Bci Annual Conference Call

Introduction

Good morning everyone and welcome to our Annual Conference Call.

My name is Juan Enrique Honorato and I am the Head of Investor Relations. Today, I have with me Mr. Lionel Olavarría, CEO of BCI, Mr. José Luis Ibaibarriaga, CFO, Mr. Alberto Naudón, Chief Economist of Bci, Mr. Claudio Martinez, Controlling & Monitoring Risk Manager and Mr. Eduardo Nazal, Head of Corporate Business Development.

I will be leading this presentation, and will leave time for questions at the end.

The figures of this presentation have been prepared using Bci's consolidated financial statements, in compliance with IFRS methodology, and the regulations of Chile's Superintendency of Banks & Financial Institutions.

On Slide Number 2, (Main awards and Recognitions)

This year, once again Bci received a wide range of awards and accolades in various fields. We would like to highlight the following:

- 1st place in the category "Banking Group", for the second year. This award was given by "World Finance", a prestigious British magazine. They also selected Bci as the best in two other categories:
  - 1st place in the category "Private Banking", for the second year.
  - 1st place in the category "Investment Management". This award was given to Bci Asset Management, a subsidiary of Bci.

- Bci was recognized as the most transparent company in Chile, for the second year. This award highlights the availability and relevance of the information published by the bank, regarding business operations in areas such as "Corporate Business and Structure", "Corporate Governance", "Financial Information", "Taxpayer Interest", "Sustainability" and "Digital Tools".

- Bci was also chosen as Chile's most responsible company and with the best corporative governance for the third consecutive year, as well as for being the most innovative bank in the country.

On Slide Number 3, (Leadership in customer experience)

Bci' strategy focuses on the customer experience, which can be summarized by its main purpose: "Make dreams come true through trustworthy, lifelong relationships with our clients".

This year, we are already starting to see some effects of its implementation. According to surveys made by Servitest Ipsos, Bci achieved first place in customer satisfaction and recommendation, in all segments.

Additionally, in the brand awareness survey made by Adimark, we can see that Bci reduced the distance between it and the bank holding first place, from 10 basis points in 2011 to 4 basis points in 2012.

On Slide Number 4, (3rd largest privately owned bank)

As we can see in the graph, Bci has a loan market share of 13.03%, excluding Corpbanca's investment in Colombia. In terms of net income market share, Bci increased its market share to 15.98%, ranking third in the industry. In addition, Bci's equity market share was 12.21%, and the non-interest bearing deposits market share was 15.04%.

On Slide Number 5, (Financial results)

On the next slide, number 5, there is a snapshot of Bci's main income statement and balance sheet figures.

As you can see, over the last twelve months operating revenues grew by 12.6%, while net income grew by 16.3%and total loans grew by 11.8%.

On Slide Number 6, (Financial results)

Let's take a look under Operating Revenue Growth.

On Slide Number 7, (Net Interest Income & Fees)

The real Net Interest Margin has been stable over the years, while the nominal Net Interest Margin experienced a slight decrease due to lower inflation, when compared to 2012.In addition, the Net Interest Margin has been quite stable over the years -higher than 5% on average. In the third quarter of this year, this ratio was 4.8%, which is a decrease of 30 basis points compared to last year's 5.1%.

New regulations also affected fees during the last year, and the third quarter was also affected. Fees ratio dropped by 20 basis points compared to the prior year. However, the cross selling strategy, including brokerages fees, mutual funds fees, corporate finance advisory fees, and others, compensated for the reduction.

On Slide Number 8, (Loan portfolio)

Bci has continued to improve its customer loan market share each year, from 12.76% in 2009 to 13.20%in 2012. The strategy has been to focus in strengthening areas that are more profitable, while maintaining an adequate risk-return relationship in our loan portfolio.

Bci achieved an 11.8% growth, year over year, in customer loans. This growth was 100 basis points higher than the growth experienced by the Chilean financial system. As a result, Bci improved its market share from 12.92% in September of 2012 to 13.03% in September of 2013.

The Bci loan portfolio is well diversified among different sectors, economic groups and companies. There have been some slight adjustments in comparison to last year's portfolio mix.

On Slide Number 9, (Funding sources)

Time deposits have grown by 11.2% over the past year, with even higher growth when compared to the prior year. This growth is higher than the growth of the 5.3% growth of the financial system, as a whole.

Non-interest bearing deposits grew by 130 basis points over the last three years and 90 basis points over the past twelve months - a rate higher than the loan portfolio,

The growth of time deposits and international bond issuance changed the mix composition of the funding, where time deposits increased from 43.1% to 47.5% and the bond mix increased from 12.8% to 14.9%. Consistently, the interbank borrowing and other mix funding decreased. This adjustment was done in order to reduce the cost of funding, and to diversify our funding sources in terms of investor type, geographic location and type of financing.

On Slide Number 10, (International funding diversification)

Continuing with its international diversification strategy, Bci issued a 144 A bond in the United States in February of 2013, with a term of 10 years. This transaction had an overdemand of more than three times, with a historical spread of 212.5 basis points over the 10-year treasury.

Last September, Bci continued opening new markets, issuing a three year bond in Switzerland that had a very good reception from investors.

On Slide Number 11, (Financial results)

Let's continue with the provision expense.

On Slide Number 12, (Conservative risk management policies)

On the first graph we can see that the total allowances over loans have been very stable during previous years and we can observe the same behavior this year. As you can see in the graph, this ratio is in line with that of our peer group (Banco de Chile, Banco Santander and Banco Estado).

On the second graph you can see that Bci’s non-performing loans have had a small increase during the past few months, but still remains in line with our peer group. However, Bci has started to decrease this ratio, while our peers have started to show increases in this ratio, at the end of the period, with a difference of 30 basis points in September of 2013.

On Slide Number 13, (Conservative risk management policies 2)

The loan portfolio has been growing over time, while the risk ratios have been stable. Let’s take a look at the risk categories established by Chile’s Superintendent of Banks and Financial Institutions.

The first graph shows the risk evolutions over the last 30 months for the total portfolio. You can see slight increases in some months and reductions in others. Similar behavior can be seen in the risk of the commercial loan portfolio.

On Slide Number 14, (Conservative risk management policies 3)

The risk within the consumer loan portfolio has decreased significantly this year, achieving the best ratio of the entire period analyzed.

The risk of the mortgage loan portfolio has been very stable over the years, with a slight decrease over time.

On Slide Number 15, (Conservative risk management policies 4)

Bci’s risk coverage ratio has moved between 110% and 130% over the years analyzed, which is higher than the 100% required by the regulators.

During the first half of this year, Bci’s provision expense was higher than previous historic levels. This was driven by an increase in the risk associated with consumer loans and three specific clients in the commercial loan portfolio. However, this ratio is still in line with our peer group.

In the second half of the year, there has being a significant reduction in the risk expense associated with the consumer loan portfolio. This was achieved by a better management of the collection department and the implementation of the customer experience strategy.

Regarding the risk associated with the commercial loan portfolio, we expect it to decrease by the year’s end due to significant debt payments from two of the clients mentioned above.

Here we can also see that the difference has increased between Bci and its peers, reaching 220 basis points.

On Slide Number 16, (Financial results)

In the third quarter, the operating expenses were 111,313 million Chilean pesos, showing an 11.7% growth for the previous twelve month period.

On Slide Number 17, (Operating expenses)

The mix of operating expenses has been stable compared to last year.

On Slide Number 18, (Comparison with Chilean peers- Financial system)

Bci's efficiency ratio has been consistently lower than the Chilean financial system, achieving a difference of 300 basis points in September of 2013.

Bci has decreased its efficiency ratio by 152basis points during the last year, achieving a ratio of 43.8%, placing it ever closer to the efficiency of Banco de Chile and Banco Santander.

On Slide Number 19, (Financial results)

In the third quarter, net income was 83,353 million Chilean pesos, showing a 16.3% growth for the previous twelve months.

On Slide Number 20, (Net Income)

Last year's income growth was 11.7%. This considers the annualized net income of the previous nine months versus the same for 2012.

Bci's market share has increased over the years, reaching 16.7%in 2012.September accumulated net income market share has reached 15.98%, higher than the September 2012 accumulated net income market share.

On Slide Number 21, (Comparison with Chilean peers –Financial System)

Historically, Bci's return over equity has been over 20%. Last year, it was slightly below this number, mainly driven by lower inflation. However, Bci had the second highest return over equity in the Chilean financial system. Additionally, it is worth mentioning, that last year's net income increased by 3.8% while the net income of the banking industry as a whole, decreased by 5.4%.

Considering the net income of the last twelve months, in order to capture the effect of seasonality, the Return Over Equity (LTM) achieved 19.26%.

In the graph below we can see that Bci maintained its ROE levels, ranking second so far in 2013, while Banco de Chile and Santander decreased their ROE compared to 2012.

On Slide Number 22, (Sound capital levels)

Bci's capital ratios have been increasing over the last years. The September 2013 BIS ratio was 13.34%, higher than the regulatory requirement of 10%. The basic capital ratio was 7.09%, which was also higher than the regulatory requirement of 3%.

The breakdown of the BIS ratio was 9.67% (capital only, with no hybrid securities) and 3.67% of Tier II. This includes only local subordinated debt.

On Slide Number 23, (Loans and operating income)

In February, Bci implemented a new segmentation: Retail Banking, SMEs, Commercial Banking and Corporate & Investment Banking (CIB).

Retail Banking has accounted for 34.9%of the customer loans, followed by Commercial Banking at 29.15%, CIB at 26.2% and finally SMEs with 9.7%.

Their contribution to Bci's total net income is similar to that of the bank's loan mix, except for SMEs which has been higher and Retail Banking which has been lower.

On Slide Number 24, (Retail banking)

The income margin (net of risk expense) market share grew by 59 basis points to 12.78%, outperforming that of our peer group.

Loans grew by 11.5% year over year and yield spreads improved during the year as well.

There were significant improvements in the rate of performing loans, which has reduced the provision expense by 21.7%.

On Slide Number 25, (SMEs banking)

This division was created in February of 2013 and aims to deliver more specialized attention to this segment.

Loans grew by 12% and non-interest bearing deposits grew by 13%.

Additionally, fees grew by 37% year over year, primarily driven by the usage of products and services by customers.

On Slide Number 26, (Commercial Banking)

It shows a consistent growth in loans and non-interest bearing deposits. Fees grew by 21.8% year over year, due to an increase in cross-selling in mutual funds and within our securities brokerage. Expenses decreased by 4% year over year, improving efficiency ratios.

Risk increased by 24% due to one specific case. However, if this case were excluded, risk would have decreased by 60%, year over year.

Operating income grew 8% year over year, continuing with an upward trend.

Bci continues with the 1St place market share in Factoring.

On Slide Number 27, (Corporate & Investment banking)

- The growth in the provision expense explained by 2 cases. However, it is expected to see a significant decrease due to the M&A of Pesca Chile and the capital increase of SMU.
- The result was also affected by lower inflation. The accumulated UF of September 2013 was lower than the accumulated UF of September 2012 by 0.24%, an effect mitigated by adequate treasury/ALM management.
- Excluding both effects, the operating income of the CIB would have increased by 15%due the commercial activity.

- Corporate Banking: Financial Margin of 38%
- Private Banking: Net income of 29%
- Security Brokerage: Net income of 33%
- Asset Management: Net income of 9%

On Slide Number 28, (Corporate & Investment Banking)

- 1st place in FX transaction (Source: Datatec)
- 32% of market share in corporate bond placements by amount.
- Best Private Banking in Chile by World Finance (Second year).
- 1st place in the category of Stock Fund Management by Morningstar.
- Best Investment Management Company in Chile by World Finance.

On Slide Number 29, (International Ratings)

Due to the advances made in 2013, Bci has maintained its high ratings from national and international credit risk agencies, both at a local level (AA+) and at 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 positioning; its well-planned business strategy; and the experience of its executive team.

Additionally, after the CNB acquisition announcement, the Standard & Poor’s risk agency confirmed a stable outlook, while Moody’s changed it from stable to negative. However, this is a common practice by them during an acquisition process.

In the strength analysis, Moody’s highlighted the fact that CNBF adds geographic and client diversification. Also, they said that the return to a stable outlook will hinge on completion of the financing package and receipt of financials detailing the consolidation of CNBF in Bci's financials, particularly with respect to the effect on the consolidated bank's earnings, asset quality, liquidity and capital.

On Slide Number 30, (Summary)

- Bci’s sound performance:
    - Sustained growth in segments with potential and high profitability.
    - Higher return than the market.
    - Lower risk rate on a year-over-year basis and low NPL risk.
    - Bci’s last twelve months net income growth is better than that achieved by the financial system as a whole. (Bci: 16.3%; financial system: 14.3%).
- Conservative risk history and low solvency risk:
    - Successful progress with the funding diversification strategy.
    - Low liquidity risk policy allowed it to acquire the highest international short term credit rating with Moody’s and Standard & Poor’s.
    - Proactive capitalization policy with high BIS ratio.

Through profitable and healthy growth, Bci continues to generate value for its shareholders.