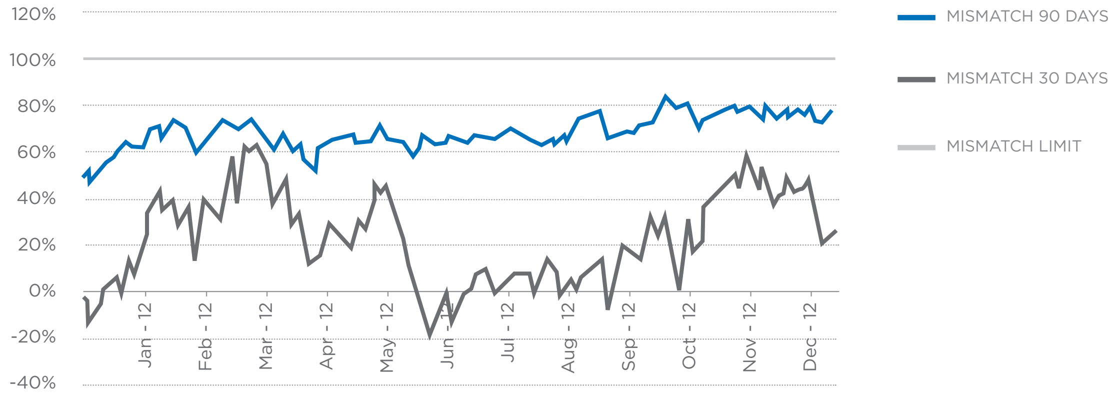
(b) Short-term mismatch CLP-UF (% on basic capital)

| | Year 2012 | | | | Year 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Average | Maximum | Minimum | Closure | Average | Maximum | Minimum | Closure |
| Mismatch 30 days | 13.4% | 47.6% | (33.3)% | (2.0)% | 16.1% | 42.2% | (30.4)% | (30.4)% |

(c) Short-term mismatch FX (% on basic capital)

| | Year 2012 | | | | Year 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Average | Maximum | Minimum | Closure | Average | Maximum | Minimum | Closure |
| Mismatch 30 days | 11.0% | 47.7% | (28.8)% | 27.2% | 37.1% | 67.5% | 6.1% | 29.3% |

FIGURE 4 EVOLUTION OF LIQUIDITY DURING 2012 (MAXIMUM = 1)
LIQUIDITY 30 DAYS = MISMATCH/BASIC CAPITAL
LIQUIDITY 90 DAYS = MISMATCH/2*BASIC CAPITAL




### 3. Market risk

Market risk is the risk inherent in the price variations of financial assets. Variations in interest rates, the exchange rate, commodities and shares prices, credit spreads, volatility, etc., constitute a risk known as market risk. This is expressed in the possibility of incurring losses that will be translated to the statements of income or the balance sheet depending on the type of financial instrument and its respective accounting treatment.

BCI separates 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 second 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 income statement until maturity. At present, the Bank has no instruments classified as held-to-maturity.

A series of tools are used to monitor the market risk of positions in each category. These include value-at-risk (VaR), CVaR, simulation and stress analysis. The corporation uses the Algorithmics platform to support the measurement and management of the market risk and counterpart.

#### a) Main positions

The following table shows the main balance sheet positions by maturity or re-pricing band and their comparison with 2012:

FIGURE 5 BOOK VALUE TO MATURITY OR RE-PRICING BY CURRENCY POSITIONS 31/12/12 (MCLP$)

| ASSETS | 1Y | 5Y | 10Y | 10Y+ | Total |
|---|---|---|---|---|---|
| CLP | 6,282,952 | 2,097,269 | 159,548 | 82,546 | 8,622,315 |
| UF | 2,824,123 | 2,558,022 | 1,464,667 | 1,048,614 | 7,895,426 |
| MX | 2,518,887 | 364,406 | 25,159 | 932 | 2,909,384 |
| TOTAL | 11,625,962 | 5,019,697 | 1,649,374 | 1,132,092 | 19,427,125 |
| LIABILITIES | 1Y | 5Y | 10Y | 10Y+ | Total |
| CLP | 7,255,935 | 2,260,513 | 31,530 | - | 9,547,978 |
| UF | 1,620,844 | 1,617,896 | 648,102 | 836,197 | 4,723,039 |
| MX | 3,237,435 | 476,200 | 5,848 | 1,115 | 3,720,598 |
| TOTAL | 12,114,214 | 4,354,609 | 685,480 | 837,312 | 17,991,615 |
| MISMATCH | 1Y | 5Y | 10Y | 10Y+ | Total |
| CLP | (972,982) | (163,243) | 128,018 | 82,546 | (925,661) |
| UF | 1,203,279 | 940,125 | 816,565 | 212,416 | 3,172,385 |
| MX | (718,548) | (111,795) | 19,311 | (182) | (811,214) |
| TOTAL | (488,251) | 665,087 | 963,894 | 294,780 | 1,435,510 |

FIGURE 6 BOOK VALUE: MISMATCH TO MATURITY OR RE-PRICING BY CURRENCY POSITIONS 31/12/12 (MCLP$)

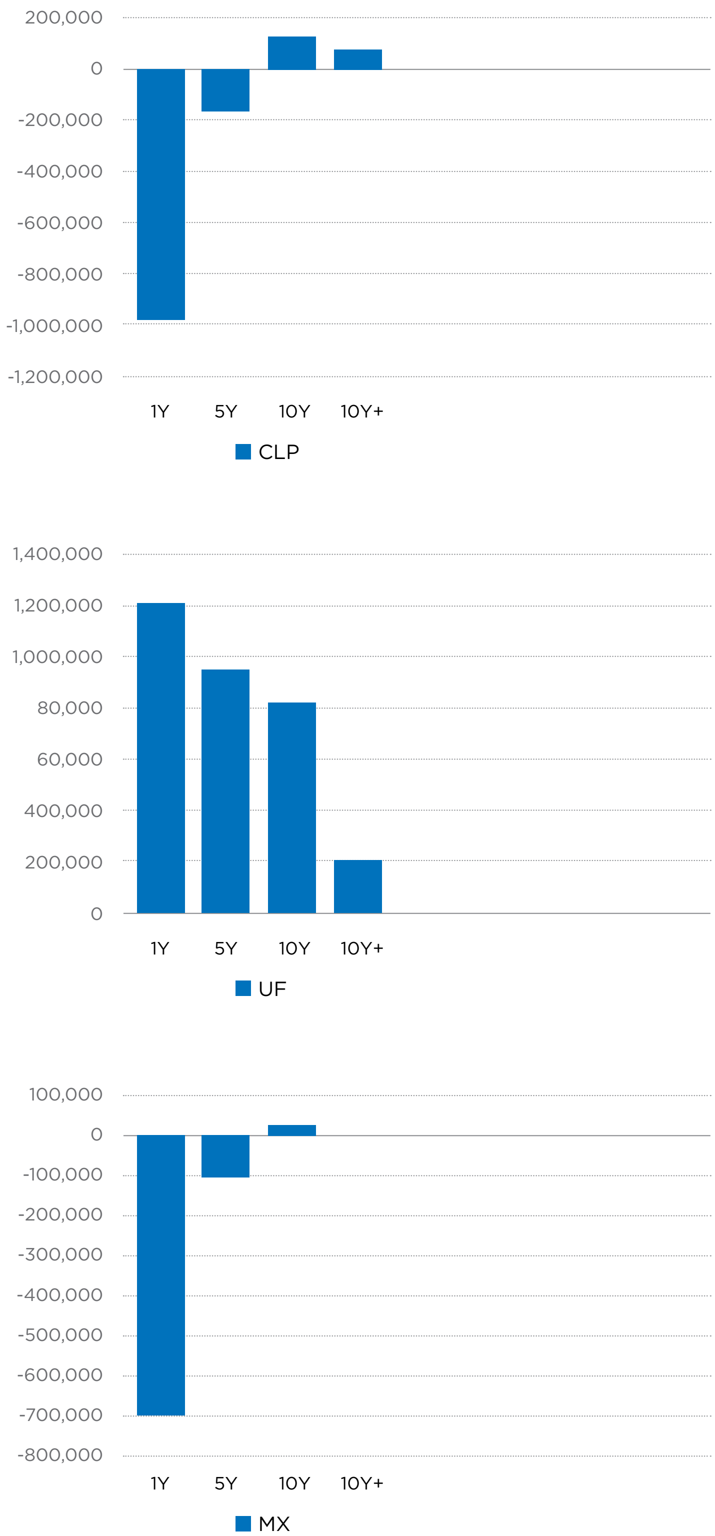


FIGURE 7 BOOK VALUE TO MATURITY OR RE-PRICING BY CURRENCY POSITIONS 31/12/11 (MCLP$)

| ASSETS | 1Y | 5Y | 10Y | 10Y+ | Total |
|---|---|---|---|---|---|
| CLP | 6,340,601 | 1,269,803 | 62,319 | 11,862 | 7,684,585 |
| UF | 3,066,234 | 2,469,645 | 15,504 | 547,089 | 6,098,472 |
| MX | 1,153,572 | 1,514,727 | 896,145 | 491,298 | 4,055,742 |
| TOTAL | 10,560,407 | 5,254,175 | 973,968 | 1,050,249 | 17,838,799 |

| LIABILITIES | 1Y | 5Y | 10Y | 10Y+ | Total |
|---|---|---|---|---|---|
| CLP | 6,816,809 | 1,851,551 | 31,933 | - | 8,700,293 |
| UF | 1,804,951 | 1,252,947 | 8,520 | 855,031 | 3,921,449 |
| MX | 1,468,085 | 2,039,023 | 1,051,753 | 402,930 | 4,961,791 |
| TOTAL | 10,089,845 | 5,143,521 | 1,092,206 | 1,257,961 | 17,583,533 |

| MISMATCH | 1Y | 5Y | 10Y | 10Y+ | Total |
|---|---|---|---|---|---|
| CLP | (476,208) | (581,748) | 30,386 | 11,862 | (1,015,708) |
| UF | 1,261,282 | 1,216,699 | 6,984 | (307,942) | 2,177,023 |
| MX | (538,169) | (282,229) | 6,984 | 4,050 | (809,364) |
| TOTAL | 246,905 | 352,722 | 44,354 | (292,030) | 351,951 |

FIGURE 8 BOOK VALUE: MISMATCH TO MATURITY OR RE-PRICING BY CURRENCY POSITIONS 31/12/11 (MCLP$)

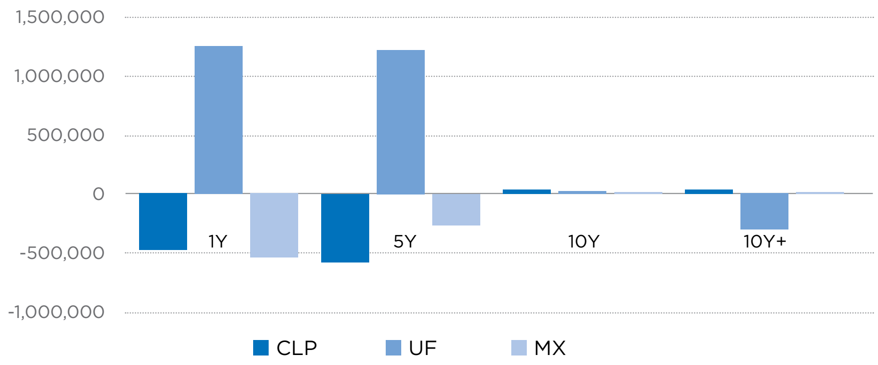


FIGURE 9 BOOK VALUE TO MATURITY OR RE-PRICING BY ACCOUNT POSITIONS 31/12/12 (MCLP$)

| ASSETS | 1Y | 5Y | 10Y | 10Y+ | TOTAL |
|---|---|---|---|---|---|
| Central Bank of Chile | 7,532 | 140,204 | 86 | - | 147,822 |
| Banks and financial institutions of the country | 98,633 | 121,634 | 49,461 | 31,136 | 300,864 |
| Purchases under resale agreements | 47,882 | - | - | - | 47,882 |
| Commercial loans | 5,335,456 | 1,579,609 | 696,610 | 334,138 | 7,945,813 |
| Consumer loans | 872,691 | 1,128,270 | 27,774 | 24,931 | 2,053,666 |
| Endorsable housing mortgage loans | 564,573 | 1,142,568 | 699,000 | 641,559 | 3,047,700 |
| Housing mortgage loans with funding notes | 21,572 | 54,114 | 16,415 | 1,754 | 93,855 |
| Cash | 1,292,396 | - | - | - | 1,292,396 |
| Forwards | 262,685 | - | - | - | 262,685 |
| Chilean government | 12,667 | 19,430 | 4,427 | 3,006 | 39,530 |
| Consumer leasing | 421 | 761 | 2 | - | 1,184 |
| Commercial leasing operations | 285,995 | 479,744 | 132,758 | 55,916 | 954,413 |
| Other entities of the country | 26,470 | 93,234 | 8,087 | 2,333 | 130,124 |
| Other foreign entities | 921 | 5,045 | 14,754 | - | 20,720 |
| Other assets | 1,304,114 | 7,296 | 2 | 37,319 | 1,348,731 |
| Other housing mortgage loans | 9 | 2 | - | - | 11 |
| Others, except options | 1,245,750 | - | - | - | 1,245,750 |
| Swaps | 246,195 | 247,786 | - | - | 493,981 |
| Total Assets | 11,625,962 | 5,019,697 | 1,649,376 | 1,132,092 | 19,427,127 |

| LIABILITIES | 1Y | 5Y | 10Y | 10Y+ | TOTAL |
|---|---|---|---|---|---|
| Straight bonds | 135,108 | 946,695 | 480,569 | - | 1,562,372 |
| Subordinated bonds | 39,117 | 153,003 | 153,286 | 834,912 | 1,180,318 |
| Deferred-drawing savings accounts | 43,558 | - | - | - | 43,558 |
| Unconditional-drawing savings accounts | 5,630 | - | - | - | 5,630 |
| Sight deposits | 1,380,555 | 2,242,030 | - | - | 3,622,585 |
| Time deposits | 6,896,789 | 83,462 | 8 | - | 6,980,259 |
| Forwards | 258,100 | - | - | - | 258,100 |
| Letters of credit | 15,719 | 48,432 | 14,218 | 1,285 | 79,654 |
| Other liabilities | 841,334 | 56,343 | - | - | 897,677 |
| Others, except options | 568,646 | 724,686 | - | - | 1,293,332 |
| Loans and other obligations contracted abroad | 935,266 | 25,430 | - | - | 960,696 |
| Loans and other obligations contracted in Chile | 473,882 | 8,234 | 36,895 | 1,115 | 520,126 |
| Swaps | 426,092 | 66,294 | 502 | - | 492,888 |
| Sales under repurchase agreements | 94,416 | - | - | - | 94,416 |
| Total Liabilities | 12,114,212 | 4,354,609 | 685,478 | 837,312 | 17,991,611 |

FIGURE 10 BOOK VALUE TO MATURITY OR RE-PRICING BY ACCOUNT POSITIONS 31/12/11 (MCLP$)

| ASSETS | 1Y | 5Y | 10Y | 10Y+ | Total |
|---|---|---|---|---|---|
| Central Bank of Chile | 90,065 | 25,350 | 10,351 | 5,626 | 131,392 |
| Banks and financial institutions of the country | 188,280 | 89,173 | 4,851 | - | 282,304 |
| Purchases under resale agreements | 4,082 | - | - | - | 4,082 |
| Commercial loans | 28,900 | - | - | - | 28,900 |
| Consumer loans | 5,001,757 | 1,496,848 | 145,848 | 12,267 | 6,656,720 |
| Endorsable housing mortgage loans | 952,784 | 583,145 | 10,769 | 11,488 | 1,558,186 |
| Housing mortgage loans with funding notes | 590,064 | 1,004,799 | 554,115 | 451,594 | 2,600,572 |
| Cash | 22,615 | 71,474 | 35,630 | 7,882 | 137,601 |
| Forwards | 1,137,187 | - | - | - | 1,137,187 |
| Chilean government | 351,266 | - | - | - | 351,266 |
| Consumer leasing | 3,958 | 12,006 | 4,252 | 42 | 20,258 |
| Commercial leasing operations | 445 | 762 | 4 | - | 1,211 |
| Other entities of the country | 251,782 | 415,935 | 106,791 | 39,689 | 814,197 |
| Other foreign entities | 82,847 | 140,162 | 52,879 | 38,961 | 314,849 |
| Other assets | 1,150,860 | 35,491 | - | - | 1,186,351 |
| Other housing mortgage loans | 21 | 10 | - | - | 31 |
| Others, except options | 686,774 | - | - | - | 686,774 |
| Swaps | 612,666 | - | - | - | 612,666 |
| Total Assets | 11,156,353 | 3,875,155 | 925,490 | 567,549 | 16,524,547 |

| LIABILITIES | 1Y | 5Y | 10Y | 10Y+ | Total |
|---|---|---|---|---|---|
| Straight bonds | 192,990 | 242,942 | 409,128 | - | 845,060 |
| Subordinated bonds | 38,181 | 153,241 | 153,504 | 845,322 | 1,190,248 |
| Deferred-drawing savings accounts | 44,758 | - | - | - | 44,758 |
| Unconditional-drawing savings accounts | 5,481 | - | - | - | 5,481 |
| Sight deposits | 1,857,479 | 1,321,671 | - | - | 3,179,150 |
| Time deposits | 6,466,405 | 205,933 | - | - | 6,672,338 |
| Forwards | 347,787 | - | - | - | 347,787 |
| Letters of credit | 20,787 | 82,991 | 42,279 | 9,957 | 156,014 |
| Other liabilities | 459,735 | 72,947 | - | - | 532,682 |
| Others, except options | 25,537 | 698,577 | - | - | 724,114 |
| Loans and other obligations contracted abroad | 955,113 | 249,656 | - | - | 1,204,769 |
| Loans and other obligations contracted in Chile | 200,362 | 33,124 | 38,870 | 2,052 | 274,408 |
| Swaps | 522,738 | 90,010 | 1,646 | - | 614,394 |
| Sales under repurchase agreements | 187,121 | - | - | - | 187,121 |
| Total Liabilities | 11,324,474 | 3,151,092 | 645,427 | 857,331 | 15,978,324 |

The following table details the main positions of investments available for sale by type of issuer and currency. It also shows the risk classification of these positions at the end of last year.

### FIGURE 11A INVESTMENTS AVAILABLE FOR SALE FAIR VALUE 31/12/12 (MCLP$)

| | As of December 31, 2012 (MCLP$) | | | | |
|---|---|---|---|---|---|
| | CLP | UF | USD | EUR | Other |
| Sovereign bonds | 163,753 | 7,256 | - | - | - |
| Corporate bonds | 67,506 | 39,068 | 141,595 | - | - |
| Financial institutions bonds | 762 | 54,758 | 60,566 | - | - |
| Mortgage-funding notes | - | 106,016 | - | - | - |
| Time deposits | 73,171 | 29,543 | - | - | - |
| Total | 305,192 | 236,641 | 202,161 | - | - |

### FIGURE 11B INVESTMENTS AVAILABLE FOR SALE FAIR VALUE 31/12/11 (MCLP$)

| | As of December 31, 2011 (MCLP$) | | | | |
|---|---|---|---|---|---|
| | CLP | UF | USD | EUR | Other |
| Sovereign bonds | 116,992 | 857,327 | - | 12,830 | - |
| Corporate bonds | 88,846 | 36,095 | 164,919 | - | - |
| Financial institutions bonds | - | 124,112 | - | - | - |
| Mortgage-funding notes | - | 110,079 | - | - | - |
| Time deposits | 226,794 | 267,281 | 21,732 | - | - |
| Total | 432,632 | 1,394,894 | 186,651 | 12,830 | - |

### FIGURE 12 INVESTMENTS AVAILABLE FOR SALE INTERNATIONAL-ISSUED BOND PORTFOLIO CREDIT RATING 31/12/12 (%)

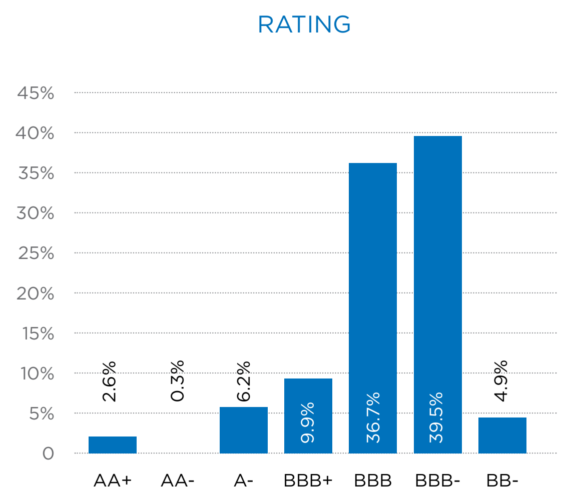
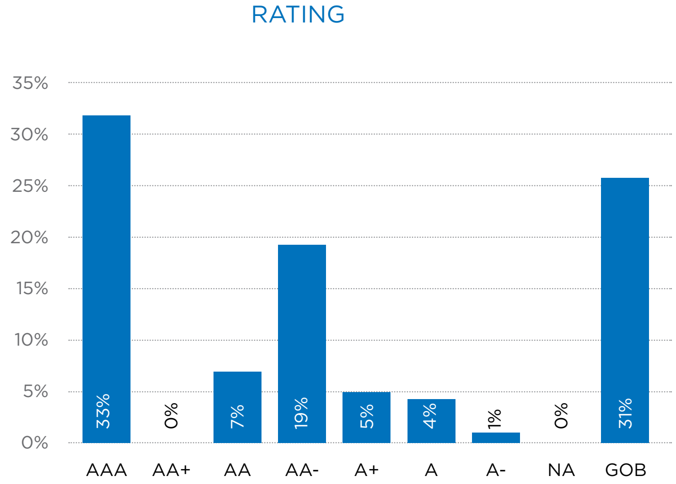


FIGURE 13 INVESTMENTS AVAILABLE FOR SALE INTERNATIONAL-ISSUED BOND PORTFOLIO CREDIT RATING 31/12/11 (%)




## b) Sensitivity analysis

Sensitivity measurements are used to monitor the market risk of positions by sensitivity to each of the risk factors. For example, a change in the present value in the event of a movement of 100 basis points in the interest rate is one 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 applying the interest rates, exchange rates, inflation, commodities positions, shares positions and exposure to derivative instruments, according to predetermined sensitivities.

The Corporation also takes measurements for sub-portfolios and different risk factors. Among the models used is Market Value Sensitivity, 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, 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).

## 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. It is measured at percentile 1 of the P&L distribution or VaR at 99% of confidence, which is the same. The volatility updating technique is used, which records the existence of volatility clusters. The forecast horizon is of 1 day. The square root rule is used to escalate this value to the regulatory horizon of 10 days.

The value-at-risk model is validated by backtesting the daily results, observed and theoretical. Statistically, excess losses of VaR are expected to be observed on average on 1% of the days. As of December 31, the backtest locates the model in the green zone of Basel with 2 failures.

- **Stress Testing VaR**

There are limitations of the VaR models, particularly in the presence of extreme events that have not been observed in recent historic information or for not capturing the intra-day movements of the portfolio. Therefore, stress situations are modeled to evaluate potential impacts on the value of portfolios in the most extreme, although possible events. The scenarios used are the following:

- Historic simulation scenarios that incorporate fluctuations observed during historic extreme events.
- Montecarlo simulation scenarios, which generate multiplicity of possible scenarios from the historic data.
- 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 investments available for sale portfolios.

### d) Position limits

In addition to the limits of the predictive-type risk models like VaR and the sensitivity analysis, there are accounting limits of maximum positions and Stop Loss per trading desk and Assets and Liabilities Management (hereinafter "ALM") desk.

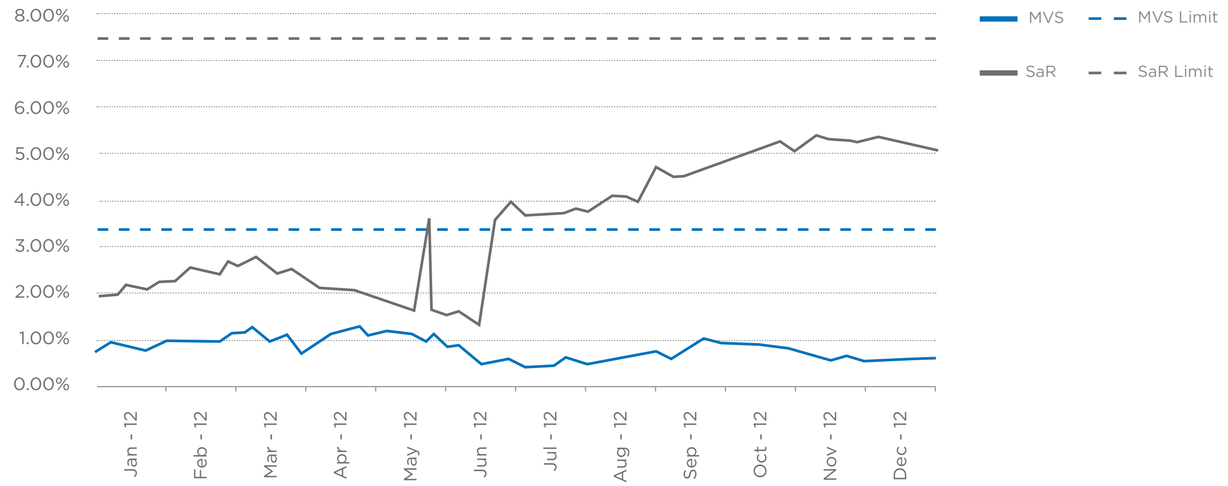
### e) Variations

- Sensitivity analysis of the Bank's book

The use of accounting hedges and the issuance of bonds, helped to maintain the interest-rate risks of the banking book limited. The long-term MVS measurement averaged 3.2% of the capital over a limit of 7.5% during 2011 (2.5% in 2011). The SAR had an annual average of 0.78% over the financial margin for a limit of 3.35% (0.52% in 2011).

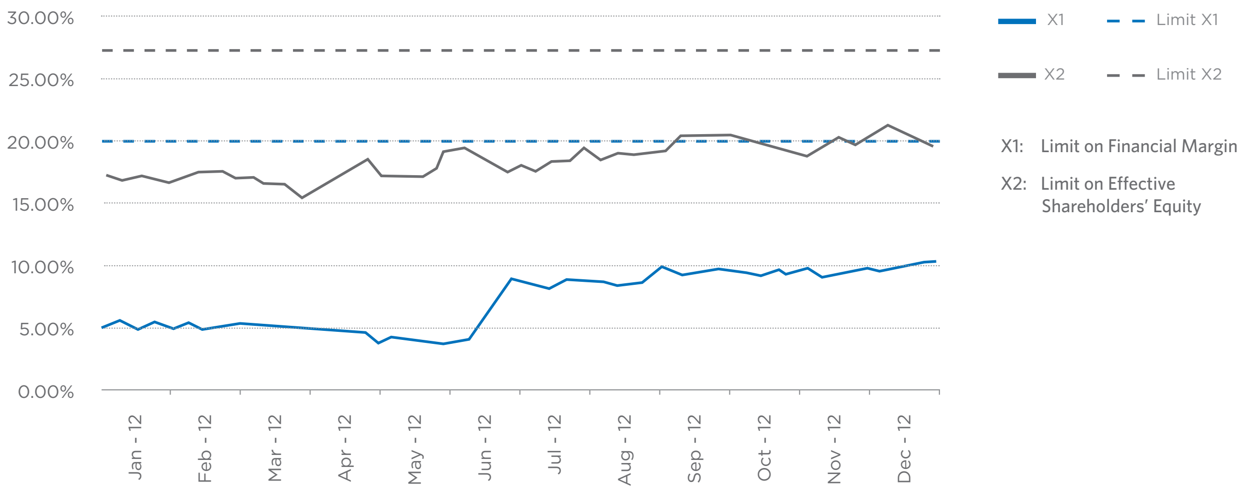
Both indexes show an increase in the rate risk of the book value, although with levels very below the established limits. The increases observed in the middle of the year were principally due to changes in the behavior model of loans and deposits.

FIGURE 14 MVS - SAR YEAR 2012




The evolution of regulatory indexes X1 (exposure to the short-term market risk) and X2 (exposure to the long-term market risk) registered an usused portion regarding the limits during 2012, explained mainly by the management of the balance with accounting hedges.

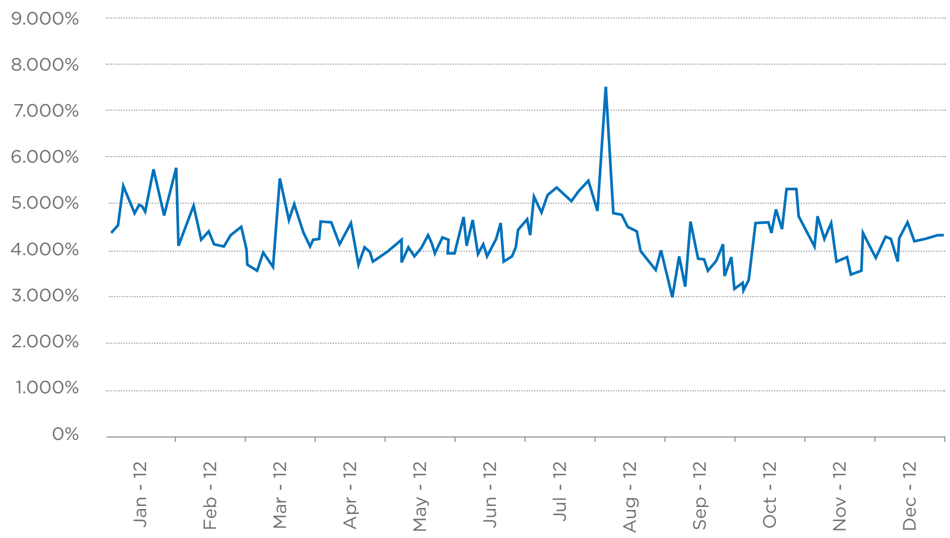
FIGURE 15 REGULATORY MARKET RISK X1 – X2 YEAR 2012



▪ Value at Risk

The evolution of VaR at 10 days for 2011 is the following:

FIGURE 16 CONSOLIDATED VALUE AT RISK YEAR 2012 (MCLP$)




During 2012 there was a gradual decrease of the volatility on almost all the types of assets towards the end of the period. Uncertainty remains in Europe, but economic data toward the end of 2012 suggested improvement in 2013. Inflation in Chile, on the other hand, was at levels well below the estimate, closing 2012 with 1.5%. During the year the exchange rate showed low volatility, keeping for most of the 2012 levels below $490/USD except May-June when it which reached $ 520/USD.

In this context, the total consolidated risk averaged MCLP$4,398 measured on a regulatory horizon of 10 days. This is 7% less than the average risk of 2011 (MCLP$4,713).

The interest rate risk averaged MCLP$4,167, while the foreign currency risk was MCLP$2,186. In trading, the added average was MCLP3,598, MCLP$3,448 for interest rate and MCLP$1,809 for foreign currency. Finally, for non-trading portfolios (available for sale investments) the total VaR averaged MCLP$3,404, MCLP$3,263 for rate risk and MCLP$1,712 for currency risk.

## FIGURE 17 VALUE AT RISK BY PORTFOLIO AND TYPE OF RISK YEAR 2012 (MCLP$)

(a) Consolidated VaR by type of risk (MCLP$)

| | 12 months until December 31, 2012 | | | |
|---|---|---|---|---|
| | Average | Maximum | Minimum | Final |
| FX Risk | 2,186 | 3,835 | 2,575 | 2,211 |
| Interest rate risk | 4,167 | 7,308 | 2,823 | 4,214 |
| VaR Total | 4,349 | 7,625 | 2,946 | 4,398 |

(b) VaR trading portfolio by type of risk (MCLP$)

| | 12 months until December 31, 2012 | | | |
|---|---|---|---|---|
| | Average | Maximum | Minimum | Final |
| FX Risk | 1,809 | 3,037 | 1,976 | 1,585 |
| Interest rate risk | 3,448 | 5,787 | 2,166 | 3,020 |
| VaR Total | 3,598 | 6,038 | 2,261 | 3,152 |

(c) VaR non-trading portfolio by type of risk (MCLP$)

| | 12 months until December 31, 2012 | | | |
|---|---|---|---|---|
| | Average | Maximum | Minimum | Final |
| FX Risk | 1,712 | 2,207 | 1,421 | 1,455 |
| Interest rate risk | 3,263 | 4,207 | 2,708 | 2,774 |
| VaR Total | 3,404 | 4,390 | 2,826 | 2,894 |

## FIGURE 18 VALUE AT RISK BY PORTFOLIO AND TYPE OF RISK YEAR 2011 (MCLP$)

(a) Consolidated VaR by type of risk (MCLP$)

| | 12 months until December 31, 2011 | | | |
|---|---|---|---|---|
| | Average | Maximum | Minimum | Final |
| FX Risk | 3,592 | 5,189 | 2,273 | 2,392 |
| Interest rate risk | 6,846 | 9,890 | 4,332 | 4,558 |
| VaR Total | 7,143 | 11,744 | 4,125 | 4,713 |

(b) VaR trading portfolio by type of risk (MCLP$)

| | 12 months until December 31, 2011 | | | |
|---|---|---|---|---|
| | Average | Maximum | Minimum | Final |
| FX Risk | 2,451 | 4,477 | 2,354 | 2,351 |
| Interest rate risk | 4,671 | 8,533 | 2,580 | 4,480 |
| VaR Total | 4,874 | 8,903 | 2,692 | 4,675 |

(c) VaR non-trading portfolio by type of risk (MCLP$)

| | 12 months until December 31, 2011 | | | |
|---|---|---|---|---|
| | Average | Maximum | Minimum | Final |
| FX Risk | 2,093 | 2,880 | 1,587 | 2,107 |
| Interest rate risk | 3,988 | 5,489 | 3,024 | 4,015 |
| VaR Total | 4,161 | 5,727 | 3,155 | 4,189 |

## f) Fair Value

The Market-risk Management is responsible for defining the valuation methods of assets and liabilities measured at fair value, while operations are responsible for their execution. The fundamental principle of the valuation at fair value is establishing the exit price of an asset or liability in a normal transaction in a representative market. However, not only the accounting information depends on this valuation; the risk indicators such as value-at-risk are also based on these prices so the implied volatility in any valuation model is also very relevant.

Following international accounting principles, quotations or observable prices of assets and liabilities identical to those that will be measured are used, as long as they are available. These are known as Inputs of Level 1. If there are no identical assets and liabilities, the measurement will be carried out based on observable prices. Usually, we classify in this group interpolations for the case of derivative instruments and matrix pricing or other models for instruments of fixed income. This class is known as Inputs Level 2. Lastly, when it is not possible to have the previous inputs, the measurement is carried out based on inputs that are not directly observable in the market. These are the Inputs Level 3. In Note 34 we show the classification of the financial instruments according to valuation level. The following is a brief explanation of this order.

Foreign currency positions, bonds from the Central Bank of Chile and futures contracts and other instruments traded on stock exchanges have very liquid markets where their prices or quotations for identical instruments are usually observable. These instruments are included in Level 1.

Even while being liquid, some markets need brokers to put together the supply and demand and allow transactions to be carried out. Usually, the deposits and derivative instruments traded over-the-counter are in this category. These have quotations from different brokers, which guarantee the existence of prices or market inputs necessary for their valuation. Among the derivative instruments there are forward contracts of currency and interest rates, swaps of rates, cross currency swaps, and foreign currency options. As usual, for those terms different to those quoted, construction techniques of curves and interpolation that are standard in the markets are used. Less liquid instruments of fixed income, like some sovereign funds, corporate bonds and mortgage bonds of national issue are valued - unless prices exist - based on models of fair value which are based on prices or factors directly observable of the market. All these instruments are classified in Level 2 of valuation.

The base model for the valuation of fixed-income instruments with less liquidity on the domestic market is a dynamic interest-rate model that uses panels of incomplete data and incorporates all recent price history of the documents in question and instruments of similar characteristics in terms of issuer, credit rating, term, etc. The fair-value models used, both own and external, are tested periodically and their back testing is audited by independent parties.

Finally, all those instruments whose market prices or factors are not directly observable are classified in Level 3.

## g) Derivative instruments

As of December 31, 2012, BCI had gross positions for MCLP$43,565 in derivative instruments (at fair value). The derivative instruments are divided into two large groups, depending on their accounting treatment: (1) instruments for trading, and (2) instruments with special treatment of hedge accounting. The trading instruments are originated from the Sales & Trading activities (S&T), whether it is by sales to third parties or hedge of the risks experienced on those sales. The areas in charge of the Asset & Liability Management (ALM) also use derivatives to cover their risks. These can follow the standard treatment of trading or have a special hedge accounting treatment. Hedges seek, according to accounting regulations in force, to decrease the fluctuation in the value of assets and liabilities or in cash flows.

The market risk associated with the derivative instruments is measured using the VAR and stress analysis described on item c) of this Note.

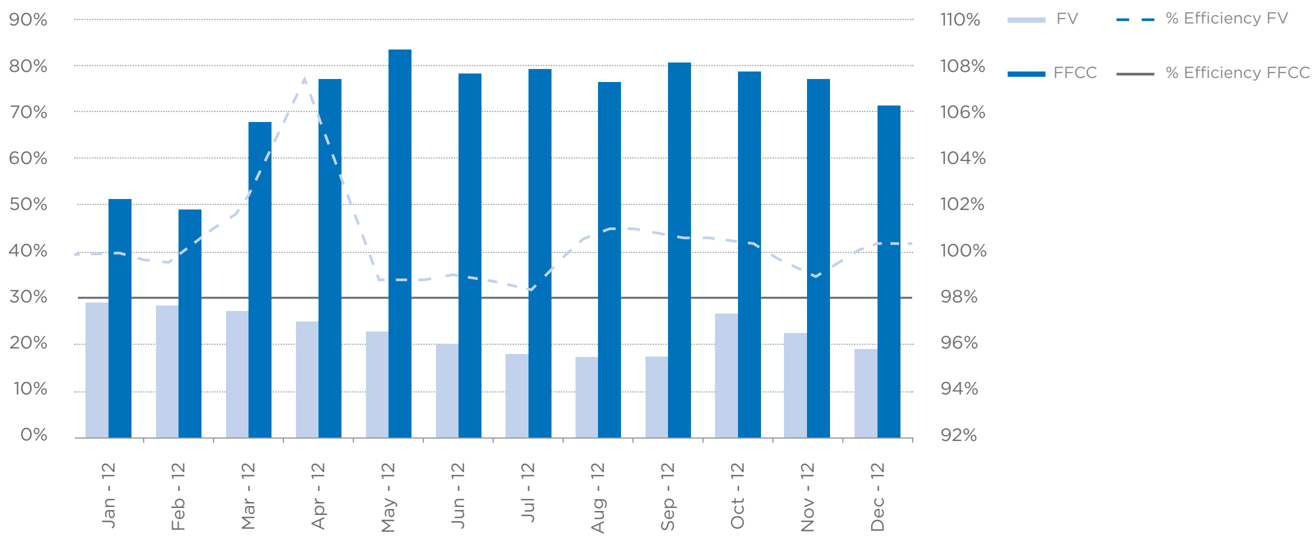
## h) Counterparty risk

Notwithstanding the possibility of netting of positions with some counterpartie in a credit event, BCI manages its counterparty risk measured in absolute terms. That means, to the current exposure of positions with credit risk, the maximum future exposure is added for a certain level of confidence using the value-at-risk (VaR) model at 99% confidence. Montecarlo simulation techniques are used to calculate maximum future exposures by counterparty. Specific limits per counterparty ensure that they do not exceed the accepted risk levels and an adequate diversification is achieved.

## i) Hedge accounting

BCI uses hedge accounting to manage the fair-value and cash-flow risks to which it is exposed. The fair-value hedges use derivative instruments to cover changes in the fair value of an asset or liability in the balance sheet. The changes in the fair value of the derivatives that form part of the cash-flow hedges are recorded in net shareholders' equity. The treatment of this type of instrument strictly follows the international accounting standard IAS 39. The Financial Risk Management is responsible for designing and validating the effectiveness of the hedges, generating effectiveness indicators that are constantly monitored and reported to ALCO. As of December 31, 2012 the total notional amount of cash-flow hedges amounted to MCLP$1,615,261 while the fair-value hedges amounted to MCLP$418,018.

FIGURE 19 AMOUNT, TYPE AND EFFECTIVENESS OF HEDGE ACCOUNTING YEAR 2012 AND 2011(UF MILLIONS)




## Credit Risk

### Risk Management structure

The Bank has structured its credit approval process on the basis of personal and non-delegatable discretionary limits authorized by the Board of Directors.

Based on these credit faculties, the operations are approved at the different levels of the Management, always requiring the concurrence of two executives with discretionary limits.

As the amount of the operation increases, this is approved by pairs of senior executives both from the commercial and risk areas and from the senior management committees, until reaching the highest level represented by the Board of Director's Executive Committee.

### Provisions for credit risk

According to that indicated by the Superintendency 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 Superintendency, contained on Circular 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 debtors

This model is applied when the companies involved, given their size, complexity or level of exposure with the entity are required to be identified and analyzed in detail, one by one.

These models consider the analysis of aspects such as the financial situation of debtors, their payment behavior, knowledge and experience of the shareholders and management in the business, as well as their grade of commitment with the company and the industrial area where the company is inserted and the relative position of the company within this area.

### 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 Superintendency of Banks and Financial Institutions (SBIF).

The detail of the quality of loans is summarized in the following table:

2012

| Debt: | BALANCE Due from banks MCLP$ | Loans and accounts receivable from customers MCLP$ | Total MCLP$ | PROVISION Due from banks MCLP$ | Loans and accounts receivable from customers MCLP$ | Total MCLP$ |
|---|---|---|---|---|---|---|
| A1 | 24,026 | 12,063 | 36,089 | 9 | 4 | 13 |
| A2 | 8,006 | 1,006,754 | 1,014,760 | 7 | 621 | 628 |
| A3 | 44,486 | 1,667,558 | 1,712,044 | 97 | 2,475 | 2,572 |
| A4 | 9,458 | 1,838,552 | 1,848,010 | 166 | 16,140 | 16,306 |
| A5 | 220 | 983,492 | 983,712 | 9 | 9,490 | 9,499 |
| A6 | - | 316,003 | 316,003 | - | 7,691 | 7,691 |
| B1 | - | 67,002 | 67,002 | - | 3,952 | 3,952 |
| B2 | - | 25,094 | 25,094 | - | 3,602 | 3,602 |
| B3 | - | 7,943 | 7,943 | - | 485 | 485 |
| B4 | - | 10,773 | 10,773 | - | 1,491 | 1,491 |
| C1 | - | 15,198 | 15,198 | - | 304 | 304 |
| C2 | - | 15,426 | 15,426 | - | 1,543 | 1,543 |
| C3 | - | 4,438 | 4,438 | - | 1,110 | 1,110 |
| C4 | - | 29,747 | 29,747 | - | 11,899 | 11,899 |
| C5 | - | 61,929 | 61,929 | - | 40,254 | 40,254 |
| C6 | - | 32,953 | 32,953 | - | 29,658 | 29,658 |
| GR | - | 5,923,634 | 5,923,634 | - | 153,902 | 153,902 |
| Subsidiaries | 2,398 | 1,028,938 | 1,031,336 | - | 14,752 | 14,752 |
| Total | 88,594 | 13,047,497 | 13,136,091 | 288 | 299,373 | 299,661 |

2011

| Debt: | BALANCE Due from banks MCLP$ | Loans and accounts receivable from customers MCLP$ | Total MCLP$ | PROVISION Due from banks MCLP$ | Loans and accounts receivable from customers MCLP$ | Total MCLP$ |
|---|---|---|---|---|---|---|
| A1 | 5,594 | 13,761 | 19,355 | 2 | 5 | 7 |
| A2 | 25,102 | 880,693 | 905,795 | 21 | 527 | 548 |
| A3 | 29,622 | 1,340,896 | 1,370,518 | 65 | 2,070 | 2,135 |
| A4 | 148 | 1,826,444 | 1,826,592 | 3 | 17,910 | 17,913 |
| A5 | 167 | 720,531 | 720,698 | 7 | 9,622 | 9,629 |
| A6 | 53 | 220,123 | 220,176 | 5 | 5,853 | 5,858 |
| B1 | - | 46,755 | 46,755 | - | 1,021 | 1,021 |
| B2 | - | 24,472 | 24,472 | - | 798 | 798 |
| B3 | - | 7,733 | 7,733 | - | 1,442 | 1,442 |
| B4 | - | 9,867 | 9,867 | - | 1,452 | 1,452 |
| C1 | - | 36,070 | 36,070 | - | 721 | 721 |
| C2 | - | 20,162 | 20,162 | - | 2,016 | 2,016 |
| C3 | - | 75,080 | 75,080 | - | 18,770 | 18,770 |
| C4 | - | 22,728 | 22,728 | - | 9,091 | 9,091 |
| C5 | - | 67,081 | 67,081 | - | 43,603 | 43,603 |
| C6 | - | 31,184 | 31,184 | - | 28,066 | 28,066 |
| GR | - | 5,155,869 | 5,155,869 | - | 125,722 | 125,722 |
| Subsidiaries | 12,020 | 878,402 | 890,422 | 9 | 8,608 | 8,617 |
| Total | 72,706 | 11,377,851 | 11,450,557 | 112 | 277,297 | 277,409 |

The analysis of the age of delinquent loans by type of financial assets is the following:

| | Less than 30 days | | Between 30 and 89 days | | 90 days or more | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Interbank loans | - | - | - | - | - | - | - | - |
| Loans and accounts receivable from customers | 47,205 | 19,524 | 19,253 | 22,857 | 175,733 | 144,466 | 242,191 | 186,847 |
| Total | 47,205 | 19,524 | 19,253 | 22,857 | 175,733 | 144,466 | 242,191 | 186,847 |

## Operational Risk

Due to the importance of a proper administration and control of operational risks, BCI introduced in 2006, a specialized management whose organization is aligned with the principles defined in Basel.

BCI Bank has operational risk specialists in the areas of processes, information security, continuity of business and regulatory compliance, with the objective of avoiding errors in the processes and unexpected losses and optimizing the use of required capital.

Over the last years, BCI has reached maturity in terms of identification, quantification, mitigation and report of its operational risks, which allows having risks whose impact in the organization is quantified monetarily.

During 2012 the risk management was strengthened by lowering the risk appetite for Expected Losses and VAR, the definition and implementation of maximum tolerable levels for Materialized Losses and the update of risk maps of critical processes.

## Operational risk management

BCI manages its operational risks with the active participation of those responsible for the areas (Owners of Processes) through management committees on different areas. One committee is formed for operational risks for losses management, another one for outsourced services, one for technological operational risks and the last one for continuity of business. These committees meet periodically and their objective is checking losses that have occurred, carrying out plans for correcting their causes and managing the mitigation plans for operational risks identified in the process revisions.

## Capital calculation according to Basel

BCI has participated in the capital calculation exercises according to the standards of Basel II (QIS), a calculation integrating the credit and financial or market risks along with the operating risk as a global indicator of risk exposure. However, during 2012 BCI carried out two Operational Risk Capital Calculation under the Advanced Model (first bank in Chile to acquire it).

## Security of information

BCI 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 by specialized areas and focused on the administration and operation of security and the management of security risks, and a Security Committee consisting of representatives of several areas of the Bank which watch over the compliance with the annual plan of security and the approval of specific policies for security.

This strategy is complemented by a technological infrastructure and specific procedures of operation and monitoring of activity, oriented towards preventing potential attacks on the information security of the clients and the Bank.

A relevant event in the security of information during 2012 was successfully finishing the update of the monitoring for information security, which consists of indicators designed to continually evaluate the management of main risks. Also during 2012, a special emphasis was placed on strengthening the diffusion and training of employees regarding information security policies and good practice for the protection of information.

## Continuity of business

The continuity strategies developed during the last years have been consolidating, adding new risk scenarios and increasing the coverage plan to the different units that need to continue operating in situations of contingency. In addition, the contingency sites increased their coverage to support the relevant processes of Telecanal and TBank.

During 2012 we have trained our employees and carried out practices within normal working hours while attending customers in order to validate the effectiveness of the continuity processes and strategies, giving a constant and satisfactory attention to the customer. The tests involved the operational processes and included technology tests.

## NOTE 36 MATURITIES OF ASSETS AND LIABILITIES

As of December 31, 2012 and 2011, the breakdown of maturities of assets and liabilities is as follows:

| 2012 | NIB<br>MCLP$ | Up to 1 month<br>MCLP$ | Between 1 and 3 months<br>MCLP$ | Between 3 and 12 months<br>MCLP$ | Subtotal up to 1 year<br>MCLP$ | Between 1 and 5 years<br>MCLP$ | More than 5 years<br>MCLP$ | Subtotal over 1 year<br>MCLP$ | Total<br>MCLP$ |
|---|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | | |
| Cash and deposits in banks | 1,459,621 | - | - | - | 1,459,621 | - | - | - | 1,459,621 |
| Items in course of collection | 394,396 | - | - | - | 394,396 | - | - | - | 394,396 |
| Investments under agreements to resell | - | 974,452 | 48,860 | 114,731 | 1,138,043 | 77,173 | 8,303 | 85,476 | 1,223,519 |
| Securities purchased under resale agreements | - | 100,943 | 26,231 | 7,634 | 134,808 | - | - | - | 134,808 |
| Derivative financial instruments (*) | - | 32,557 | 49,605 | 217,163 | 299,325 | 103,866 | 65,966 | 169,832 | 469,157 |
| Loans and receivables from banks, net (*) | - | 2,534 | 15,975 | 67,688 | 86,197 | 2,397 | - | 2,397 | 88,594 |
| Loans and receivables from customers, net (**) | - | 1,928,826 | 1,254,491 | 2,216,237 | 5,399,554 | 4,130,532 | 3,344,267 | 7,474,799 | 12,874,353 |
| Financial investments available for sale | - | 605,534 | 6,867 | 6,781 | 619,182 | 107,652 | 44,547 | 152,199 | 771,381 |
| Investment instruments held to maturity | - | - | - | - | - | - | - | - | - |
| Total assets | 1,854,017 | 3,644,846 | 1,402,029 | 2,630,234 | 9,531,126 | 4,421,620 | 3,463,083 | 7,884,703 | 17,415,829 |
| Liabilities | | | | | | | | | |
| Current accounts and demand deposits | 3,618,364 | - | - | - | 3,618,364 | - | - | - | 3,618,364 |
| Items in course of collection | 248,898 | - | - | - | 248,898 | - | - | - | 248,898 |
| Obligations under agreements to repurchase | - | 301,693 | 23,461 | 8 | 325,162 | - | - | - | 325,162 |
| Time deposits and savings accounts (***) | - | 3,531,166 | 1,637,590 | 1,948,977 | 7,117,733 | 104,844 | 12 | 104,856 | 7,222,589 |
| Derivative Financial instruments | - | 52,646 | 43,412 | 169,391 | 265,449 | 128,991 | 33,796 | 162,787 | 428,236 |
| Borrowings from financial institutions | - | 365,449 | 802,651 | 813,138 | 1,981,238 | 79,192 | 14 | 79,206 | 2,060,444 |
| Debt issued | - | 28,603 | 1,726 | 56,579 | 86,908 | 967,455 | 1,010,712 | 1,978,167 | 2,065,075 |
| Other financial obligations | - | 43,205 | 229 | 30,203 | 73,637 | 5,719 | 35,713 | 41,432 | 115,069 |
| Total Liabilities | 3,867,262 | 4,322,762 | 2,509,069 | 3,018,296 | 13,717,389 | 1,286,201 | 1,080,247 | 2,366,448 | 16,083,837 |

| 2011 | NIB<br>MCLP$ | Up to 1 month<br>MCLP$ | Between 1 and 3 months<br>MCLP$ | Between 3 and 12 months<br>MCLP$ | Subtotal up to 1 year<br>MCLP$ | Between 1 and 5 years<br>MCLP$ | More than 5 years<br>MCLP$ | Subtotal over 1 year<br>MCLP$ | Total<br>MCLP$ |
|---|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | | |
| Cash and deposits in banks | 1,199,581 | - | - | - | 1,199,581 | - | - | - | 1,199,581 |
| Items in course of collection | 275,473 | - | - | - | 275,473 | - | - | - | 275,473 |
| Trading portfolio financial assets | - | 1,014,460 | 35,344 | 81,727 | 1,131,531 | 85,418 | 25,529 | 110,947 | 1,242,478 |
| Investments under agreements to resell | - | 59,497 | 10,564 | 3,486 | 73,547 | - | - | - | 73,547 |
| Derivative financial instruments (*) | - | 143,478 | 111,940 | 242,624 | 498,042 | 125,426 | 17,709 | 143,135 | 641,177 |
| Loans and receivables from banks, net (*) | - | 5,287 | 40,095 | 27,181 | 72,563 | 143 | - | 143 | 72,706 |
| Loans and accounts receivable from customers, net (**) | - | 1,605,813 | 1,118,295 | 1,973,398 | 4,697,506 | 3,694,421 | 2,842,679 | 6,537,100 | 11,234,606 |
| Financial investments available for sale | - | 594,226 | 572 | 8,429 | 603,227 | 116,090 | 110,273 | 226,363 | 829,590 |
| Total Assets | 1,475,054 | 3,422,761 | 1,316,810 | 2,336,845 | 8,551,470 | 4,021,498 | 2,996,190 | 7,017,688 | 15,569,158 |
| Liabilities | | | | | | | | | |
| Current accounts and demand deposits | 3,172,480 | - | - | - | 3,172,480 | - | - | - | 3,172,480 |
| Items in course of collection | 157,092 | - | - | - | 157,092 | - | - | - | 157,092 |
| Obligations under agreements to repurchase | - | 324,378 | 22,810 | 3,131 | 350,319 | - | - | - | 350,319 |
| Time deposits and saving accounts (***) | - | 2,614,778 | 1,538,438 | 2,335,588 | 6,488,804 | 210,011 | - | 210,011 | 6,698,815 |
| Derivative financial instruments | - | 218,407 | 89,832 | 128,935 | 437,174 | 163,837 | 24,612 | 188,449 | 625,623 |
| Borrowings from financial institutions | - | 392,357 | 331,786 | 804,636 | 1,528,779 | 318,268 | 47 | 318,315 | 1,847,094 |
| Debt issued | - | 15,267 | 1,234 | 121,563 | 138,064 | 376,629 | 958,941 | 1,335,570 | 1,473,634 |
| Other financial obligations | - | 43,380 | 502 | 2,911 | 46,793 | 30,358 | 37,676 | 68,034 | 114,827 |
| Total Liabilities | 3,329,572 | 3,608,567 | 1,984,602 | 3,396,764 | 12,319,505 | 1,099,103 | 1,021,276 | 2,120,379 | 14,439,884 |

(*) Shows gross values.
(**) Excludes amounts whose maturity date has already passed and provision.
(***) Excludes fixed term savings accounts.

## NOTE 37 FOREIGN CURRENCY

The consolidated statements of financial position as of December 31, 2012 and 2011 includes assets and liabilities in foreign currencies or that are readjusted by the variation in the exchange rate as follows:

| | In Foreign Currency | | In Chilean Pesos | | Total | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| ASSETS | | | | | | |
| Cash and deposits in banks | 471,366 | 345,532 | 988,253 | 854,049 | 1,459,619 | 1,199,581 |
| Items in course of collection | 169,798 | 133,177 | 224,598 | 142,296 | 394,396 | 275,473 |
| Trading portfolio financial assets | 21,131 | 21,705 | 1,202,388 | 1,220,773 | 1,223,519 | 1,242,478 |
| Investments under agreements to resell | - | - | 134,808 | 73,547 | 134,808 | 73,547 |
| Derivative financial instruments | 124,172 | 99,108 | 344,984 | 537,844 | 469,156 | 636,952 |
| Loans and receivables from banks, net | 88,306 | 72,594 | - | - | 88,306 | 72,594 |
| Loans and receivables from customers, net | 1,837,079 | 1,633,000 | 10,911,045 | 9,467,554 | 12,748,124 | 11,100,554 |
| Financial investments available for sale | 209,494 | 173,916 | 561,887 | 655,674 | 771,381 | 829,590 |
| Investments in other companies | - | - | 67,235 | 61,379 | 67,235 | 61,379 |
| Intangible assets | 61 | 119 | 80,907 | 78,282 | 80,968 | 78,401 |
| Property, plant and equipment, net | 259 | 185 | 204,798 | 206,226 | 205,057 | 206,411 |
| Current income tax provision | - | - | 4,237 | 8,688 | 4,237 | 8,688 |
| Deferred income taxes | - | - | 60,109 | 47,545 | 60,109 | 47,545 |
| Other assets | 39,708 | 58,097 | 179,955 | 218,371 | 219,663 | 276,468 |
| TOTAL ASSETS | 2,961,374 | 2,537,433 | 14,965,204 | 13,572,228 | 17,926,578 | 16,109,661 |
| LIABILITIES | | | | | | |
| Current accounts and demand deposits | 379,044 | 362,973 | 3,239,321 | 2,809,507 | 3,618,365 | 3,172,480 |
| Items in course of collection | 190,088 | 115,146 | 58,810 | 41,946 | 248,898 | 157,092 |
| Obligations under agreements to repurchase | 29,729 | 24,069 | 295,434 | 326,250 | 325,163 | 350,319 |
| Time deposits and savings accounts | 1,333,989 | 1,136,099 | 5,888,599 | 5,612,955 | 7,222,588 | 6,749,054 |
| Derivative financial instruments | 130,528 | 125,388 | 297,708 | 500,235 | 428,236 | 625,623 |
| Borrowings from financial institutions | 1,593,227 | 1,549,217 | 467,217 | 297,877 | 2,060,444 | 1,847,094 |
| Debt issued | 395,885 | 74,045 | 1,669,189 | 1,399,589 | 2,065,074 | 1,473,634 |
| Other financial obligations | 18,981 | 20,048 | 96,088 | 94,779 | 115,069 | 114,827 |
| Deferred income taxes | - | - | 44,605 | 37,048 | 44,605 | 37,048 |
| Provisions | 1,389 | 674 | 178,036 | 169,455 | 179,425 | 170,129 |
| Other liabilities | 47,387 | 9,473 | 151,367 | 180,839 | 198,754 | 190,312 |
| TOTAL LIABILITIES | 4,120,247 | 3,417,132 | 12,386,374 | 11,470,480 | 16,506,621 | 14,887,612 |

## NOTE 38 SUBSEQUENT EVENTS

On February 11, 2013, the Bank issued bonds in the US (ISIN RegS: USP32133CG63) for US$500,000,000 in accordance with Rule 144A (ISIN 144A: US055956 NAE22) and Regulation S of the securities market regulation in the US (ISIN RegS: USP32133CG63), which have an annual rate of 4.00% and mature in 2023.

There have been no other subsequent events between January 1, 2013 and the date of issue of these consolidated financial statements that may have had or might have any impact on the presentation of these consolidated financial statements.

Fernando Vallejos Vásquez
Corporate Accounting Manager

Lionel Olavarría Leyton
CEO

somosdiferentes

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