

# Financial Results

November 3rd, 2014

## Q3 | 14

Chile is also known for having the strongest bank in Latin America

Banco de Chile, the strongest private bank in Latin America with more than 120 years of history

STANDARD & POOR'S

A+

MOODY'S

Aa3

**Banco de Chile**  
El banco de Chile



Easter Island, Chile

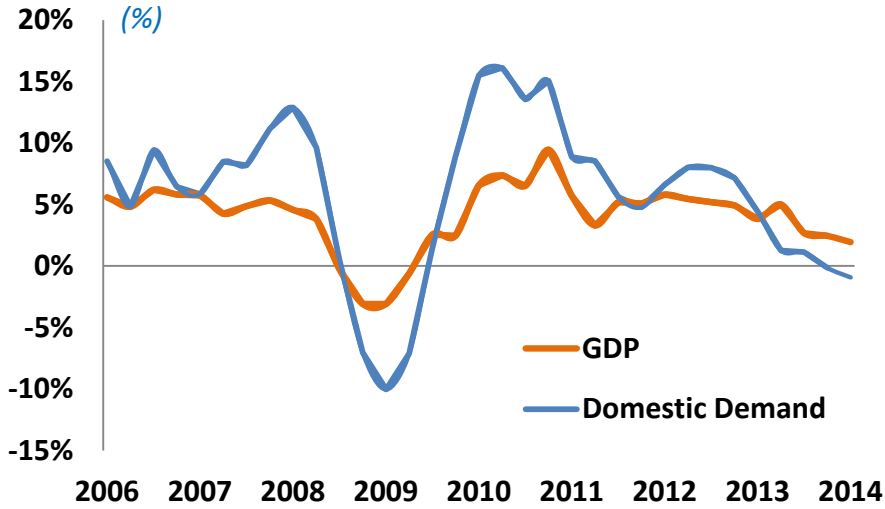
# AGENDA: 3Q14

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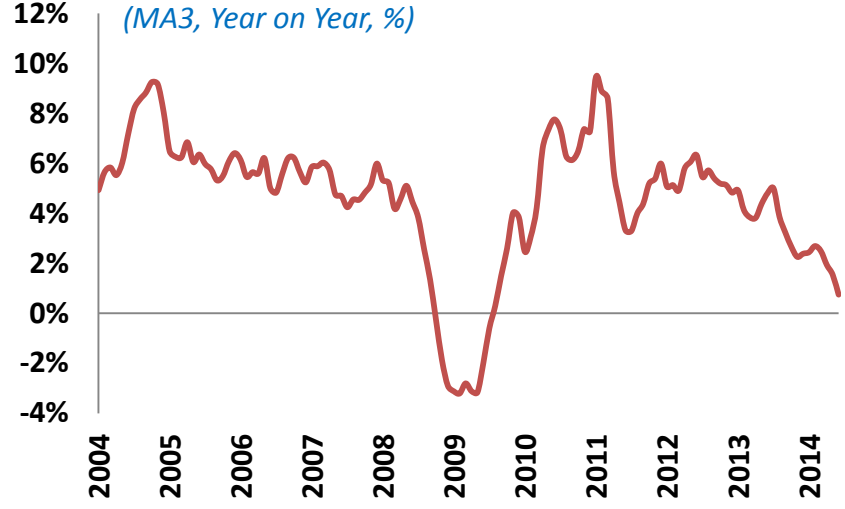
1. Economic Environment
2. Banking Industry
3. Banco de Chile Financial Results

# 3Q14 Economic Highlights

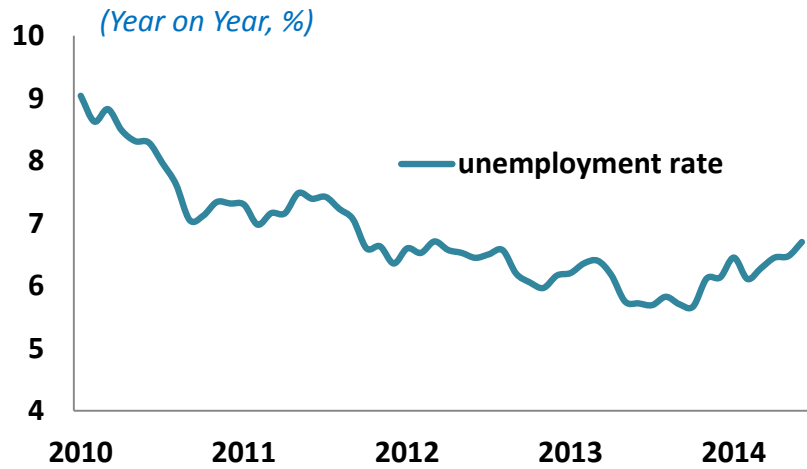
## GDP & Domestic Demand



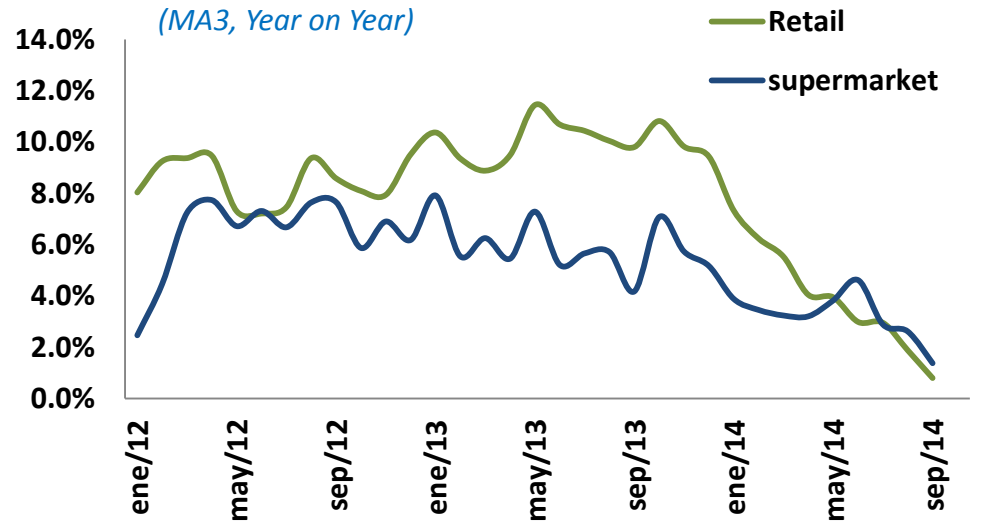
## IMACEC



## Unemployment



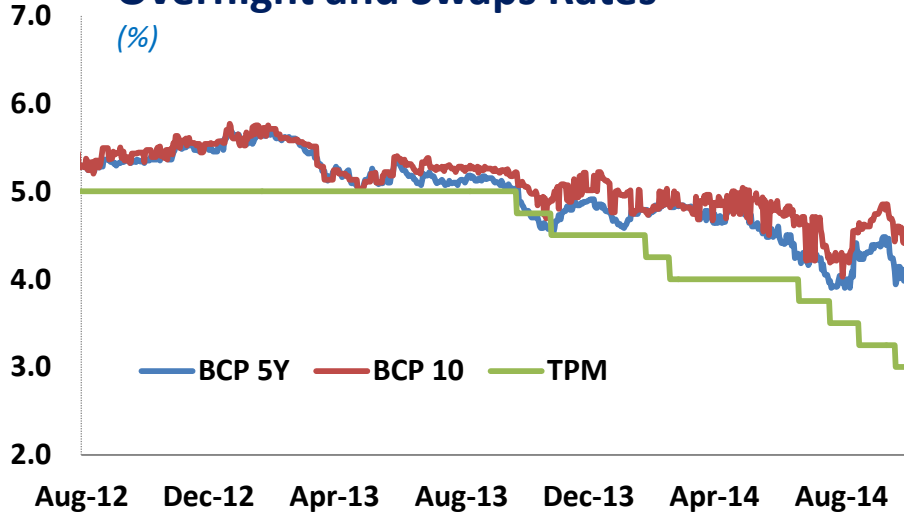
## Retail & Supermarket Sales



# 3Q14 Economic Highlights

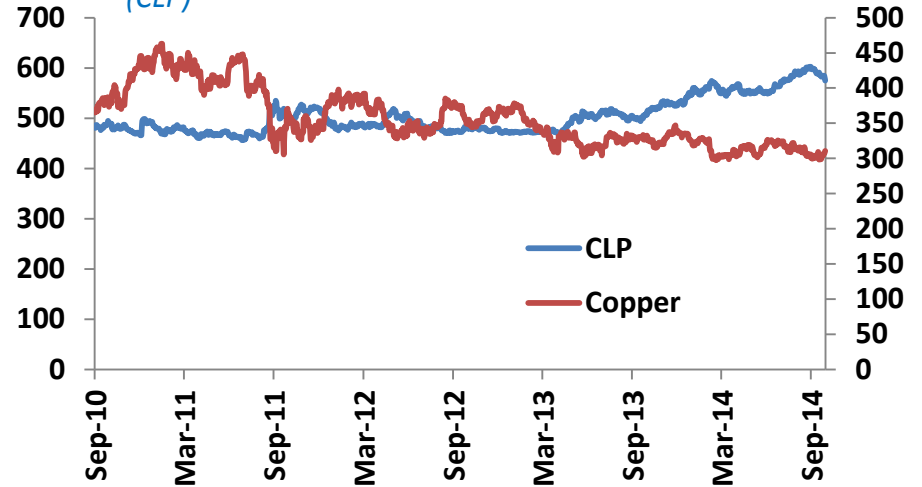
## Overnight and Swaps Rates

(%)



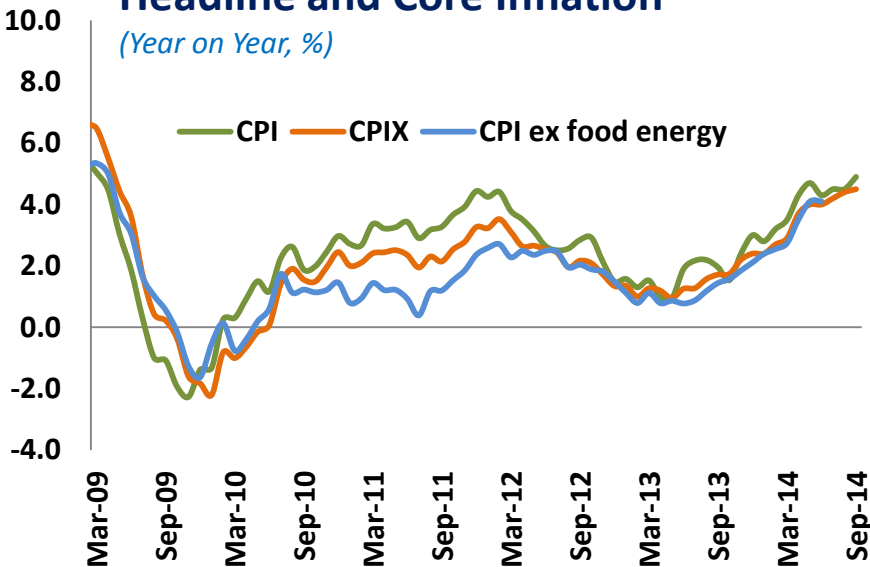
## Exchange Rate and Copper Prices

(CLP)



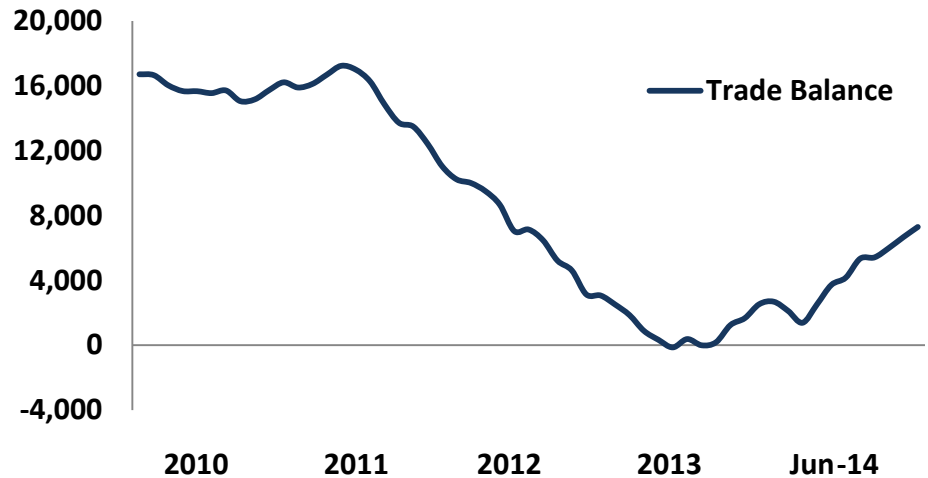
## Headline and Core Inflation

(Year on Year, %)



## Trade Balance

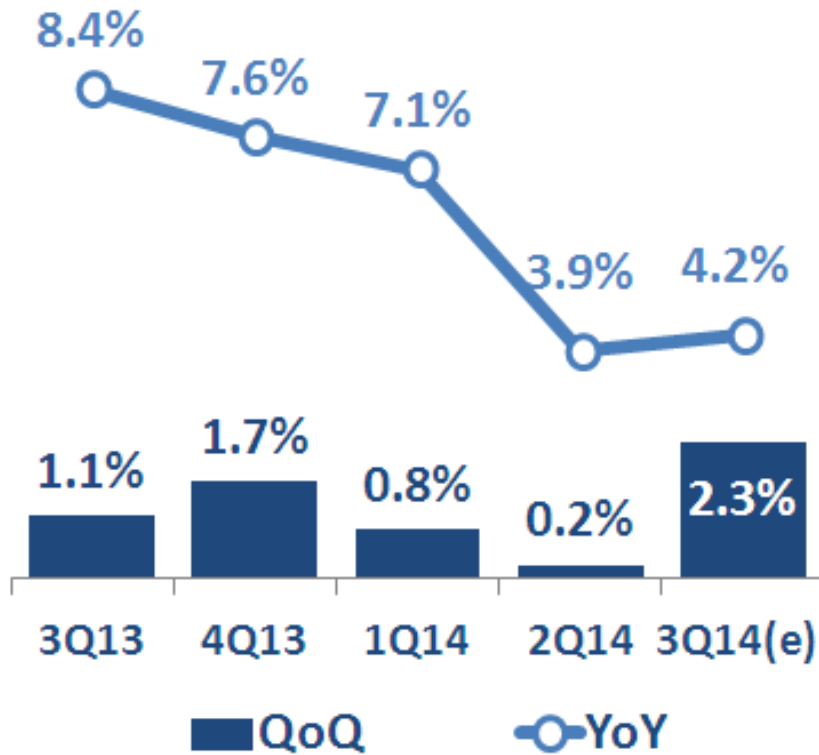
(Millions of US\$, Accumulated yearly)



# 3Q14 Banking Industry Highlights

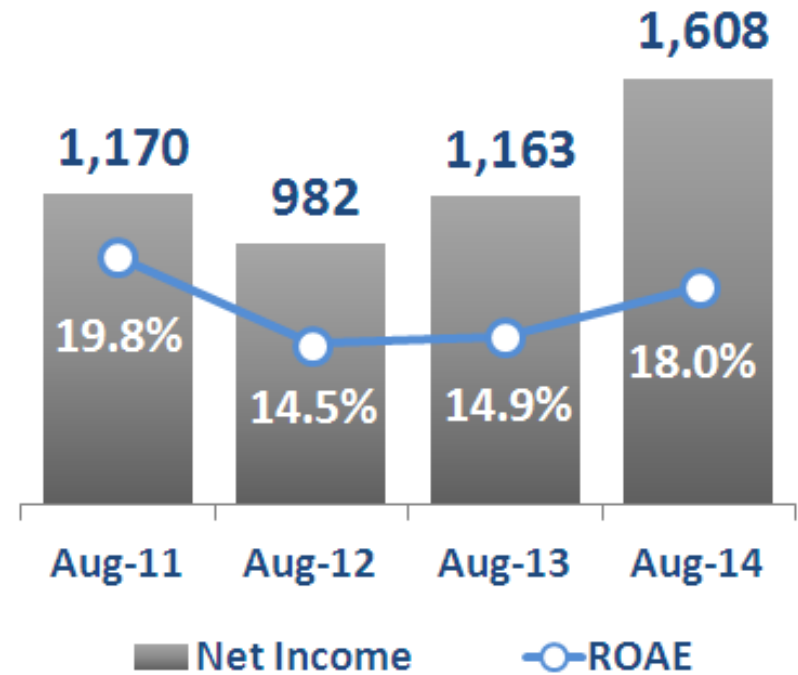
## Total Loan Growth (1) (2)

(% in real terms)



## Net Income & ROAE

(In Billions of US\$ and %)



(1) Figures exclude foreign subsidiaries

(2) Figures exclude estimated non-recurrent effect of the consolidation of a retail company credit card portfolio as part of the banking system balance sheets from 4Q13 (~CLP430 bn.)

# Banco de Chile *Quarterly Financial Results*

(In billions of CLP, except percentages)	3Q 13	4Q 13	1Q 14	2Q 14	3Q 14	%Δ 13 14
Operating Revenues	379.6	393.1	408.0	412.0	386.0	1.7%
Provision Expenses	(70.1)	(67.8)	(76.4)	(72.4)	(61.7)	(12.0)%
Net Operating Revenues	309.5	325.3	331.6	339.6	324.4	4.8%
Operating Expenses	(154.0)	(169.2)	(160.0)	(170.2)	(167.7)	8.9%
Income before taxes	156.0	156.1	171.8	170.4	157.5	0.9%
Income Taxes	(18.6)	(23.3)	(21.1)	(17.0)	1.3	-
Effective Tax Rate	11.9%	14.9%	12.3%	10.0%	(0.8)%	n/a
Net Income	137.4	132.9	150.8	153.5	158.7	15.5%

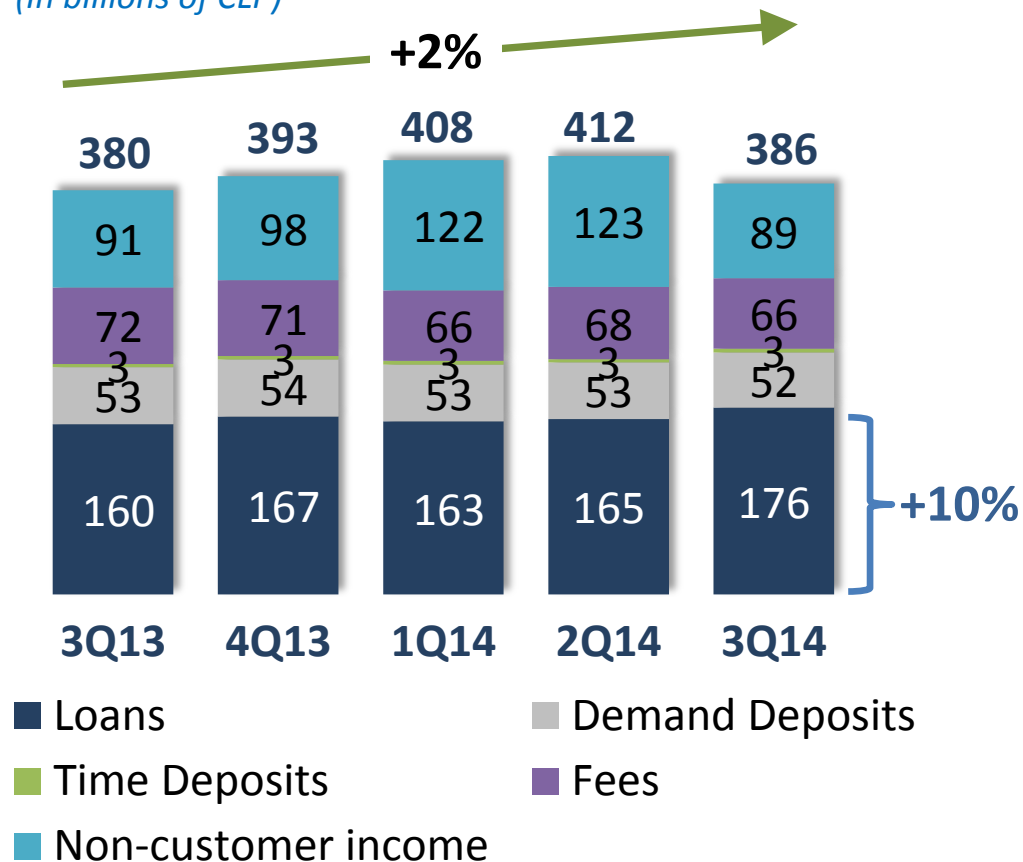
# Operating Income

## Operating Income Highlights

- Sustained by good growth in recurring interest income from loans (+4% yoy) and an extraordinary gain of \$9 Bn due to a corporate loan prepayment (total +10%)
- Partially offset by:
  1. Flat growth from Demand Deposits due to strong increase in DDAs and decreasing short term interest rates,
  2. Lower income from Fees principally due to new regulations and measures taken to promote credit card usage, and
  3. Lower non-customer income due to significantly lower inflation in the 3Q14 versus 3Q13, partially offset by positive repricing effect as a result of a decrease in interest rates

## Quarterly Operating Income

(In billions of CLP)

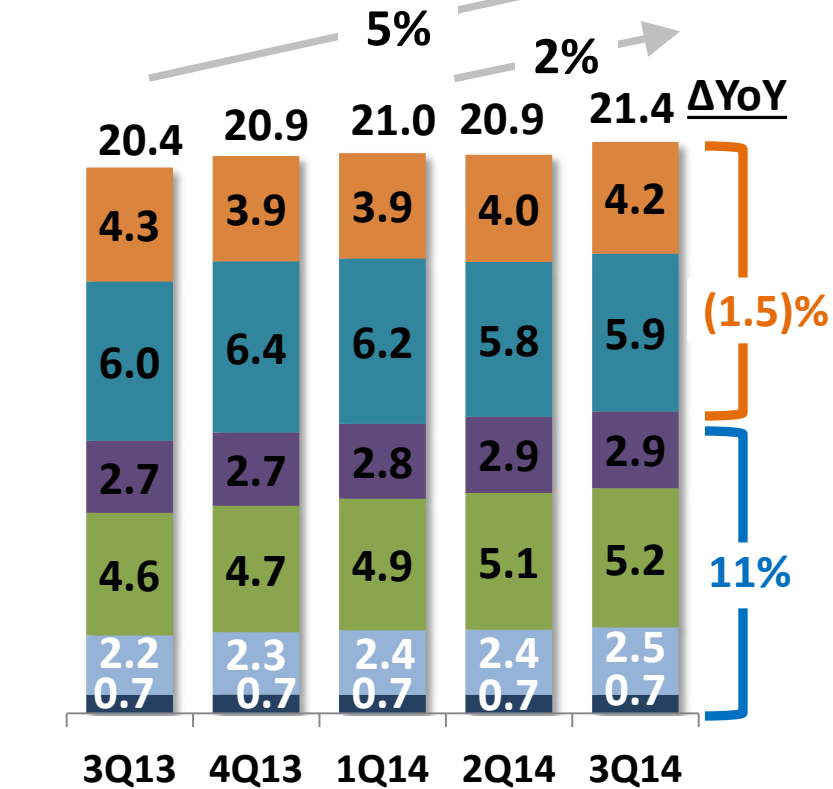


Δ QoQ	3Q13	4Q13	1Q14	2Q14	3Q14
UF	1.04%	0.95%	1.28%	1.76%	0.60%
CLP/USD	503.0	523.8	549.5	553.0	598.3

# Loans *Retail Strategy based on Customer Business Intelligence*

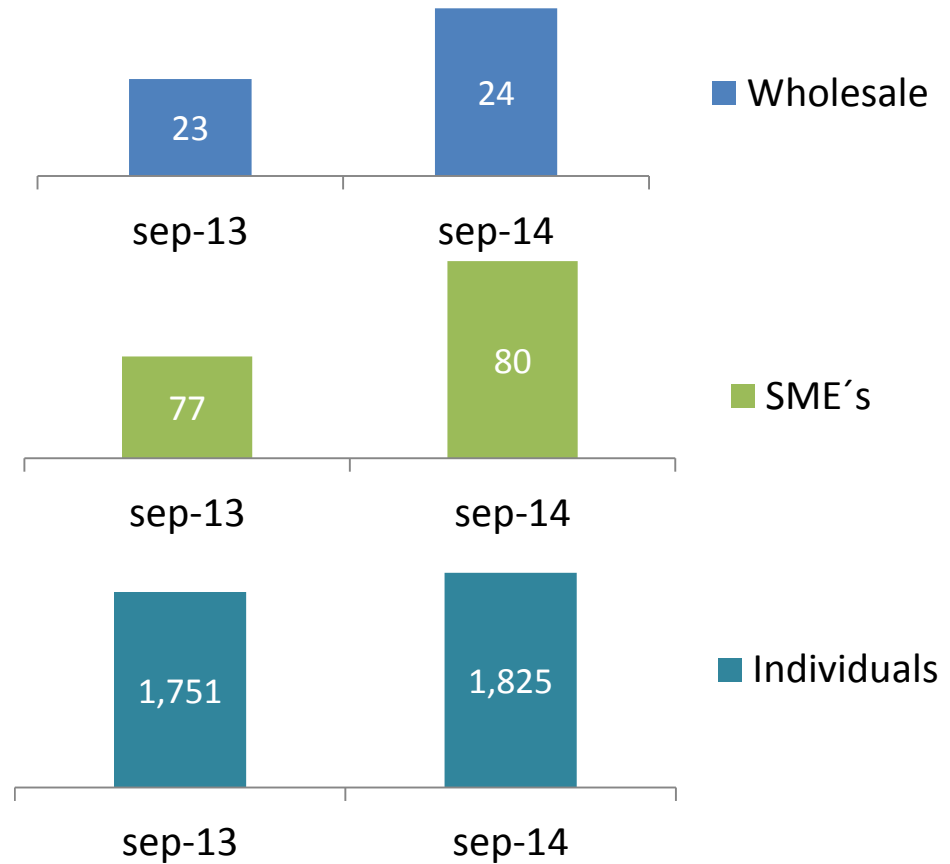
## Loans by Product

(In trillions of CLP)



## Customer Base by Segment

(As of September 2013 and 2014, in thousands)



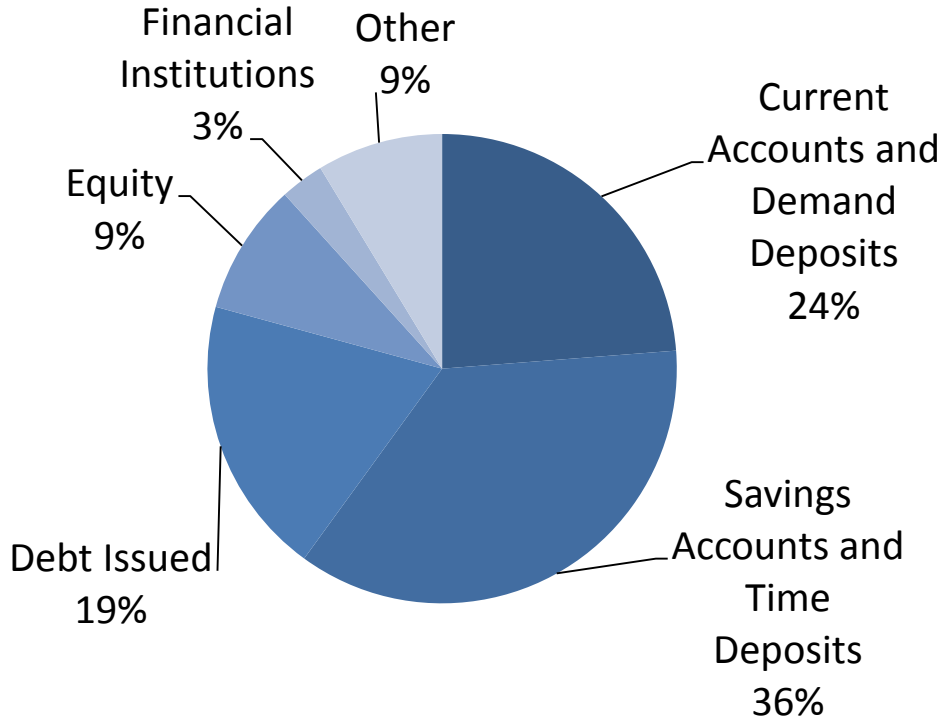
- Corporate Banking
- Large Companies
- SME Loans
- Mortgage
- Consumer - Traditional
- Consumer - Credichile
- ]} Individuals + SMEs
- ]} Large Companies + Corporate



# Solid Funding Structure

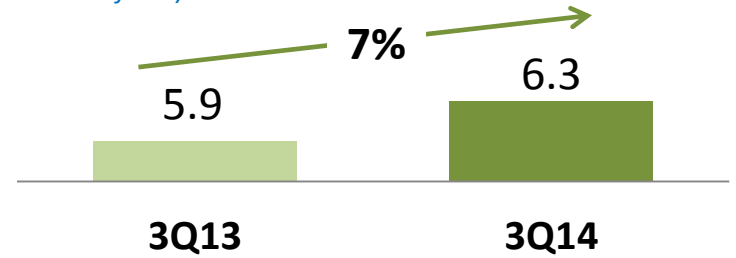
## Liability Structure

(In Trillions of CLP)



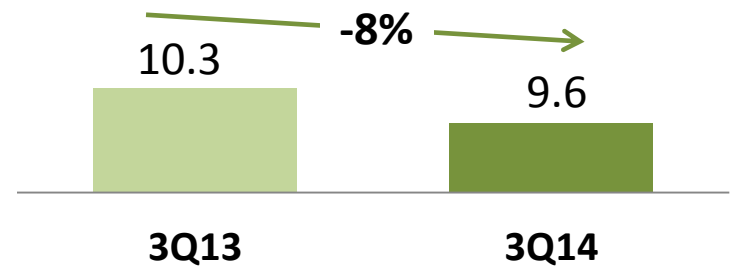
## Current Account Deposits

(In Trillions of CLP)



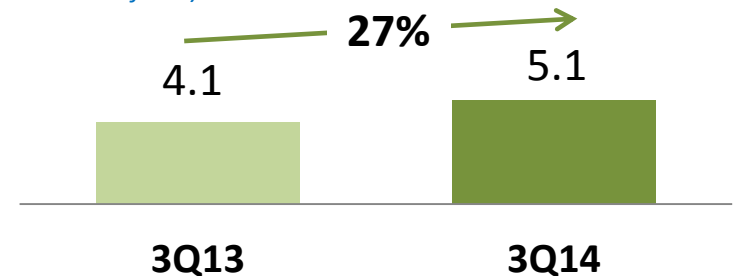
## Savings Accounts and Time Deposits

(In Trillions of CLP)



## Debt Issued

(In Trillions of CLP)



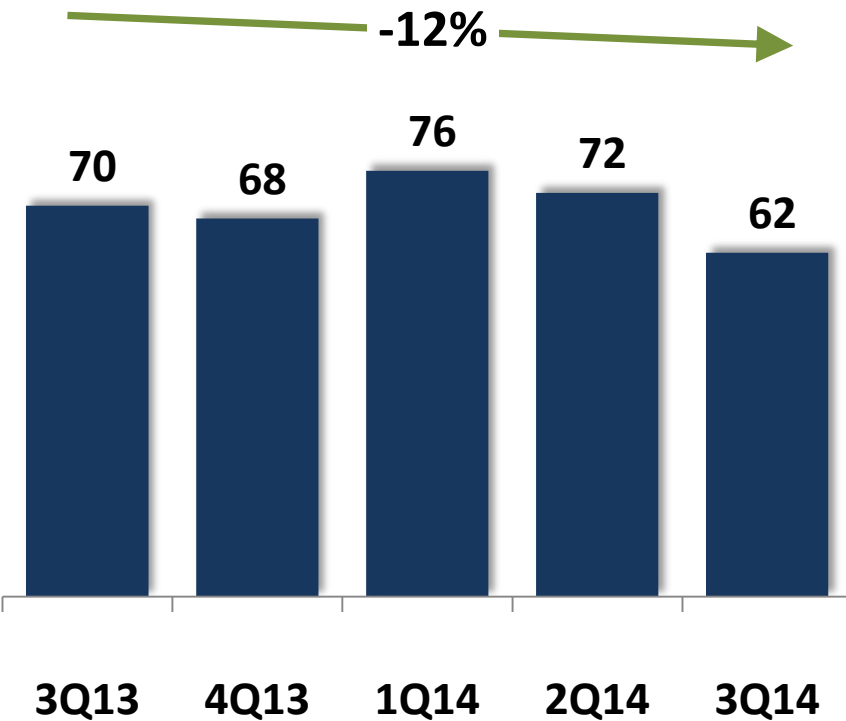
## Capital Adequacy

	3Q13	3Q14
Tier 1 Ratio	9.9%	10.3%
Total Equity Ratio	13.2%	13.2%

# Risk

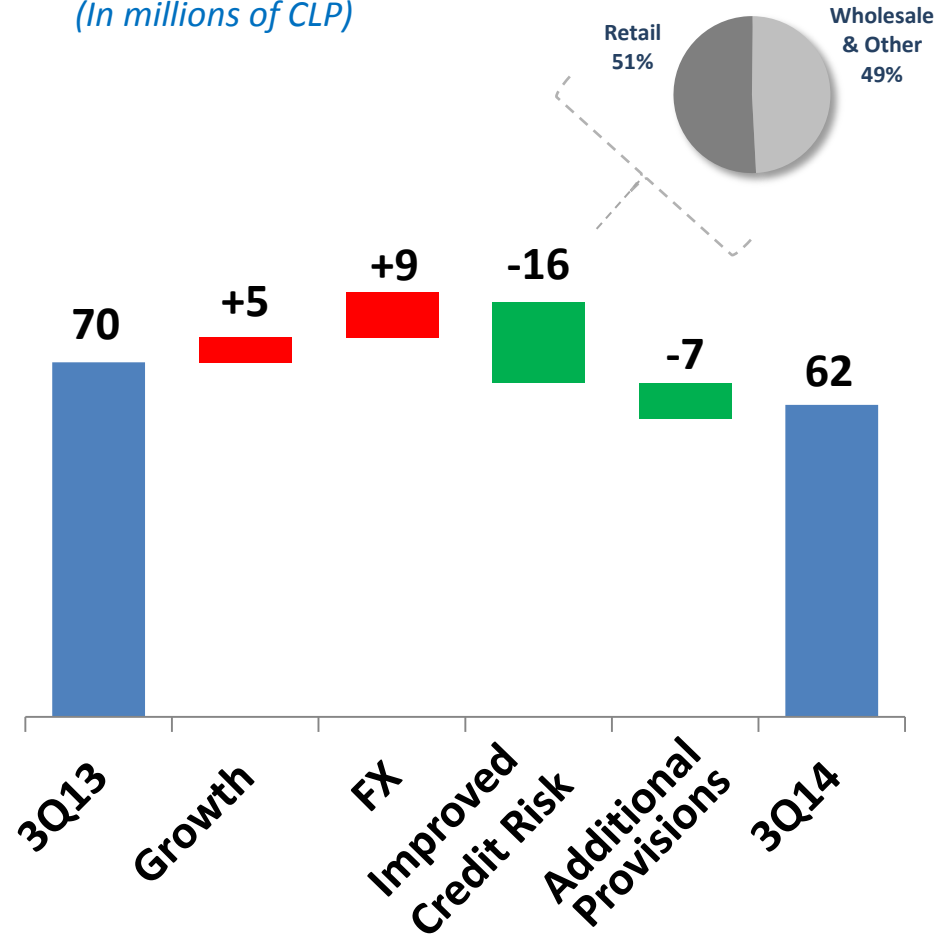
## Quarterly Loan Loss Provisions

(In billions of CLP)



## Loan Loss Provisions

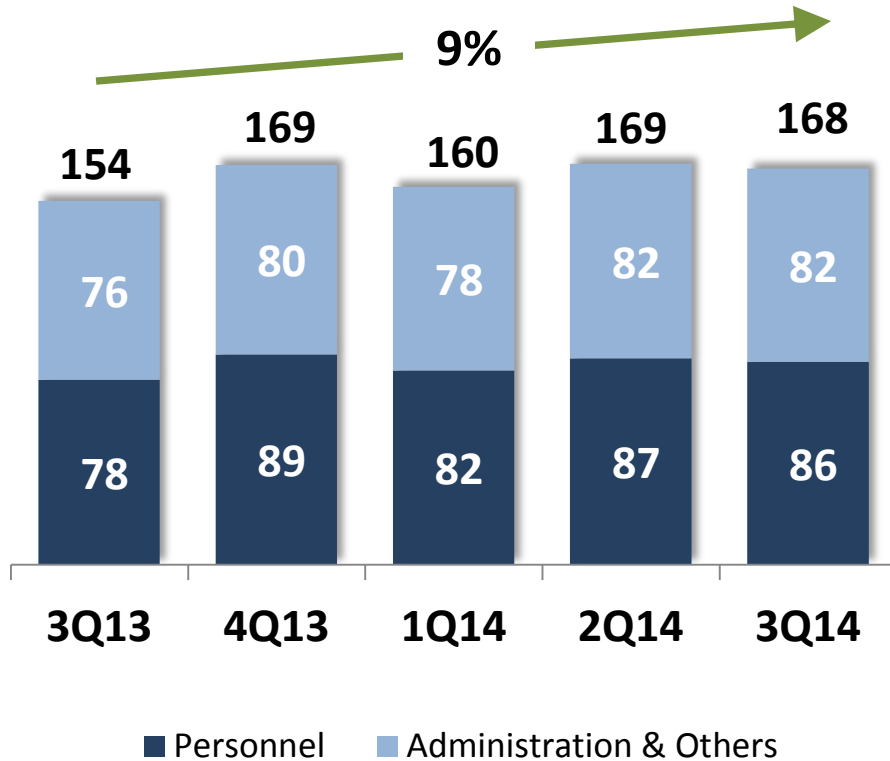
(In millions of CLP)



# Operating Expenses

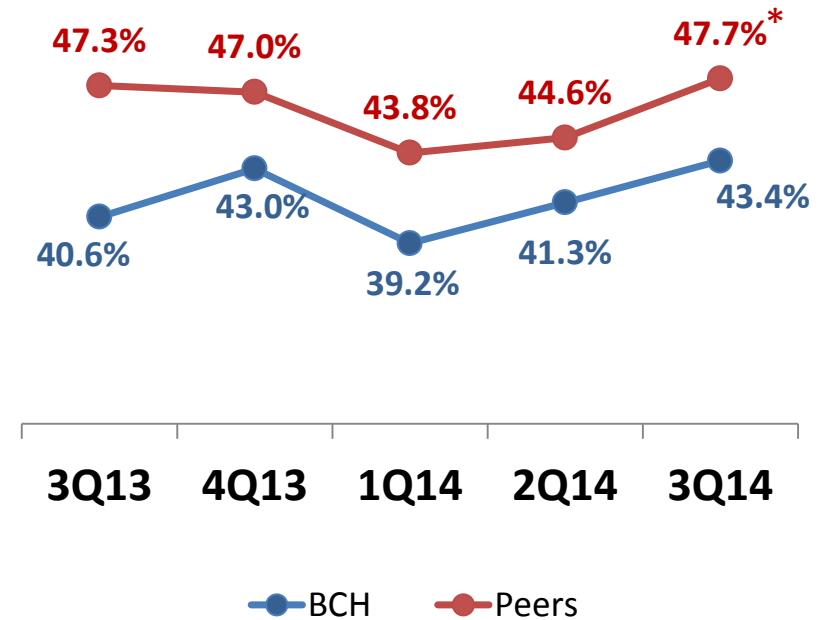
## Operating Expenses

(In billions of CLP)



## Efficiency Ratio

(Operating Expenses/Operating Revenues, %)



\*Peers efficiency ratio for the first two months of 3Q14

# Taxes *Tax Reform and Deferred Tax Assets*

## Tax Reform

*(Corporate Tax increase to 25 or 27%)*

		2014	2015	2016	2017	2018
Corporate Tax Rate	Semi-Integrated	21.0%	22.5%	24.0%	25.5%	27.0%
	Integrated	21.0%	22.5%	24.0%	25.0%	25.0%

## Banco de Chile

*(Tax reform & Effect on Results)*

→ For Banco de Chile this resulted in a one-time income recognition of approximately Ch\$18 billion

<i>(For the 9 month period ending)</i>	Sept 2013	Sept 2014
Corporate Tax at 20%	56,671	54,424
Corporate Tax Rate Increment to 21%	-	(3,406)
Deferred Tax Assets	-	21,083
<b>Net Income Taxes</b>	<b>56,671</b>	<b>36,747</b>
<b>Effective Tax Rate</b>	<b>13.0%</b>	<b>7.4%</b>

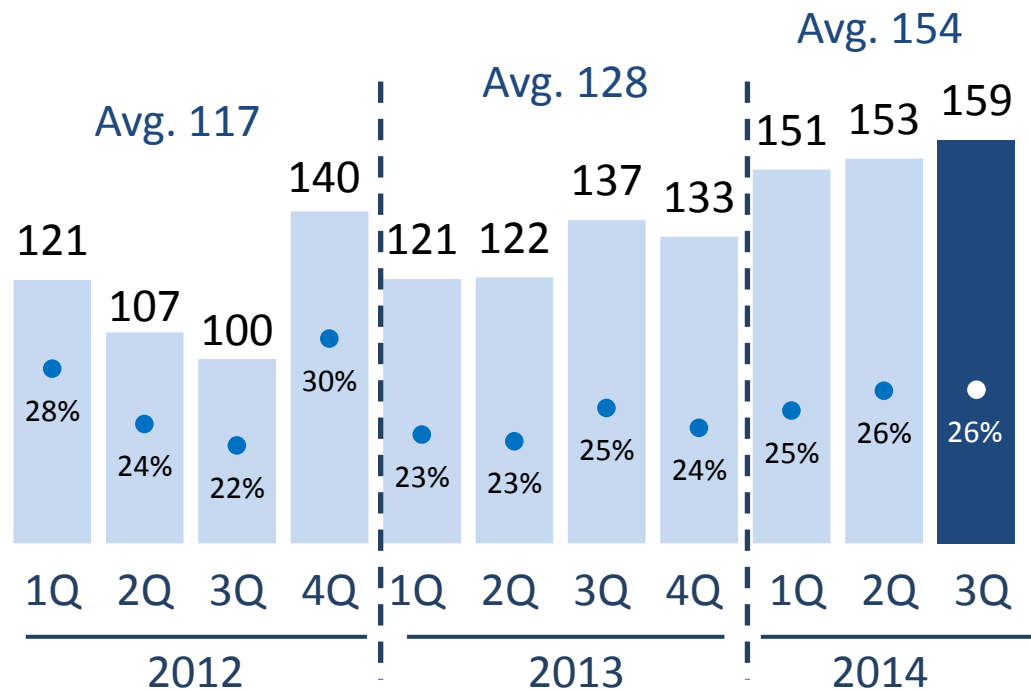
# Banco de Chile *Summary of Quarterly Results*

## 3Q14 Highlights

- Record quarterly net income of CLP 159 billion and ROAE of 25.8%
- Excluding the positive effects from the one-time tax benefit, Net Income for this quarter is flat YoY, spite lower inflation and less income from fees
- Sustained growth in recurring interest income from loans
- +4.8% QoQ Operating Revenues
- +12.9% YoY DDA average balances
- +4.7% YoY loan growth:
  - +13.9% in mortgage loans
  - +9.7% in consumer loans
  - +0.4% in commercial loans

## Quarterly Net Income

*(In billions of CLP)*





# Forward-looking Information

*The information contained herein incorporates by reference statements which constitute “forward-looking statements,” in that they include statements regarding the intent, belief or current expectations of our directors and officers with respect to our future operating performance. Such statements include any forecasts, projections and descriptions of anticipated cost savings or other synergies. You should be aware that any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties, and that actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, without limitations, the actions of competitors, future global economic conditions, market conditions, foreign exchange rates, and operating and financial risks related to managing growth and integrating acquired businesses), many of which are beyond our control. The occurrence of any such factors not currently expected by us would significantly alter the results set forth in these statements.*

*Factors that could cause actual results to differ materially and adversely include, but are not limited to:*

- changes in general economic, business or political or other conditions in Chile or changes in general economic or business conditions in Latin America;*
- changes in capital markets in general that may affect policies or attitudes toward lending to Chile or Chilean companies;*
- unexpected developments in certain existing litigation;*
- increased costs; and*
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms.*

*You should not place undue reliance on such statements, which speak only as of the date that they were made. Our independent public accountants have not examined or compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect later events or circumstances or to reflect the occurrence of unanticipated events.*