

# Financial Results

March 31, 2014

# Q1 | 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: 1Q14

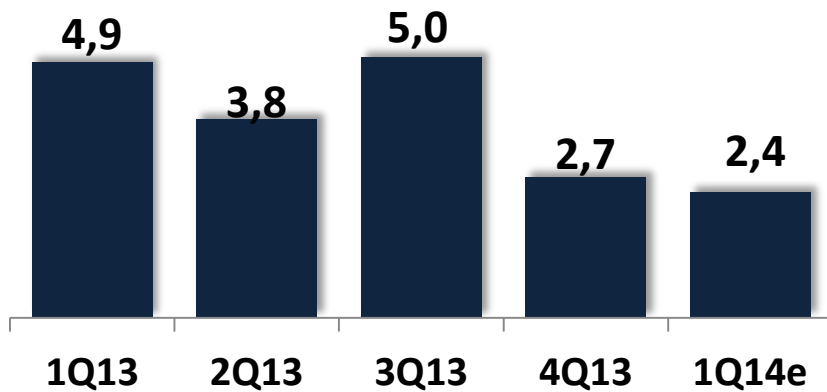
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1. Economic Environment
2. Banking Industry
3. Banco de Chile Financial Results
4. Final Remarks

# 1Q14 Economic Highlights

## Gross Domestic Product

Real Annual Growth, %



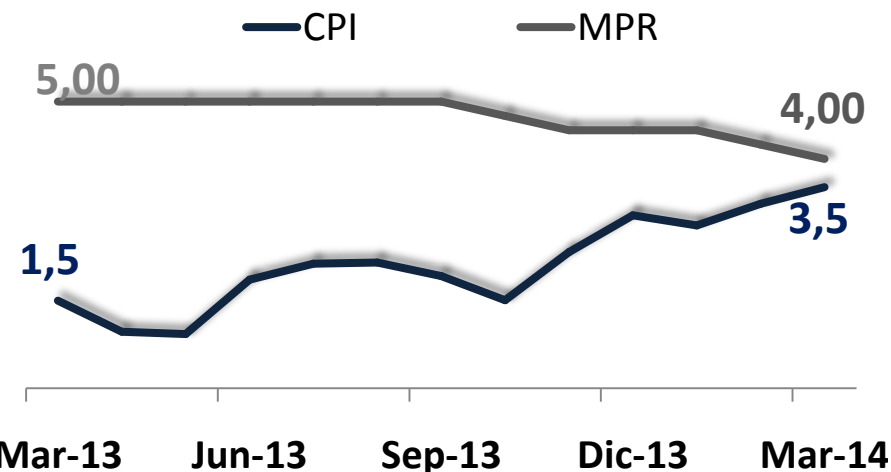
## Consumption & Investment

Real Annual Growth, %



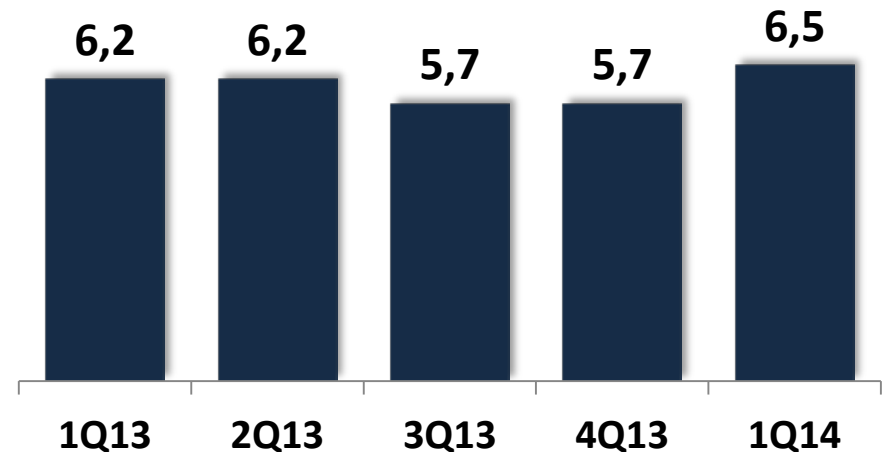
## Inflation & Monetary Policy Rate

12 Month Variation, %



## Unemployment

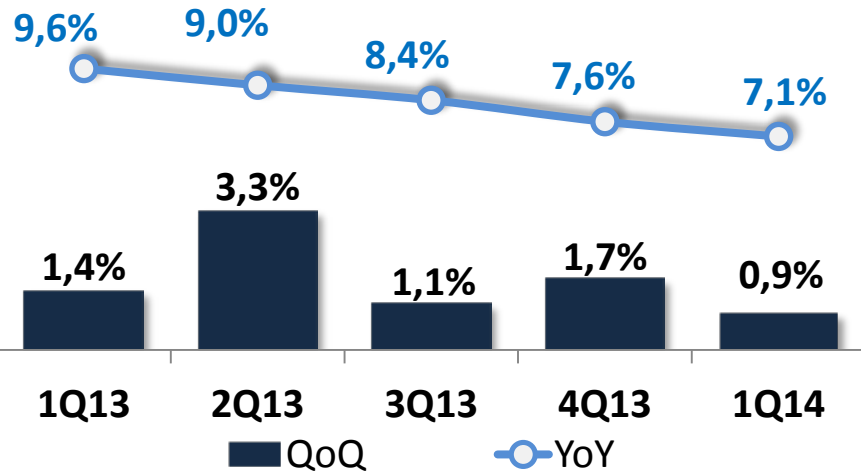
%



# 1Q14 Banking Industry Highlights

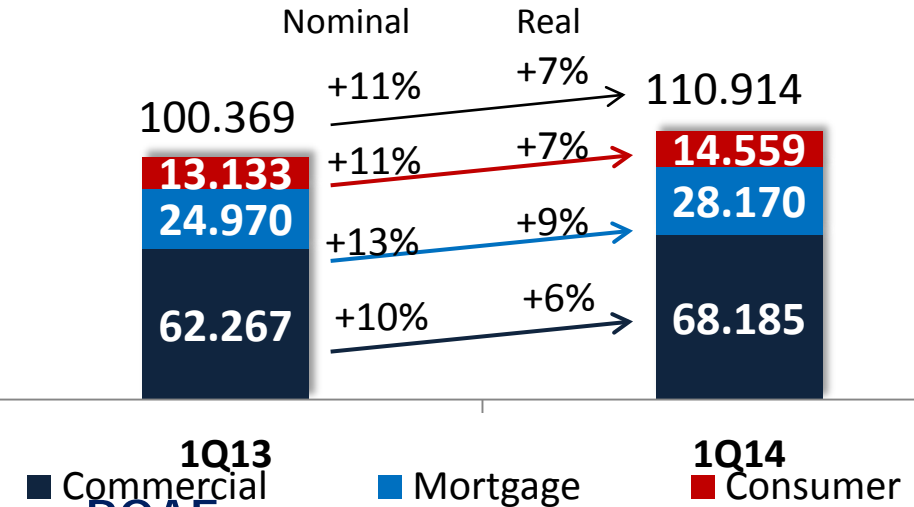
## Total Loan Growth (1) (2)

(% in real terms)



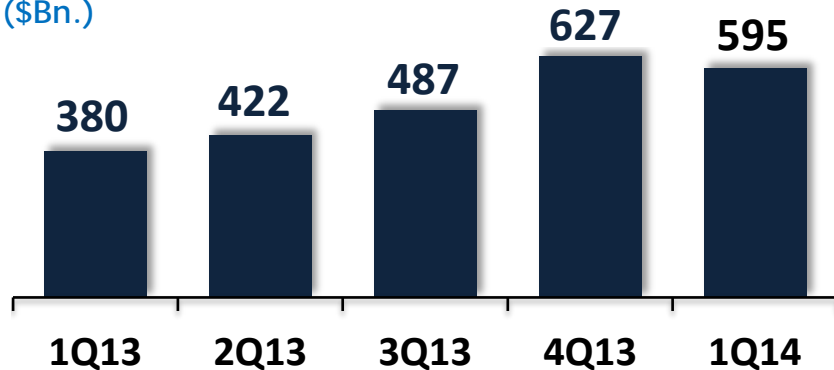
## Loan Growth by Product (1) (2)

(\$Bn. & %)



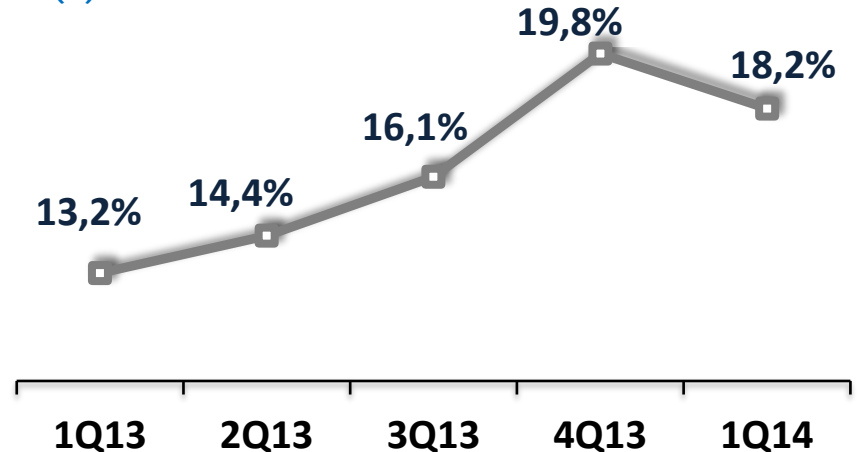
## Quarterly Net Income

(\$Bn.)



## ROAE

(%)



(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)	1Q 13	2Q 13	3Q 13	4Q 13	1Q 14	%Δ Q 13   14
<b>Operating Income</b>	338.8	344.5	379.6	393.1	408.0	20.4%
<b>Provision Expenses</b>	(49.8)	(53.9)	(70.1)	(67.8)	(76.4)	53.2%
<b>Operating Expenses</b>	(149.2)	(150.5)	(154.0)	(169.2)	(160.0)	7.2%
<b>Income before taxes</b>	140.3	141.0	156.0	156.1	171.8	22.4%
<b>Income Taxes</b>	(18.9)	(19.2)	(18.6)	(23.3)	(21.1)	11.8%
<b>Effective Tax Rate</b>	13.5%	13.6%	11.9%	14.9%	12.3%	n/a
<b>Net Income</b>	121.5	121.9	137.4	132.9	150.8	24.1%

# Operating Income

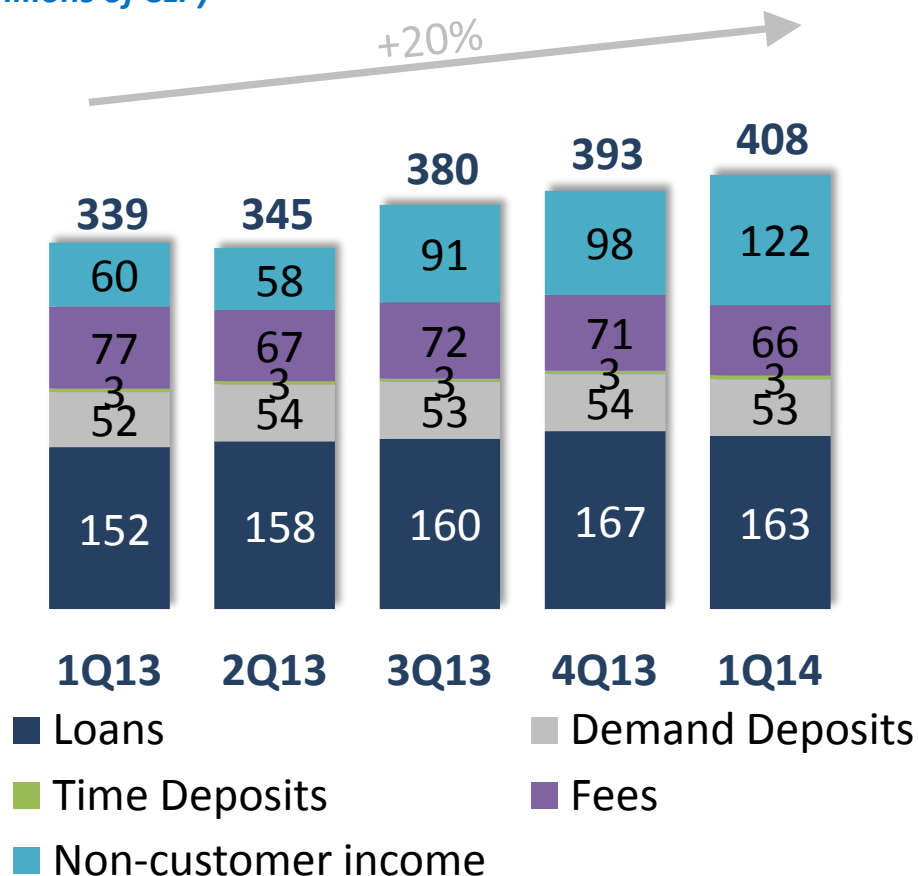
*Strong growth non-customer revenue from high  $\Delta$ UF*

## Highlights

- Record operating income of CLP408 billion, 20% above the same period last year.
- The strong Y/Y rise in operating income is due to:
  - Positive effect of inflation on our UF Gap structural Position
  - Double digit growth in loan volumes and non-interest bearing deposits
  - Higher securities revenues
- This more than offset lower fee income.

## Quarterly Operating Income

*(In billions of CLP)*



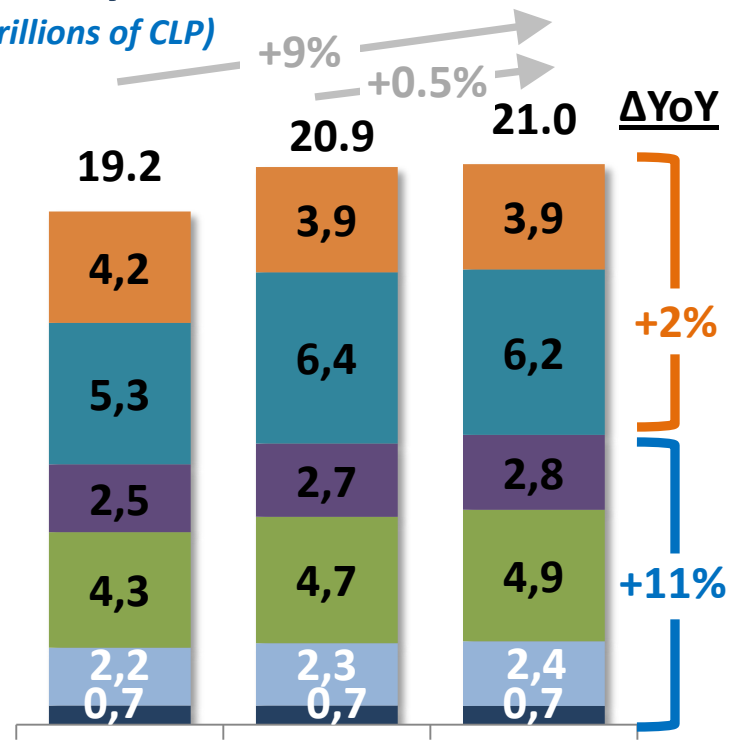
$\Delta$ QoQ	1Q13	2Q13	3Q13	4Q13	1Q14
UF	0.13%	-0.07%	1.04%	0.95%	1.28%
CLP/USD	472.5	503.9	503.0	523.8	549.5

# Loans

*Firm focus in profitable growth...*

## Loans by Product

*(In trillions of CLP)*



- 1Q13
- 4Q13
- 1Q14
- Corporate Banking
- SME Loans
- Consumer - Traditional
- Individuals + SMEs
- Large Companies
- Mortgage
- Consumer - Credichile
- Lg. Companies + Coporates

## Retail Strategy based on Customer Business Intelligence and Productivity improvements

### Main improvements:

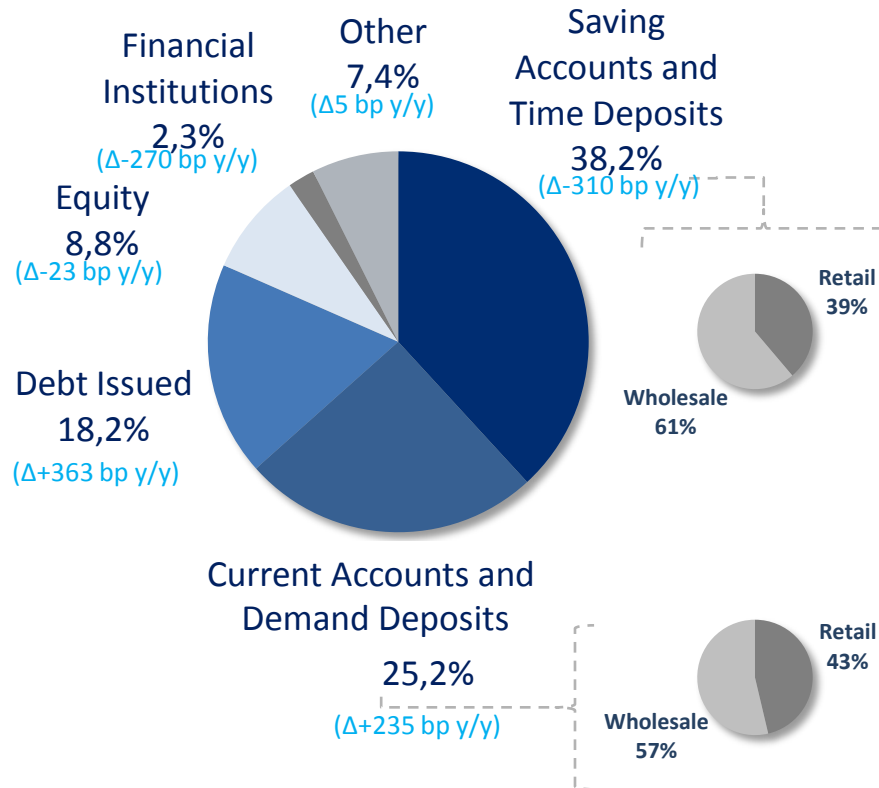
- ✓ Pricing by sales channel
- ✓ Propensity model
- ✓ Incentive model

# Solid Funding Structure

Leader in low cost funding...

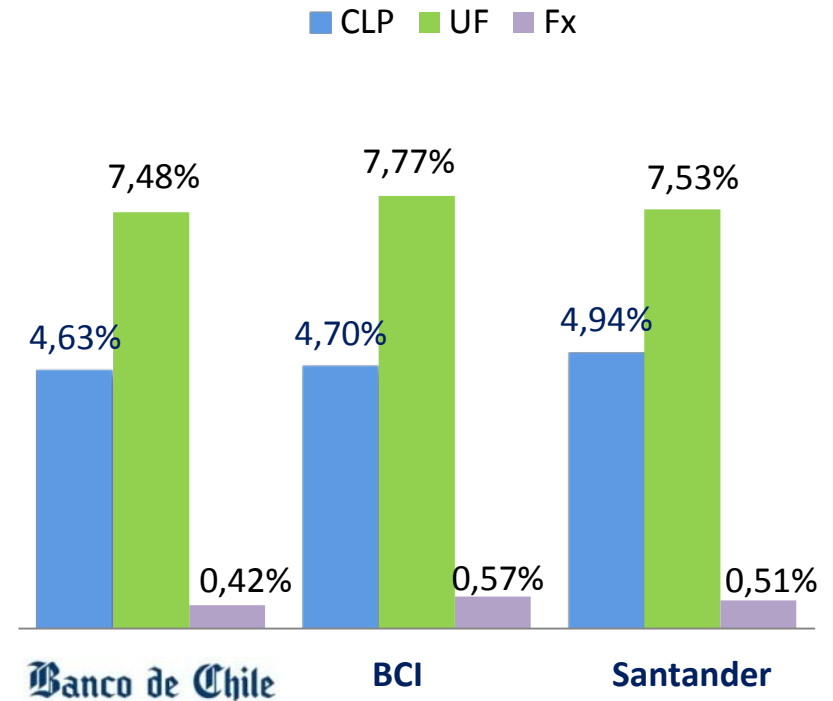
## Liability Structure

% Over Total Assets, as of March 2013



## Time Deposits Cost of Funding

Interest paid by currency / average volume by currency<sup>1</sup>, annualized





# Loan Loss Provisions

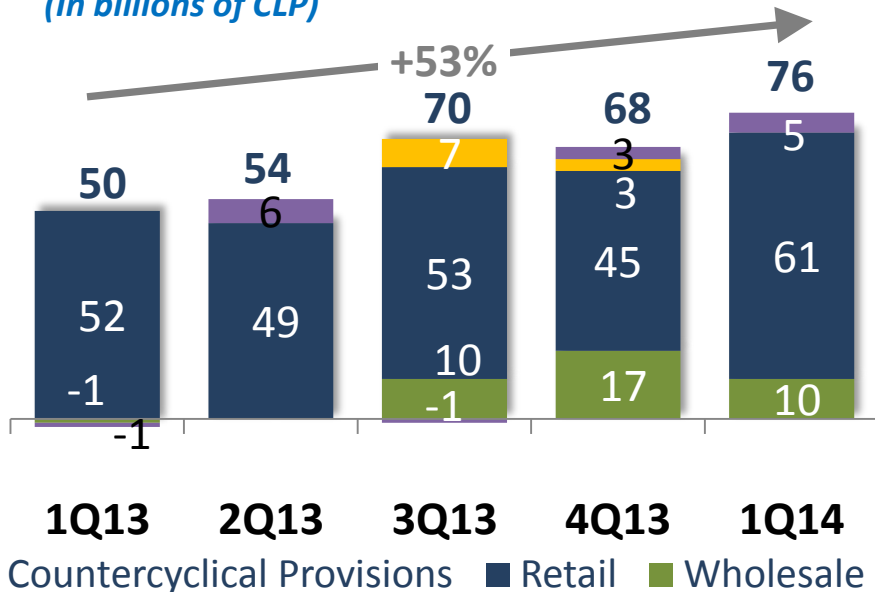
*LLP increase was largely due to factors other than deterioration...*

## Highlights

→ Loan loss provisions grew to CLP 76 billion in 1Q14, CLP 16 billion higher than 1Q13 due to:

- Strong loan growth in our retail business (CLP 6 billion)
- Provision release of a specific corporate customer in 1Q13 (CLP9 billion)
- Negative effect of the depreciation of the Chilean Pesos on USD denominated loans (CLP 5 billion)
- Credit deterioration of (CLP 7 billion)

**Quarterly Loan Loss Provisions**  
(In billions of CLP)



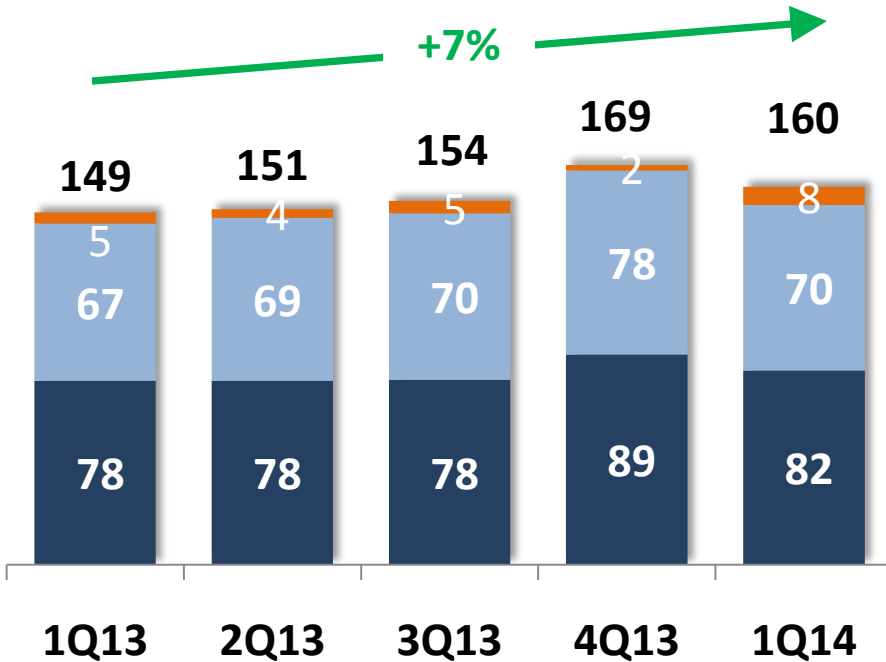
Risk Indicator	1Q13	2Q13	3Q13	4Q13	1Q14
LLP / Avg. Loans	1.1%	1.1%	1.4%	1.3%	1.5%
Charge-offs / Avg.Loans	1.0%	1.0%	1.0%	1.0%	1.1%
NPL / Loans	1.1%	1.1%	1.1%	1.1%	1.2%
Coverage	2.15x	2.1x	2.0x	2.0x	2.0x

# Operating Expenses

Record efficiency of 39.2% for the quarter...

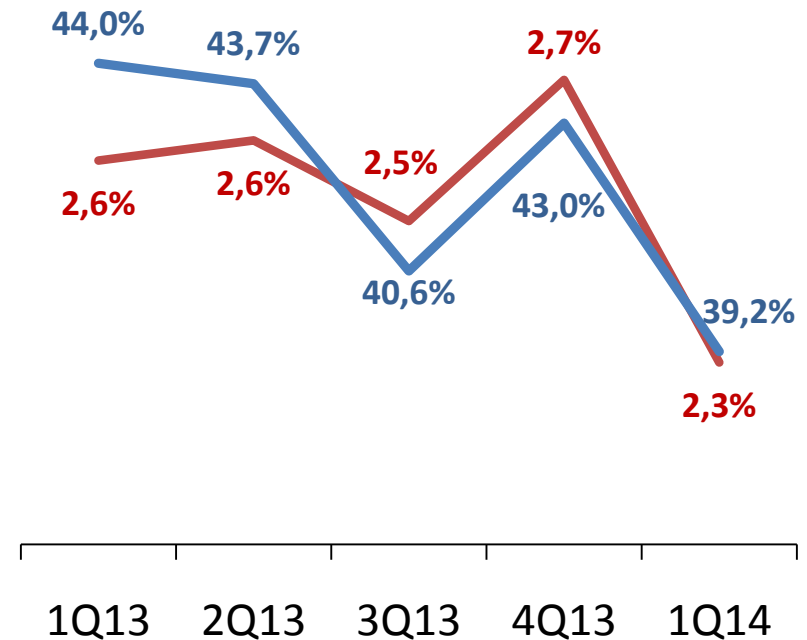
## Operating Expenses

(In billions of CLP)



## Efficiency Indicators

(%)



- Operating Expenses / Average Total Assets
- Operating Expenses / Operating Revenue

■ Personnel   ■ Admin., Dep & Impairments   ■ Other

# Banco de Chile

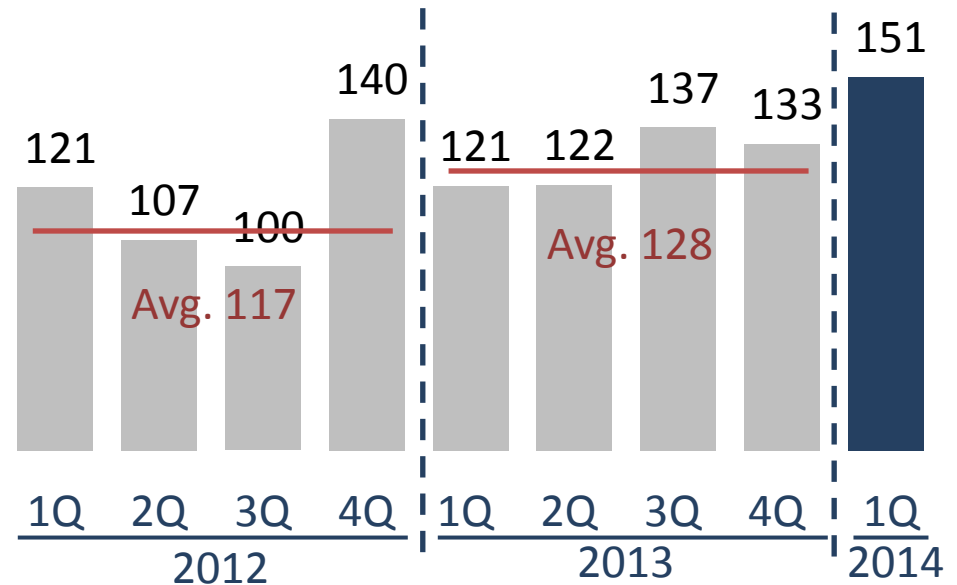
## Summary of Quarterly Results

### Highlights

- Record quarter of Ch\$ 151 billion pesos, 24% higher than the 1Q of 2013 and almost 20% higher than the average quarterly results posted in 2013
- In summary, these results were achieved through strong operating income growth and excellent cost control, partially offset by higher loan loss provisions during the quarter.

### 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.*