



# Quarterly Earnings Report



Fourth Quarter 2014

February 2015

Investor Relations Area  
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## Quarterly Earnings **Report**

FOURTH QUARTER 2014  
February 2015

Any reference to future events, forecasts or trends made by Banco de Crédito e Inversiones (hereinafter referred to as “the Bank”) involves risks and is subject to the uncertainty of events that may occur and are not under the control of the Bank, and they may affect its performance and financial results. The Bank does not bind itself to update its references to future events, forecasts or trends, even if it is evident, based on past experience or certain indicative events, that the forecast made or inferred by the Bank will not be met

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## FINANCIAL HIGHLIGHTS

Bci reported net income of Ch\$92,819 million in 4Q14, a -8.3% year-on-year (YoY) decrease, and a 12.0% increase on 3Q14. Such increase was mainly due to greater exchange rate revenue and a higher financial margin related to increased monetary correction income (1.89% UF variation in 4Q14 versus 0.60% in 3Q14). The lower income on 4Q13 is mainly explained by a greater risk expense in October and November 2014, which was not offset by the higher financial margin.

Bci's accrued profitability in 4Q14, measured as return on equity (ROE), was 19.0% and higher than the 16.4% of the banking sector. The accumulated efficiency ratio 4Q14 was 43.8%, which was better than that of the banking sector (46.2%) and the 44.0% in 2013. This reflects the bank's gross margin generating capacity along with better expenditure control management.

Bci's customer loan portfolio amounted to Ch\$16,102,488 million, which was a 4.0% quarter-on-quarter (QoQ) increase and 10.8% YoY increase, mainly driven by mortgage loans (5.2%) and consumer loans (5.7%). In regard to customer loan market share, Bci has a 13.08% share of the banking sector and slightly lower than the 13.14% in 3Q14.

Bci's net income market share increased from 13.51% in 3Q14 to 14.49% in 4Q14, despite the net income increase of its main competitors due to the deferred tax impact. Bci still ranks third in terms of market share of the banking sector.

The drop in commercial contact points is explained by the closure of Bci and Nova branches in 2014.

**Table 1:**  
Main Indicators  
Banco de Crédito e Inversiones

Ch\$ Million	4 Q 13	3 Q 14	4 Q 14	Variation 4 Q 14/ 3 Q 14	Variation 4 Q 14/ 4 Q 13
<b>Financial Indicators</b>					
Total loans *	14,529,469	15,478,113	16,102,488	4,03%	10,83%
Net Income	10,126,7	8,285,5	9,281,9	12,03%	-8,34%
Total assets	20,298,993	22,689,524	23,868,494	5,20%	17,58%
Total shareholder's equity	1,582,100	1,707,536	1,800,964	5,47%	13,83%
ROE	18,98%	19,53%	19,04%	-48,9 bps	6,3 bps
ROA	1,48%	1,47%	1,44%	-3,3 bps	-4,2 bps
Efficiency ratio	43,95%	43,12%	43,84%	71,4 bps	-10,9 bps
Provision for Loan losses / Total loans	2,30%	2,24%	2,13%	-11,2 bps	-17,0 bps
Basic Capital / Risk-Weighted Assets	9,48%	9,51%	9,87%	36,3 bps	39,6 bps
Regulatory capital / Risk-Weighted Assets	13,44%	13,39%	13,78%	38,9 bps	33,6 bps
<b>Operation Indicators</b>					
Headcount	10,588	10,525	10,588	0,60%	0,00%
Commercial contact points	384	364	361	-0,82%	-5,99%
Nº of ATMs	1,080	1,054	1,037	-1,61%	-3,98%

\* Includes interbank loans

**Table 2:**Consolidated Income Statement  
Banco de Crédito e Inversiones

Ch\$ Million	4Q 13	3Q 14	4Q 14	4Q 14 / 3Q 14
Financial margin	179.552	178.865	204.550	14,36%
Net fees	52.770	55.673	56.252	1,04%
Exchange Rate and Operation Income	36.850	32.009	24.821	-22,46%
Written-off credit recovery	12.067	9.970	9.960	-0,10%
Other net operating income	-5.244	-490	-4.156	748,16%
<b>Gross Margin</b>	<b>275.995</b>	<b>276.027</b>	<b>291.427</b>	<b>5,58%</b>
Provisions and write-offs	-35.962	-54.986	-54.191	-1,45%
Operating expenses	-120.544	-119.695	-129.851	8,48%
<b>Operating Result</b>	<b>119.489</b>	<b>101.346</b>	<b>107.385</b>	<b>5,96%</b>
Investment in companies	1.873	2.649	2.653	0,15%
<b>Income before taxes</b>	<b>121.362</b>	<b>103.995</b>	<b>110.038</b>	<b>5,81%</b>
Tax	-20.095	-21.140	-17.219	-18,55%
<b>Net Income</b>	<b>101.267</b>	<b>82.855</b>	<b>92.819</b>	<b>12,03%</b>

**Table 3:**Consolidated Balance Sheet\*  
Banco de Crédito e Inversiones

Ch\$ Million	4Q13	3Q14	4Q14
Cash and deposits in banks	1.261.766	1.416.461	1.547.758
Items in course of collection	698.013	1.196.469	940.888
Trading portfolio financial assets	1.042.536	936.064	1.227.807
Investments under agreements to sell	195.021	195.988	143.451
Derivative financial agreements	1.269.280	2.143.805	2.400.505
Loans and receivables from banks, net	106.151	150.143	328.960
Loans and receivables from customers, net	14.089.071	14.980.787	15.430.932
Financial investments available for sale	934.351	747.119	859.185
Financial investments held to maturity	-	-	-
Investments in other companies	80.093	100.782	101.086
Intangible assets	83.346	86.548	91.030
Property, plant and equipment, net	233.019	230.809	230.785
Tax Receivable	0	1.777	0
Deferred income taxes	56.846	65.146	74.076
Other Assets	197.176	384.483	426.705
<b>TOTAL ASSETS</b>	<b>20.246.669</b>	<b>22.636.381</b>	<b>23.803.168</b>
Current accounts and demand deposits	3.920.617	4.077.848	4.592.440
Items in course of collection	552.895	1.085.934	725.573
Obligations under agreements to repurchase	335.701	340.732	407.531
Time deposits and savings accounts	7.707.698	8.141.943	8.228.609
Derivative financial agreements	1.232.264	2.185.399	2.448.134
Borrowings from Financial Institutions	1.504.728	1.487.706	1.673.565
Debt issued	2.908.623	3.069.176	3.298.967
Other financial obligations	71.860	65.358	70.741
Current income tax	3.026	-	23.832
Deferred income taxes	40.199	44.237	45.309
Provisions	181.359	193.465	239.195
Other Liabilities	205.599	237.047	248.308
<b>Total Liabilities</b>	<b>18.664.569</b>	<b>20.928.845</b>	<b>22.002.204</b>
Capital	1.381.871	1.547.126	1.547.126
Reserves	-	-	-
Accumulated other comprehensive income	-9.978	-14.698	13.756
Retained Earnings	-17.619	175.107	240.081
Non-controlling interest	-	1	1
Total Shareholders' Equity	1.582.100	1.707.536	1.800.964
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>20.246.669</b>	<b>22.636.381</b>	<b>23.803.168</b>

\* Results posted at: [http://www.bci.cl/accionistas/eeff\\_2014\\_t.html](http://www.bci.cl/accionistas/eeff_2014_t.html)



## Economic Overview 4Q14


Economic growth in the United States continued to recover in 4Q14, although it partially reverted the sound figure in 3Q14 (5.0%), and an initial analysis shows GDP growth of 2.6% QoQ. In this quarter, consumer spending, which accounts for 70% of the economic activity, rose 4.3% QoQ after a 3.2% QoQ increase in the previous quarter. Maintaining the job creation rate, and lower international oil prices are factors that drove domestic demand. Nevertheless, growth slowed, partly due to lower corporate and public spending and the increase in imports.

In regard to Europe, a first analysis revealed that GDP grew 0.3% QoQ in 4Q14. This growth was mainly driven by Germany and Spain with growth of 0.7% QoQ, and there was a slowdown in France with sluggish growth of 0.1% QoQ, and Italy continues to show signs of stagnation. In turn, there is still no inflationary pressure raising the risk of deflation for the leading European economies.

Emerging economies continue to show no signs of any improvement, in some cases with permanent worsening economic activity along with commodity prices that tumbled sharply in the quarter. Of particular note is the economic slowdown of the Chinese economy, which is being watched with great attention due to the possible consequences of this leading to a drop in demand for raw materials. China's GDP was 7.3% YoY in the fourth quarter, closing the year at 7.4%, and buoying expectations of economic growth of around 7% for the next few years. Likewise, the Brazilian economy has showed no signs of recovery; the large fiscal deficit; inflation that has slowed but is still high, and steady depreciation of the real are the main factors dampening expectations of future economic growth. In this context, the US dollar has remained under multilateral appreciation pressure, putting permanent pressure on the depreciation of the rest of the currencies, particularly those in emerging countries.

The economic activity and domestic demand indicators in Chile have been characterized by low dynamism but with slightly positive results in terms of economic growth in some sectors in 4Q14. That was the case of the mining industry; electricity, gas and water, and the retail trade. Nevertheless, the Chilean manufacturing sector and the automotive industry ended up with figures in the red.

In this scenario, the monthly economic activity index (IMACEC) in December 2014 was 2.9% YoY, partially reverting the weak result in the third quarter (0.8%). The better performance in December in regard to expectations can mainly be explained by the positive value-added factor in the mining industry, and the service sector in general, including commerce, helped drive economic activity in December 2014. On the other hand, the non-copper export sectors also drove growth in the month, benefiting from the depreciation in the exchange rate. The outlook for investment in construction and works, one of the most inertial components of spending, has also declined, so the indicators in 4Q14 showed no major recovery in spending.



The unemployment rate continued low, and the latest figure was around 6.0% due to the permanent increase in the number of people employed, particularly in the employee and independent business sectors. Nevertheless, paid job creation and in pro-cyclical sectors has remained low and even contracted in a scenario where opinion polls reveal greater uncertainty about the future of the labor market.

The sluggish economic activity towards the last quarter of the year was justified by the fact that market, corporate and household expectations remain pessimistic. Regarding consumers, this decline has come in a scenario in which higher inflation has partly dented the purchasing power of homes.

Core inflation (IPCSAE) accounted for 1.2% of the accrued CPI inflation August through November, with a similar distribution for inflation of goods and services. For the inflation of IPCSAE goods, the effect of the exchange rate is quite direct on imported or tradable products, like new car prices, among others. In regard to inflation of IPCSAE services, the high inflation index in the past keeps this indicator under permanent upward pressure, particularly for leasing and basic service costs, among others. Hence, on breaking down the accrued inflation of the IPCSAE services, it is evident that over half the annual increase as of November can be directly or indirectly explained by prices whose variation is related to exchange rate changes.

Inflation in the year was therefore 4.6%, the highest in the last six years, partly due to the increased cost of imported products with a nominal exchange rate that depreciated by over 15% January through November. Considering there is still the risk of passing the exchange rate on to prices, due to the steady depreciation of the Chilean peso against the US dollar, the Chilean Central Bank decided to maintain interest rates at 3.0%, in line with the inflation figures that are still above the Central Bank's tolerance range.

## Banking Sector

Chart 1:

Quarterly Net Income and ROE of the Banking Sector

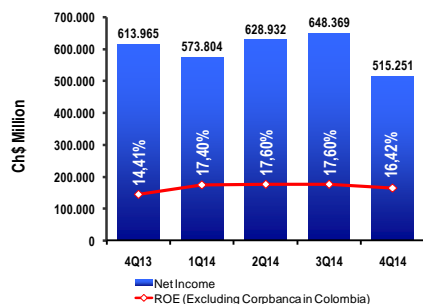


Chart 2:

Total Loans of the Banking Sector

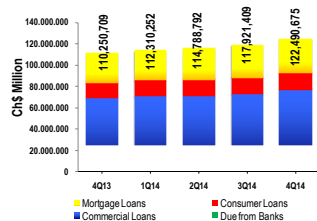


Table 4 :

Main Figures of the Banking Sector

Ch\$ Million	4Q13	3Q14	4Q14	4Q14/ 3Q14	4Q14/ 4Q13
<b>Total Loans</b>	<b>110.250.707</b>	<b>117.921.409</b>	<b>122.490.675</b>	3,9%	11,1%
Interbank Loans	2.042.683	2.254.925	3.778.520	67,6%	85,0%
Client Loans	109.019.602	116.693.036	120.626.724	3,4%	10,6%
Commercial Loans	67.213.859	70.979.218	72.965.592	2,8%	8,6%
Consumer Loans	14.676.356	15.464.499	16.005.139	3,5%	9,1%
Mortgage Loans	27.129.387	30.249.319	31.655.993	4,7%	16,7%
<b>Total Assets</b>	<b>158.746.428</b>	<b>175.754.470</b>	<b>180.881.039</b>	<b>2,9%</b>	<b>13,9%</b>
NIBD	27.104.352	27.168.151	30.861.557	13,6%	13,9%
Time Deposits	65.017.383	67.406.415	69.521.215	3,1%	6,9%
Shareholders' Equity	12.900.302	14.025.797	14.415.422	2,8%	11,7%
<b>Net Income</b>	<b>612.771</b>	<b>648.369</b>	<b>515.251</b>	<b>-20,5%</b>	<b>-15,9%</b>

\*Note: loans, NIBDs, time deposits and net income do not consider the Corpbanca investment in Colombia or the ROE of the banking sector.



## Bci Highlights

### **7th best company to work for in Chile**

The Great Place to Work foundation elected Bci as the 7th best company to work for in Chile, thereby confirming the positive work impact and steady effort over time to generate a great place to work and develop.

Some of the aspects that this survey assesses are whether companies manage to create employee trust and pride, and they create a family environment and have good leadership; all elements that are part of the Bank's mission and vision.

### **Bci makes its debut in the Japanese bond market with a bond issue**

Bci made its debut in the Japanese bond market with a US\$140 million bond issue, using a Euroyen format and the intention of targeting different types of investors.

This issue enables Bci to tap resources at a convenient cost, along with expand the investor base, thereby helping to diversify the Bank's international funding, which is a strategy it has adopted in the last few years.

### **Bci issues another bond in the Swiss market**

Bci issued another bond in Swiss francs, a market in which it has issued bonds three times before. This time it was an operation of US\$156 million with maturity in 2018. This is in addition to the two previous bond placements in that market of US\$210 million and US\$130 million.

### **Bci receives recognition in the ALAS20 awards**

Bci obtained third place in the leading company category of investor relations in the ALAS20 award ceremony. This brought together various companies and professionals renowned for their leadership of sustainability, investor relations and corporate governance.

ALAS20 is part of a program organized by GovernArt, which aims to drive sustainable development in Latin America from corporate management and investment decisions as an effective way of attaining a more sustainable, fair, and inclusive world.





### **Bci celebrates 15 years of its successful presence in Miami**

To commemorate 15 years of Bci Miami, the Bank celebrated and shared an event with its associates, customers and authorities in the city of Miami.

Bci praised the contribution to the establishment and development of Chilean businesses in Miami and being part of the integral progress of the state of Florida in the United States.

It also gave thanks to its customers for their trust, the welcome by the authorities of the state and the successful management of the Bci Miami associates.

### **Bci is renowned as one of the seven most innovative companies**

For the second year running, Bci won the Best Place to Innovate award, which positions the Bank in the select group of seven companies with the best results, and the only one in the banking sector, in the InnovAcción insight ranking, conducted by Adimark, the faculty of economy and business of the University of Chile and Chile's Economic Development Agency (CORFO).

This was also corroborated by Willem Schol, president of the Best Place to Innovate, who recognized that there was no surprise about the position attained by Bci. "It's clearly one of the most innovative companies we have throughout Chile. Not only for its products and services but also its business model. You only have to look at the recognition that Bci gets every year for different things," he said.

### **Bci inaugurates the first integral ATM surveillance center in Latin America**

The aim of this initiative is to monitor all the Bank's ATMs throughout Chile with 6,000 cameras, which have surveillance 24 hours a day throughout the year. The implementation of this measure is to reduce theft and speed up assistance if there are operative issues.

The minister of the economy highlighted the initiative by stressing the importance of security for ATM users in the wake of ATM heists recently.

"At Bci we have been working for over two years on implementing measures that comply with the most stringent security and service quality standards. We have a large challenge ahead which is only possible to overcome with joint public and private sector effort," BCI CEO Lionel Olavarría said.



### **3rd place of companies with the best corporate governance**

According to the latest business survey of the Business Monitor of Corporate Reputation (MERCOR), which defines the leading and most respected companies in Chile, Bci was one of the companies with the best evaluations for the second year running.

"There is consolidation of the leadership of the first three places. The trend is maintained with the first 25 places, and although there are companies that have risen many places, most of those evaluated in this range maintained their position, changing one or two places," Cintya Lucero, the director of MERCOR in Chile, said.

### ***Estrategia* and Alco Consultores give awards to companies with the greatest consumer loyalty**

Alco Consultores ranked Bci as the bank with the best customer loyalty and in fifth place of all Chilean companies, according to the ranking made by Alco Consultores and the Chilean financial newspaper *Estrategia*. The survey considers methodology that measures a customer's intention of recommending a company to someone else.

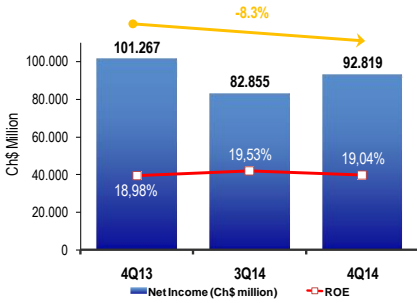
It is also important to highlight that the banking sector increased its score by 22.8% on the previous year, which reflects a systematic improvement of the sector as a whole.

### **Bci inaugurates the enterprise assistance center**

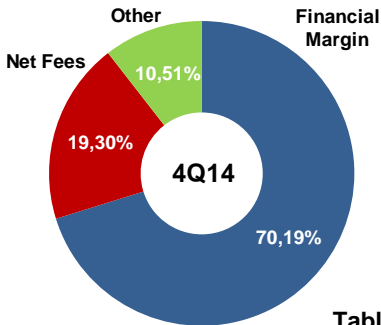
At an investment of US\$10 million, Bci inaugurated a branch that will be of great help for entrepreneurs who are starting up or have a business. The office will have ten executives highly specialized in enterprise and they will be in charge of monitoring the bankarization and financing model designed for each one of the enterprise stages. The center also has partnerships with different institutions to provide training and other benefits for support in the various stages of the enterprise.

"We expect this to lead to the bankarization of over 1,000 entrepreneurs a year, to provide US\$10 million of financing and assistance with creating more than 3,500 jobs," Rodrigo Quijada, the regional manager of SME Banking, said.

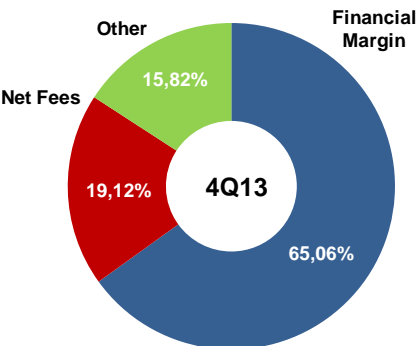
**Chart 3:**  
Net Income



**Chart 4:**  
Gross Margin



**Table 5:**  
Gross Margin



## Bci Earnings Analysis

Bci had net income of Ch\$92,819 million in 4Q14. That was an increase on the previous quarter, mainly due to higher financial margin earnings (14.36%) related to revenue from good inflation management (UF strategy). That was slightly offset by expenses increasing 8.48% on 3Q14, largely because of bonus and provision expenses, severance and advertising expenditure.

Net income dropped 8.3% YoY with a slight increase in risk related to higher provisions for commercial loans and greater additional provisions of Ch\$4,000 million. That was offset by higher revenue from the commercial and mortgage loan margin related to the UF strategy, which increased revenue by 12.2% and 64.9%, respectively. Net fees also rose 6.6%.

The Bank's annualized return on equity (ROE), as defined by the Superintendency of Banks and Financial Institutions (SBIF), was 19.0% in 4Q14 and higher than the banking sector's 16.4% in the same quarter.

## Gross Margin

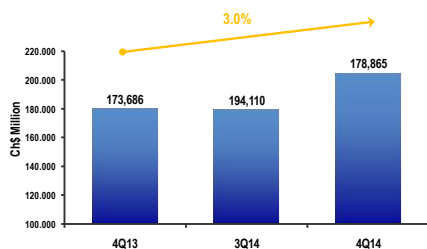
Bci's gross margin\* was Ch\$291,427 million in 4Q14, a 5.6% QoQ increase. Such increase was mainly due to a higher financial margin, explained by good inflation management and higher fee income, largely from credit card services and collection and payments, offset by lower revenue from financial operations.

\*Note: gross margin calculated according to the SBIF definition, including revenue from recovering write-offs.

Ch\$ Million	4Q13	3Q14	4Q14	Variation	Variation
				4Q14/ 3Q14	4Q14/ 4Q13
Financial Margin	179.552	178.865	204.550	14,4%	13,9%
Net Fees	52.770	55.673	56.252	1,0%	6,6%
Other	43.673	41.489	30.625	-26,2%	-29,9%
<b>Gross Margin</b>	<b>275.995</b>	<b>276.027</b>	<b>291.427</b>	<b>5,6%</b>	<b>5,6%</b>

Fee income increased 1.0% QoQ and 6.6% YoY. In both cases this increase was due to higher fee income from credit card services and collection and payments.

**Chart 5:**  
Financial Margin



**Table 6:**  
Financial Margin

Ch\$ Million	4Q13	3Q14	4Q14	Variation 4Q14/ 3Q14	Variation 4Q14/ 4Q13
Interest and readjustments income	321.756	296.215	351.759	18,8%	9,3%
Interest and readjustments expense	-142.204	-117.350	-147.209	25,4%	3,5%
<b>Total Financial Margin</b>	<b>179.552</b>	<b>178.865</b>	<b>204.550</b>	<b>14,4%</b>	<b>13,9%</b>

Details: Interest and adjustments income	4Q13	3Q14	4Q14	Variation 4Q14/ 3Q14	Variation 4Q14/ 4Q13
Loans and accounts receivable with	311.096	283.434	370.527	30,7%	19,1%
Commercial loans	177.067	153.978	198.654	29,0%	12,2%
Consumer loans	75.812	75.422	76.359	1,2%	0,7%
Mortgage loans	56.801	52.343	93.664	78,9%	64,9%
Prepaid fees	1.416	1.691	1.850	9,4%	30,6%
Loans to banks	142	734	1.011	37,7%	612,0%
Financial investments	12.148	8.915	11.190	25,5%	-7,9%
Others	-1.630	3.132	-30.969	-1088,8%	1799,9%
<b>Total</b>	<b>321.756</b>	<b>296.215</b>	<b>351.759</b>	<b>18,8%</b>	<b>9,3%</b>

Details: Interest and adjustments expense	4Q13	3Q14	4Q14	Variation 4Q14/ 3Q14	Variation 4Q14/ 4Q13
Total deposits	-91.833	-71.908	-78.442	9,1%	-14,6%
Instruments issued	-45.968	-41.106	-66.984	63,0%	45,7%
Other	-4.403	-4.336	-1.783	-58,9%	-59,5%
<b>Total</b>	<b>-142.204</b>	<b>-117.350</b>	<b>-147.209</b>	<b>25,4%</b>	<b>3,5%</b>

## Financial Margin

The financial margin, comprising interest and monetary correction, amounted to Ch\$204,550 million in 4Q14, increasing 14.4% QoQ. That was mainly because of higher income from monetary correction due to the UF strategy (1.89% in 4Q14 against 0.60% in 3Q14).

The financial margin increased 13.9% YoY, explained by higher revenue from interest and monetary correction related to mortgage loans (higher loan volume) and higher monetary correction from the positive UF variation.

## Fees

Bci's net fees amounted to Ch\$56,252 million in 4Q14, which was an increase of 1.0% QoQ.

Fees increased 6.6% YoY, highlighting the fees earned from credit card services (17.10%) and fees for collection and payments (17.0%).

These results are the outcome of suitable execution of the customer experience strategy.

**Table 7:**  
Net Fees

Ch\$ Million	4Q13	3Q14	4Q14	Variation 4Q14/ 3Q14	Variation 4Q14/ 4Q13
Fee income	67.177	70.881	71.592	1,0%	6,6%
Fee expenses	-14.407	-15.208	-15.340	0,9%	6,5%
<b>Net Fees</b>	<b>52.770</b>	<b>55.673</b>	<b>56.252</b>	<b>1,0%</b>	<b>6,6%</b>

Income from Fees and Services	4Q13	3Q14	4Q14	Variation 4Q14/ 3Q14	Variation 4Q14/ 4Q13
Lines of credit and overdraft	4.558	4.890	4.909	0,4%	7,7%
Letters of credit and guarantees	4.830	4.836	5.016	3,7%	3,9%
Accounts administration	7.953	8.453	8.185	-3,2%	2,9%
Charges for collection and payment	11.013	11.461	12.882	12,4%	17,0%
Investment in Mutual Funds	8.124	10.924	10.662	-2,4%	31,2%
Card Services	11.492	12.422	13.457	8,3%	17,1%
Securities management and intermediation	713	710	986	38,9%	38,3%
Remunerations for insurance brokerage	8.442	9.966	7.586	-23,9%	-10,1%
Others	10.052	7.219	7.909	9,6%	-21,3%
<b>Total</b>	<b>67.177</b>	<b>70.881</b>	<b>71.592</b>	<b>1,0%</b>	<b>6,6%</b>

Expense from Fees and Services	4Q13	3Q14	4Q14	Variation 4Q14/ 3Q14	Variation 4Q14/ 4Q13
Costs for card operations	6.395	7.201	7.605	5,6%	18,9%
Operations with securities	2.721	4.194	3.603	-14,1%	32,4%
Other	3.721	3.813	4.132	8,4%	11,0%
<b>Total</b>	<b>12.837</b>	<b>15.208</b>	<b>15.340</b>	<b>0,9%</b>	<b>19,5%</b>

## Exchange Rate and Financial Operation Income

Exchange rate and financial operation income amounted to Ch\$24,821 million in 4Q14, which was a Ch\$7,188 million QoQ decrease, related to lower hedge accounting income of Ch\$10,247 million.

Net exchange rate and financial operation income dropped Ch\$12,029 million YoY, mainly due to lower income from negotiation derivatives and hedge accounting, offset by higher earnings from foreign currency exchange rate net income.

**Table 8:**  
Breakdown of Exchange Rate and  
Financial Operation Income

Ch\$ Million	4Q13	3Q14	4Q14	Variation 4Q14/ 3Q14	Variation 4Q14/ 4Q13
Exchange rate income	-1.160	-21.233	14.688	169,2%	-1366,2%
Financial operating income	38.010	53.242	10.133	-81,0%	-73,3%
<b>Net Income</b>	<b>36.850</b>	<b>32.009</b>	<b>24.821</b>	<b>-22,5%</b>	<b>-32,6%</b>

**Chart 6:**  
Operating Expenses and Efficiency



**Table 9:**  
Operating Expense Breakdown

Ch\$ Million	4Q13	3Q14	4Q14	Variation 4Q14/ 3Q14	Variation 4Q14/ 4Q13
Staff and BOD	67.588	68.564	73.756	7,6%	9,1%
Management	42.718	40.343	45.651	13,2%	6,9%
Dep. Amort. & Write-offs & others.	10.238	10.788	10.444	-3,2%	2,0%
<b>Operating Expenses</b>	<b>120.544</b>	<b>119.695</b>	<b>129.851</b>	<b>8,5%</b>	<b>7,7%</b>

## Operating Expenses

Operating expenses were Ch\$129,851 million in 4Q14, increasing 8.5% QoQ and 7.7% YoY. In terms of accumulated efficiency, Bci achieved a ratio of 43.8% in 4Q14 which was better than that of the banking sector and that attained in 4Q13 (43.9%).

There is a constant focus on future growth and controlling expenses, and this objective is driven by corporate saving, process optimization and increased productivity campaigns. Bci's efficiency ratio reflects a controlled increase in expenditure resulting from implementing the Bank's customer experience strategy.

## 2014 Results by Business Segments

### COMMERCIAL BANKING

Commercial Banking posted operating income of Ch\$114,982 million, an increase of 4.9% YoY, mainly explained by lower risk expenditure (-24.05%).

**Tables 10:**  
Operating Income Breakdown by  
Business

Commercial Banking (Ch MM\$)	2013	2014	Variation 4Q14/4Q13
Net Interest Income	158.965	157.316	-1,0%
Net service fee income	29.295	28.593	-2,4%
Other operating income	26.720	30.541	-14,3%
<b>Total operating income</b>	<b>214.980</b>	<b>216.450</b>	<b>0,7%</b>
Provisions for loan losses	-34.532	-26.241	-24,0%
<b>NET OPERATING INCOME</b>	<b>180.448</b>	<b>190.209</b>	<b>5,4%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>-70.732</b>	<b>-75.227</b>	<b>6,4%</b>
<b>OPERATING INCOME</b>	<b>109.716</b>	<b>114.982</b>	<b>4,8%</b>

### RETAIL BANKING

Retail Banking reported operating income of Ch\$125,695 million. This higher income of Ch\$15,011 million was mainly because of increased net interest and monetary correction income related to the higher loan volume and improved spread. There was also greater fee income, largely on account of credit card services. These results were slightly offset by greater risk from portfolio growth.

Retail Banking (Ch MM\$)	2013	2014	Variation 4Q14/4Q13
Net Interest Income	276.172	299.865	8,6%
Net service fee income	110.597	123.585	11,7%
Other operating income	22.009	22.769	3,5%
<b>Total operating income</b>	<b>408.778</b>	<b>446.219</b>	<b>9,2%</b>
Provisions for loan losses	-69.910	-86.717	24,0%
<b>NET OPERATING INCOME</b>	<b>338.868</b>	<b>359.502</b>	<b>6,1%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>-228.184</b>	<b>-233.807</b>	<b>2,5%</b>
<b>OPERATING INCOME</b>	<b>110.684</b>	<b>125.695</b>	<b>13,6%</b>

### SMALL AND MEDIUM-SIZED ENTERPRISE (SME) BANKING

The SME segment had operating income of Ch\$59,687 million, which was slightly higher than in 4Q13 and largely due to greater fee income, offset by lower net interest and monetary correction income related to low loan growth. This segment had a 1.7% increase.

SMEs (Ch MM\$)	2013	2014	Variation 4Q14/4Q13
Net Interest Income	115.620	111.890	-3,2%
Net service fee income	28.242	33.551	18,8%
Other operating income	5.750	7.529	30,9%
<b>Total operating income</b>	<b>149.612</b>	<b>152.970</b>	<b>2,2%</b>
Provisions for loan losses	-35.156	-32.023	-8,9%
<b>NET OPERATING INCOME</b>	<b>114.456</b>	<b>120.947</b>	<b>5,7%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>-55.756</b>	<b>-61.260</b>	<b>9,9%</b>
<b>OPERATING INCOME</b>	<b>58.700</b>	<b>59.687</b>	<b>1,7%</b>

### CORPORATE & INVESTMENT BANKING (CIB)

CIB had operating income of Ch\$213,527 million, mainly explained by higher net interest and monetary correction income related to good inflation management (UF strategy) and higher hedge accounting income. This segment managed to increase its operating income by 62.4%.

CIB (Ch MM\$)	2013	2014	Variation 4Q14/4Q13
Net Interest Income	106.786	206.663	93,5%
Net service fee income	25.983	27.789	-7,0%
Other operating income	95.695	71.276	-25,5%
<b>Total operating income</b>	<b>228.464</b>	<b>305.728</b>	<b>33,8%</b>
Provisions for loan losses	-28.252	-18.306	-35,2%
<b>NET OPERATING INCOME</b>	<b>200.212</b>	<b>287.422</b>	<b>43,6%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>-68.700</b>	<b>-73.895</b>	<b>7,6%</b>
<b>OPERATING INCOME</b>	<b>131.512</b>	<b>213.527</b>	<b>62,4%</b>



The results by business and totals are shown below:

2014	Commercial Banking MM\$	Retail Banking MM\$	SME's MM\$	C&IB MM\$	Total Segments MM\$
Net Interest Income	157.316	299.865	111.890	206.663	775.734
Net service fee income	28.593	123.585	33.551	27.789	213.518
Other operating income	30.541	22.769	7.529	71.276	132.115
<b>Total operating income</b>	<b>216.450</b>	<b>446.219</b>	<b>152.970</b>	<b>305.728</b>	<b>1.121.367</b>
Provisions for loan losses	-26.241	-86.717	-32.023	-18.306	-163.287
<b>NET OPERATING INCOME</b>	<b>190.209</b>	<b>359.502</b>	<b>120.947</b>	<b>287.422</b>	<b>958.080</b>
<b>TOTAL OPERATING INCOME</b>	<b>-75.227</b>	<b>-233.807</b>	<b>-61.260</b>	<b>-73.895</b>	<b>-444.189</b>
<b>OPERATING INCOME</b>	<b>114.982</b>	<b>125.695</b>	<b>59.687</b>	<b>213.527</b>	<b>513.891</b>

2013	Commercial Banking MM\$	Retail Banking MM\$	SME's MM\$	C&IB MM\$	Total Segments MM\$
Net Interest Income	158.965	276.172	115.620	106.786	657.543
Net service fee income	29.295	110.597	28.242	25.983	194.117
Other operating income	26.720	22.009	5.750	95.695	150.174
<b>Total operating income</b>	<b>214.980</b>	<b>408.778</b>	<b>149.612</b>	<b>228.464</b>	<b>1.001.834</b>
Provisions for loan losses	-34.532	-69.910	-35.156	-28.252	-167.850
<b>NET OPERATING INCOME</b>	<b>180.448</b>	<b>338.868</b>	<b>114.456</b>	<b>200.212</b>	<b>833.984</b>
<b>TOTAL OPERATING INCOME</b>	<b>-70.732</b>	<b>-228.184</b>	<b>-55.756</b>	<b>-68.700</b>	<b>-423.372</b>
<b>OPERATING INCOME</b>	<b>109.716</b>	<b>110.684</b>	<b>58.700</b>	<b>131.512</b>	<b>410.612</b>

**Table 11:**  
Reconciliation of Income by Segment and Net  
Income in the Quarter

Ch\$ Millions	2013	2014	Variation 2014/2013
<b>Operating Income by segment</b>	<b>410.612</b>	<b>513.891</b>	<b>25,2%</b>
Unallocated net interest income	-8.518	-7.755	9,0%
Unallocated net service fee income	1.098	-1.305	-218,9%
Unallocated other operating income	-3.881	-20	-99,5%
Other Provisions	9.196	-32.023	-448,2%
Unallocated other corporate expenses	-53.937	-68.918	27,8%
<b>Operating Income</b>	<b>-56.042</b>	<b>-110.021</b>	<b>96,3%</b>
Investment income	7.859	10.102	28,5%
Income before income tax	362.429	413.972	14,2%
Income tax	-62.135	-71.000	14,3%
<b>NET CONSOLIDATED INCOME FOR THE PE</b>	<b>300.294</b>	<b>342.972</b>	<b>14,2%</b>

## Stocks and Products

Chart 7:  
Total Loans

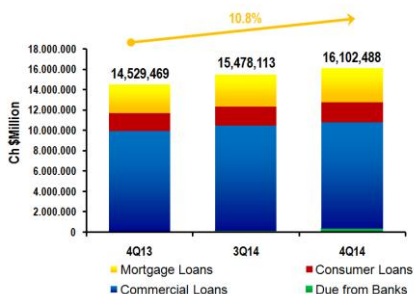
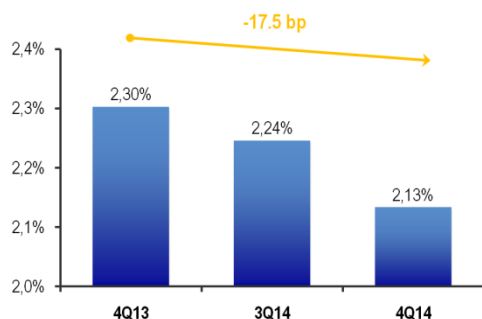


Table 12:  
Breakdown of Total Loans

Ch\$ Million	4 Q 13	3 Q 14	4 Q 14	Variatio 4 Q 14/ 3 Q 14	Variatio 4 Q 14/ 4 Q 13
Interbank Loans	106.151	150.143	328.960	119,1%	209,9%
Client Loans	14.423.318	15.327.970	15.773.528	2,9%	9,4%
Commercial*	9.840.199	10.296.581	10.470.422	1,7%	6,4%
Consumer*	1.764.297	1.878.282	1.985.762	5,7%	12,6%
Mortgage*	2.818.822	3.153.107	3.317.344	5,2%	17,7%
<b>Total Loans</b>	<b>14.529.469</b>	<b>15.478.113</b>	<b>16.102.488</b>	<b>4,0%</b>	<b>10,8%</b>
Leasing	728.715	763.344	797.683	4,5%	9,5%
Foreign Exchange	1.058.325	1.130.890	981.004	-13,3%	-7,3%

\*Note: figures include leasing and foreign trade items

Chart 8:  
Provisions / Total Loans



## Total Loans

Bci's total loan portfolio amounted to Ch\$16,102,488 million in 4Q14, increasing 4.0% on the previous quarter. Loans to clients were Ch\$15,773,528 million, increasing 2.9% QoQ.

Consumer loans had the highest increase on 3Q14, growing 5.7%. This increase is mainly explained by better customer intelligence management and more effective commercial campaigns.

In terms of client loans, Bci's growth is slightly below that of the banking sector. Bci had 9.4% YoY growth as of 4Q14 against the banking sector's 10.2%. It had YoY increases of 12.6% for consumer loans against the banking sector's 9.1%; 6.4% for commercial loans against the banking sector's 8.6%; and large 17.7% growth for mortgage loans against the banking sector's 16.7%.

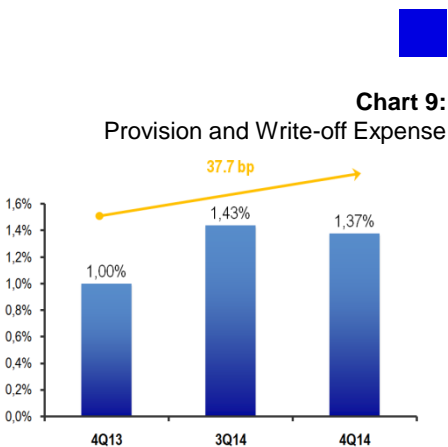
Bci remains in fourth place of total loans in the banking sector and in third place with respect to other private banks with a market share\* of 13.08% in 4Q14.

\*Excludes the effect of Corpbanca's investment in Colombia.

## Portfolio Risk

The stock of provisions for loan losses amounted to Ch\$342,596 million in 4Q14, resulting in a 2.13% rate of provisions for loan losses, a 0.11% decrease QoQ and a 0.37% improvement YoY. This QoQ decrease in the risk rate was mainly due to a better rate of provisions for consumer loan losses of 0.42%.

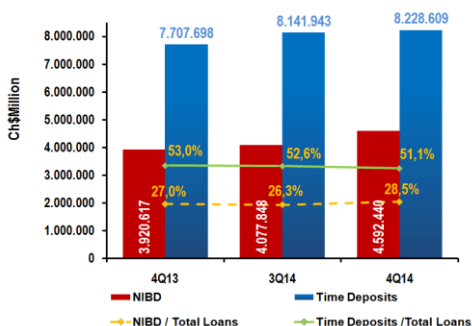
In line with the regulatory changes established in Circular Letter N°3503 of the SBIF, which came into force on January 1, 2011, Bci has made additional provisions.



**Table 13:**  
Risk Ratios

Risk Ratios	3Q14	4Q14
Provisions / Total Loans	2,24%	2,13%
Provisions / Commercial Loans	2,39%	2,27%
Provisions / Consumer Loans	4,62%	4,50%
Provisions / Mortgage Loans	0,45%	0,45%
NPL Coverage(1)	115,8%	121,0%
NPL Coverage(2)	101,4%	103,6%
NPL Commercial Coverage(2)	99,7%	102,9%
NPL Consumer Coverage(2)	275,8%	268,4%
NPL Mortgage Coverage(2)	22,3%	22,8%
Delinquent individual Loan Portfolio with 90+ days arrears / Total Loans	2,23%	2,10%
Delinquent individual Loan Portfolio with 90+ days arrears / Total individuals Loans	2,41%	2,24%
90+ Days Delinquent Loan Portfolio / Commercial Loans	2,72%	2,52%
90+ Days Delinquent Loan Portfolio / Consumer Loans	1,67%	1,68%
90+ Days Delinquent Loan Portfolio / Mortgage Loans	2,03%	1,99%

**Chart 10:**  
NIBDs and Time Deposits



The stock of additional provisions made amounted to Ch\$57,754 million in 4Q14. It should be noted that in 1Q14 Bci constituted provisions of Ch\$7,000 million related to counter-cyclical provisions, the salmon farming industry and education. In 3Q14, Bci constituted further provisions of Ch\$7,000 million for counter-cyclical provisions (Ch\$5,000 million in August and Ch\$2,000 million in September). Furthermore, in 4Q14 Bci constituted Ch\$8,500 million for the retail sector (Ch\$4,500 million in November and Ch\$4,000 million in December). The non-performing loan (NPL) coverage ratio considering these provisions was 121.0% in 4Q14.

The provision and write-off expense in 4Q14 was Ch\$54,191 million, which included write-offs of Ch\$40,397 million. That was a 23.5% increase on the Ch\$32,695 million expense in 3Q14.

The lower NPL coverage ratio for mortgage loans can be explained by the fact that to determine provisions the remaining difference of the guarantee on the asset's value is considered.

The drop in the 90+ days delinquent loan portfolio for commercial and mortgage loans should be highlighted.

NPL Coverage (1) = stock of mandatory provisions + additional (consolidated balance sheet) / 90+ days delinquent loan portfolio (individual balance sheet)

NPL Coverage (2) = stock of mandatory provisions (consolidated balance sheet) / 90+ days delinquent loan portfolio (individual balance sheet)

### NIBDs and Time Deposits

NIBDs amounted to Ch\$4,592,440 million in 4Q14, an increase of 12.6% QoQ, accounting for 29.1% of total loans in 4Q14.

The balance of time deposits in 4Q14 was Ch\$8,228,609 million, an increase of 6.8% YoY and 1.1% QoQ.

## Capital Base

The Bank's shareholders' equity amounted to Ch\$1,800,962 million in 4Q14, an increase of 13.8% YoY.

The ratio of basic capital to total assets was 7.2% in 4Q14. With regard to capital resources, the Bank maintains ratios above the SBIF's minimum requirements (3% for this ratio).

The ratio of regulatory capital to risk-weighted assets was 13.78%, an increase of 0.39% on the previous quarter and well above the 8% SBIF requirement.

These ratios fully comply with all the requirements of the General Banking Law and the internal limits established by Bci.

**Tabla 14:**  
Adequate Capital

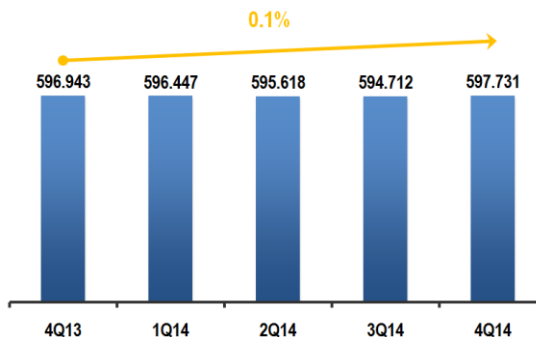
Ch\$ Millions	4Q13	3Q14	4Q14
Basic Capital	1.582.100	1.707.535	1.800.962
3% of total Assets	664.291	723.108	751.315
Excess over minimum required capital	917.809	984.427	1.049.647
Basic Capital/ Total Assets	7,14%	7,08%	7,19%
Regulatory Capital	2.244.679	2.404.640	2.513.953
Risk- Weighted Assets	16.696.086	17.956.728	18.243.037
10% of Risk- Weighted Assets	1.669.609	1.795.673	1.824.304
Excess over minimum required equity	575.071	608.967	689.649
Excess over regulatory capital	134,4%	133,9%	137,8%
Regulatory capital over Risk- Weighted Assets	13,44%	13,39%	13,78%

## Product Stock

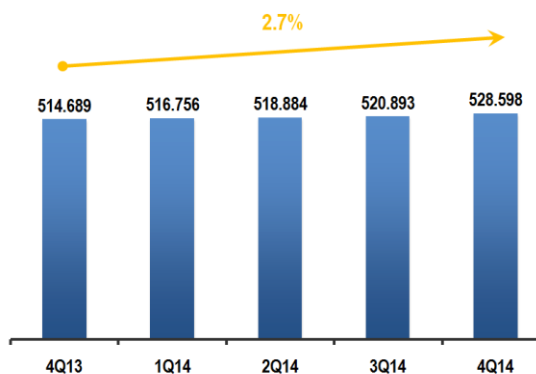
The main figures of some of Bci's products are shown below. It should be highlighted that the number of credit cards increased 0.13% in 2014. The number of checking accounts rose 2.7% YoY.

The drop in debit cards was mainly because of the mass closure of prime accounts with no movement in 3Q14 (accounts with no movement for 1 year).

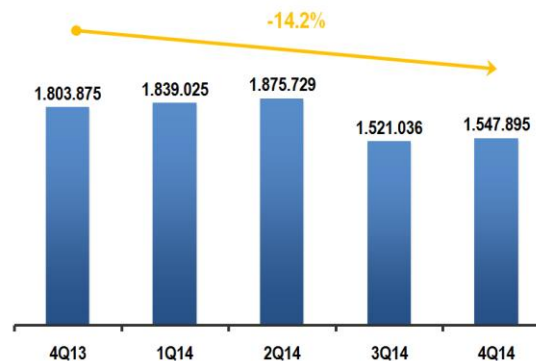
**Chart 11**  
Number of Credit Cards



**Chart 12 :**  
Number of Checking Accounts

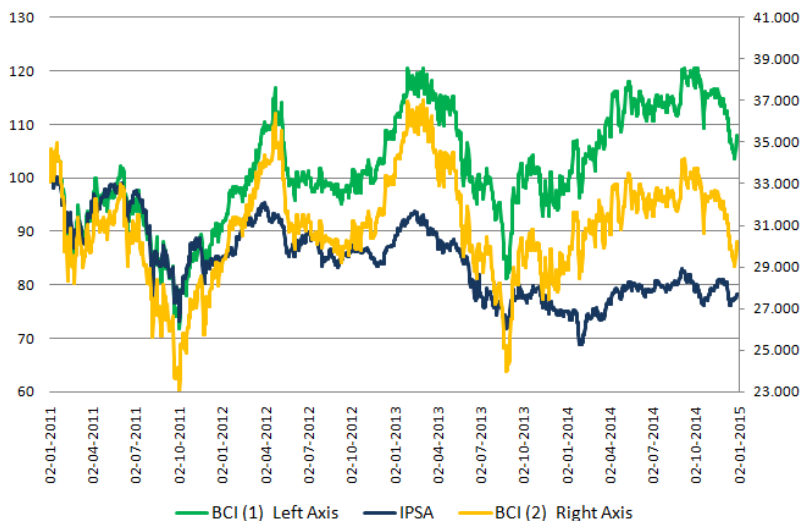


**Chart 13:**  
Number of Debit Cards



## Stock Performance

The banking sector generally had positive results, driven by upward inflationary pressure on the net financial margin and suitable portfolio risk performance. This has positioned the sector as one of the favorite sectors on the Chilean stock market selective share price index (IPSA), leading to a stock profitability index of 11.8% in the last twelve months, which was much higher than the 3.1% profitability of the IPSA in the same period. Regarding this, it should be highlighted that Bci's stock profitability has outperformed that of the banking sector with a 19.8% increase as of December 2014, driven by profit growth and a favorable outlook.



**Table 15:**  
Bci stock performance

	4Q13	1Q14	2Q14	3Q14	4Q14
Closing Price	\$ 29.162	\$ 31.529	\$ 31.989	\$ 33.755	\$ 29.944
Minimum Price	\$ 27.434	\$ 28.445	\$ 30.559	\$ 31.416	\$ 29.006
Maximum Price	\$ 30.811	\$ 32.186	\$ 33.491	\$ 34.195	\$ 33.775
<b>Average Price</b>	<b>\$ 29.147</b>	<b>\$ 30.589</b>	<b>\$ 32.192</b>	<b>\$ 32.620</b>	<b>\$ 31.757</b>
Profitability 12m Bci (1)	-8,1%	-4,0%	12,1%	19,8%	8,5%
Profitability 12m IPSA	-14,0%	-14,9%	-3,8%	3,1%	4,1%
EPS (3)	\$ 2.802	\$ 3.095	\$ 3.284	\$ 3.233	\$ 3.444
P/B (times)	2,0	2,1	2,1	2,1	1,8
Market Capitalization (MCh\$)	\$ 3.125.421	\$ 3.379.103	\$ 3.428.403	\$ 3.669.208	\$ 3.254.948
Equity (MCh\$)	\$ 1.582.100	\$ 1.584.403	\$ 1.656.661	\$ 1.707.536	\$ 1.800.964

Source: Bloomberg.

\* Minimum, maximum and average prices are closing prices

- (1) Figures adjusted for corporate events.
- (2) Figures unadjusted for corporate events.
- (3) Earnings per share calculated based on the last 12 months.