

Quarterly Financial Report

BancoEstado

Second Quarter 2020 – 2Q20



Economic Environment

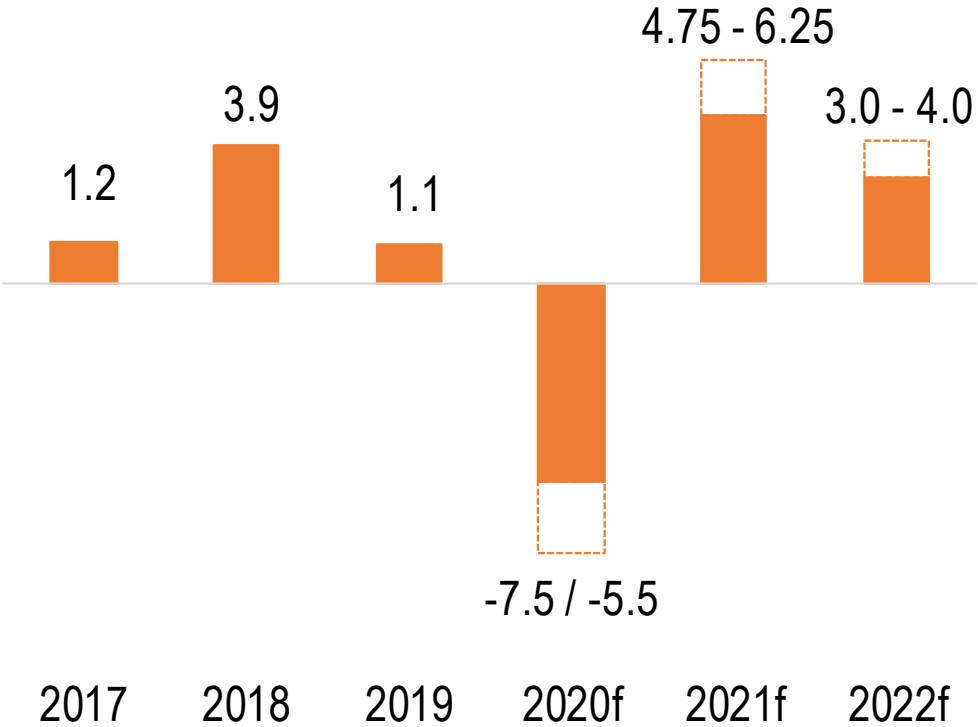
- Covid-19 Impact
- Banking System

BancoEstado 2Q20 Results

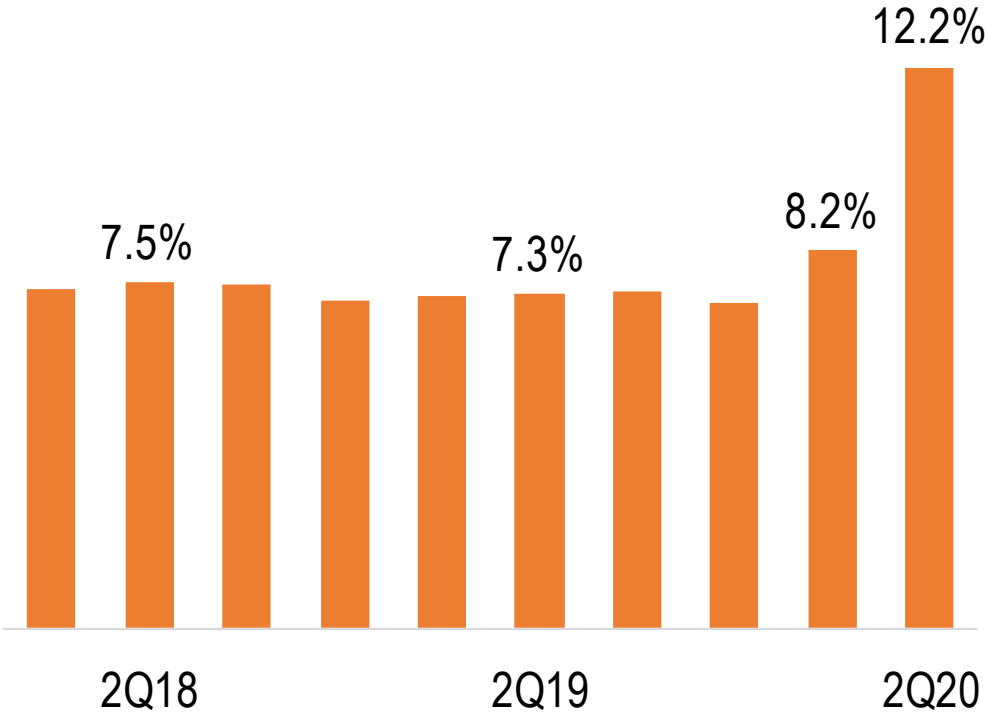
- Quarterly Income Statement
- Statement of Financial Position
- Credit Ratings

Covid-19 outbreak depressed the economy... deteriorating labor market and consumer confidence

GDP (annual growth, %)



Unemployment rate (%)



The fiscal, monetary and financial policy responses have intended to protect employment, support household income, provide liquidity to the productive system and boost economic recovery

Monetary response. The Central Bank implemented a set of extraordinary measures intended to ensure adequate access to credit and the normal functioning of the financial market.

- Reduction in the MPR (until 0,5%)
- Extraordinary Liquidity Credit Line at MPR rate (US\$ 24 billion). (Facility of Credit Conditional on Lending Increase)
- Temporary relaxing of liquidity requirements
- Bond bank purchasing

Fiscal policy. Ministry of Finance package of fiscal resources totaled US\$ 17.1 billion (6.8% of GDP). The plan includes:

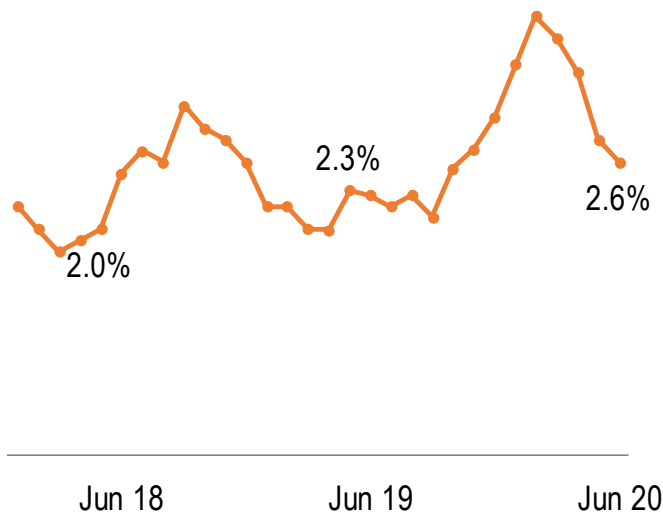
- A capital injection to FOGAPE (up to US\$ 3 billion)
- Capitalization of BancoEstado (US\$ 500 million)
- Implementation of a special credit line "Covid-19 Line of Credit" for firms to finance working capital.
- Postponed the payment of some taxes; temporary stamp duty exemption for credit operations.
- Law to protect jobs

Normative issues. Financial Market Commission (CMF) announced several measures to support credit for firms and households and deferred the implementation of Basel III standards.

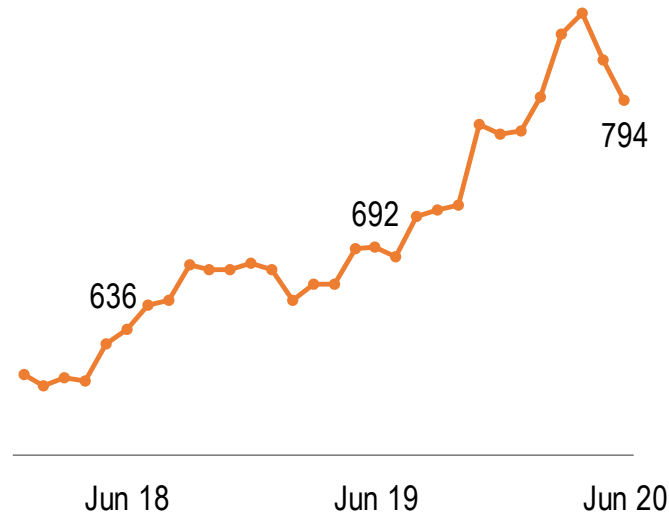
- Postponing BIS III requirements implementation program for one year.
- Reprogramed personal loans with grace period (6 month for mortgages and 3 month for consumer loans). That includes freezing of provisions of this loans.

Inflationary pressures have significantly dropped and exchange rate pressures eased in 2Q20... and the Central Bank hold the policy rate at 0.5%, its effective zero lower bound

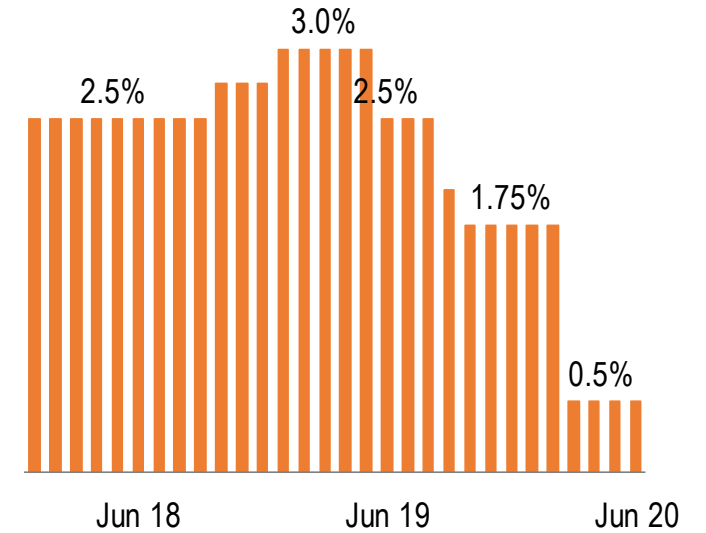
Inflation (CPI annual %)



Exchange rate (Ch\$ per US\$)

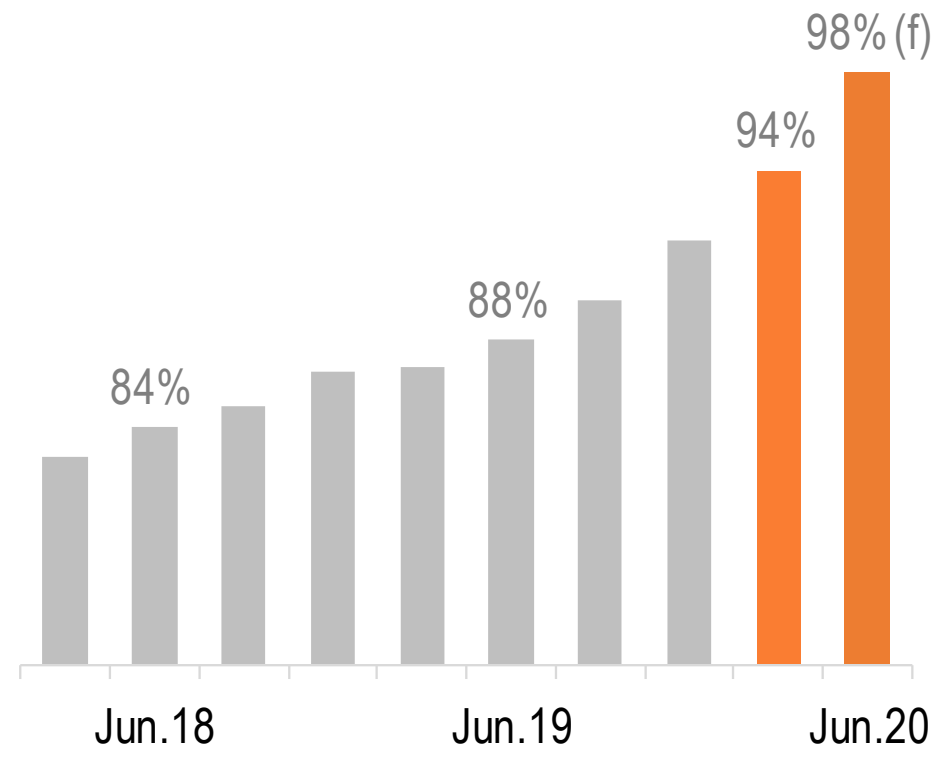


Monetary policy rate (%)

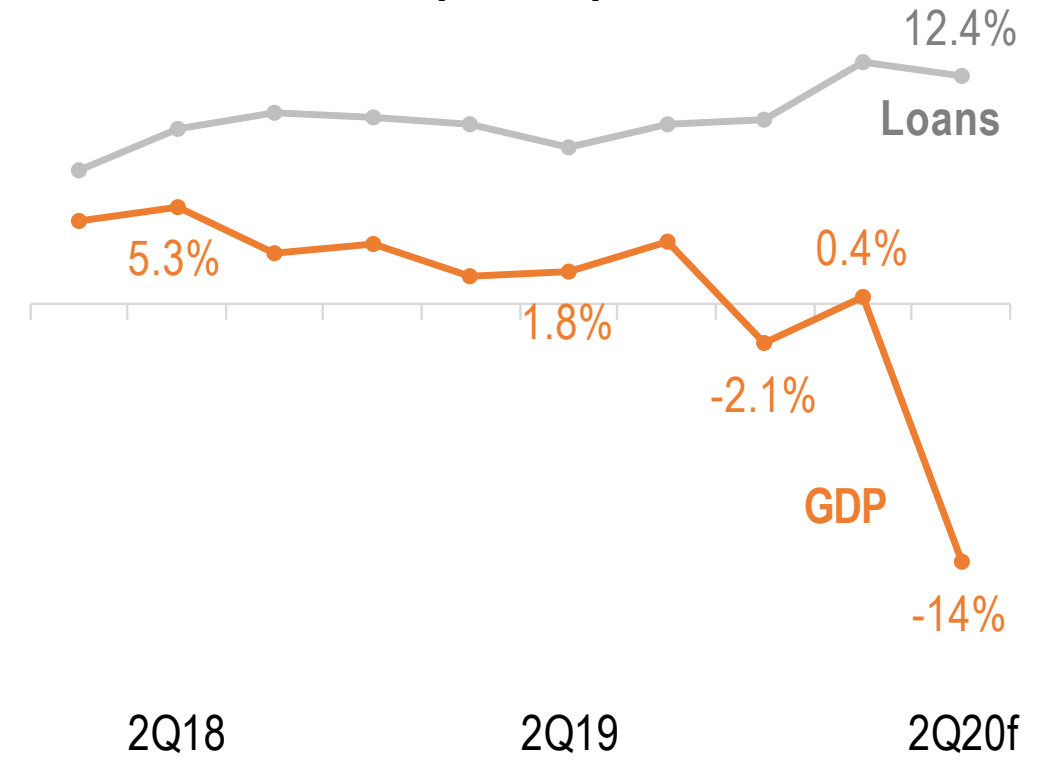


Banking system total loans grew by 12.4% yoy and amounted to Ch\$ 192 trillion (US\$ 234 billion)... nearly 100% of GDP

Total loans (as % of annual GDP)
1Q18 – 2Q20



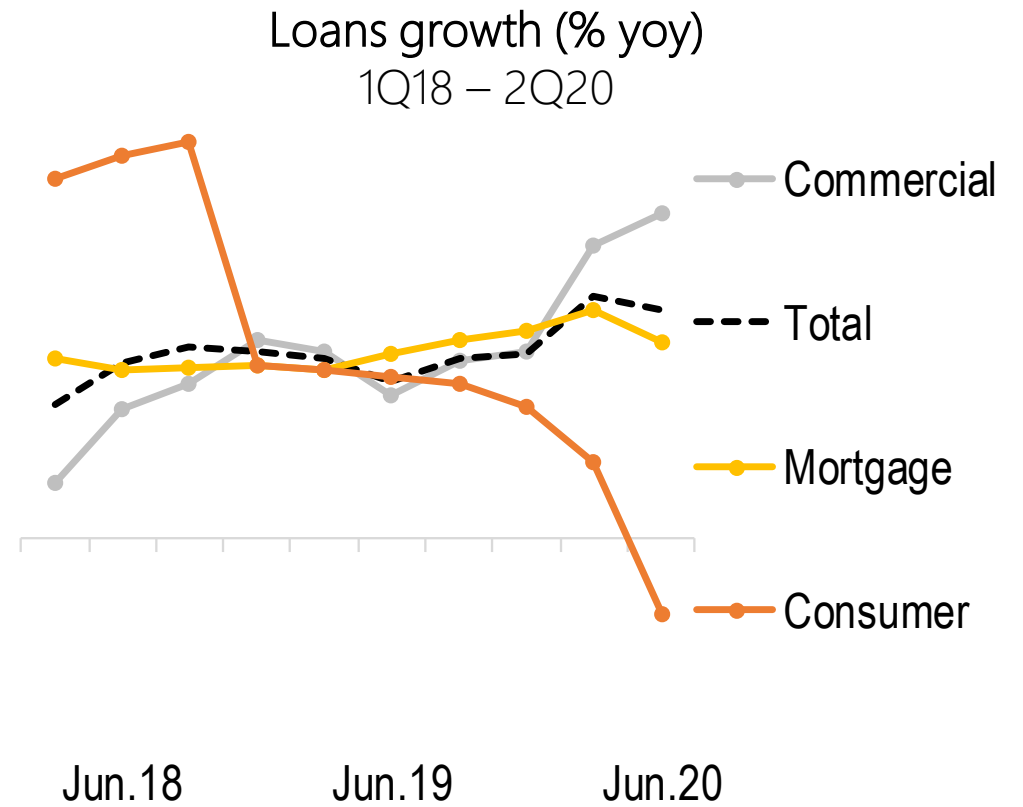
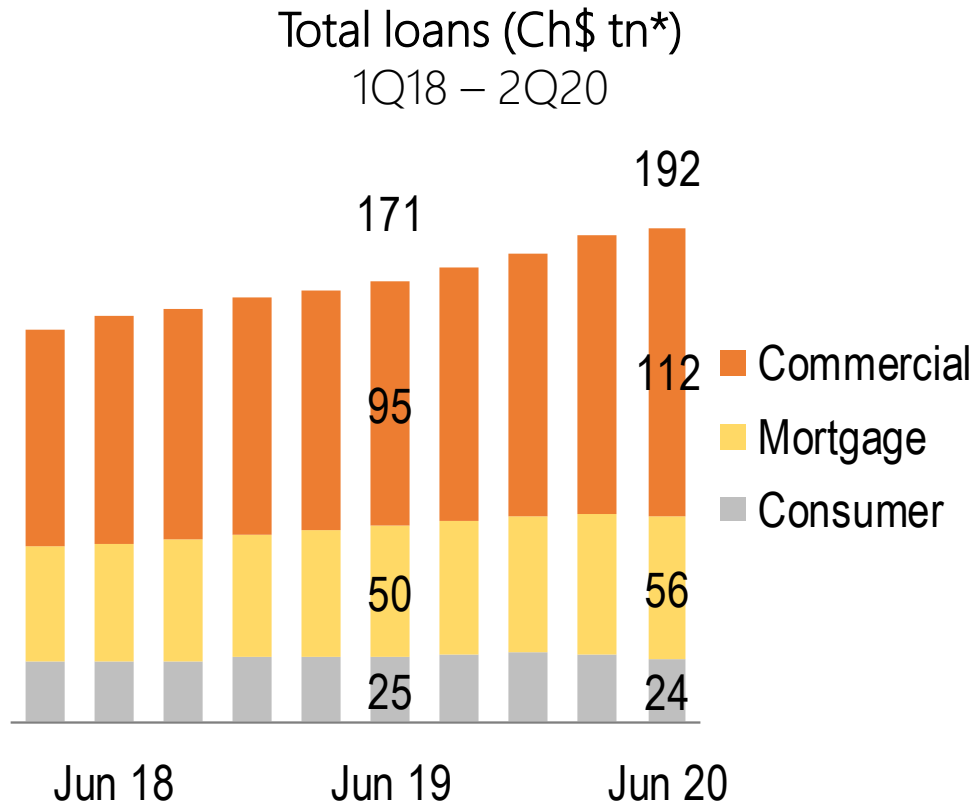
Loans and GDP growth (annual %)
1Q18 – 2Q20



(*) It excludes subsidiaries abroad. Current prices.



Lending was driven by commercial loans, which contrasts with the fall in economic activity due to the measures to facilitate financial access, mainly to smaller firms



(*) It excludes subsidiaries abroad

COVID-19 global crisis is having a strong impact on economy...
and active policies have intended to counteract its effects

Bank lending was driven by commercial loans due to the
measures to support financial access



Economic Environment

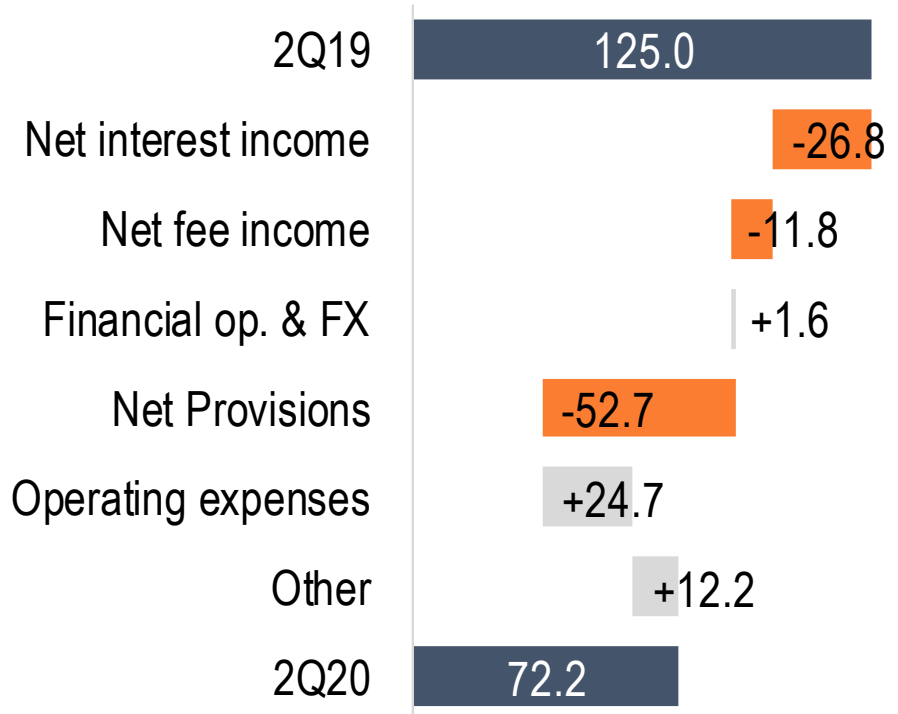
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BancoEstado 2Q20 Results

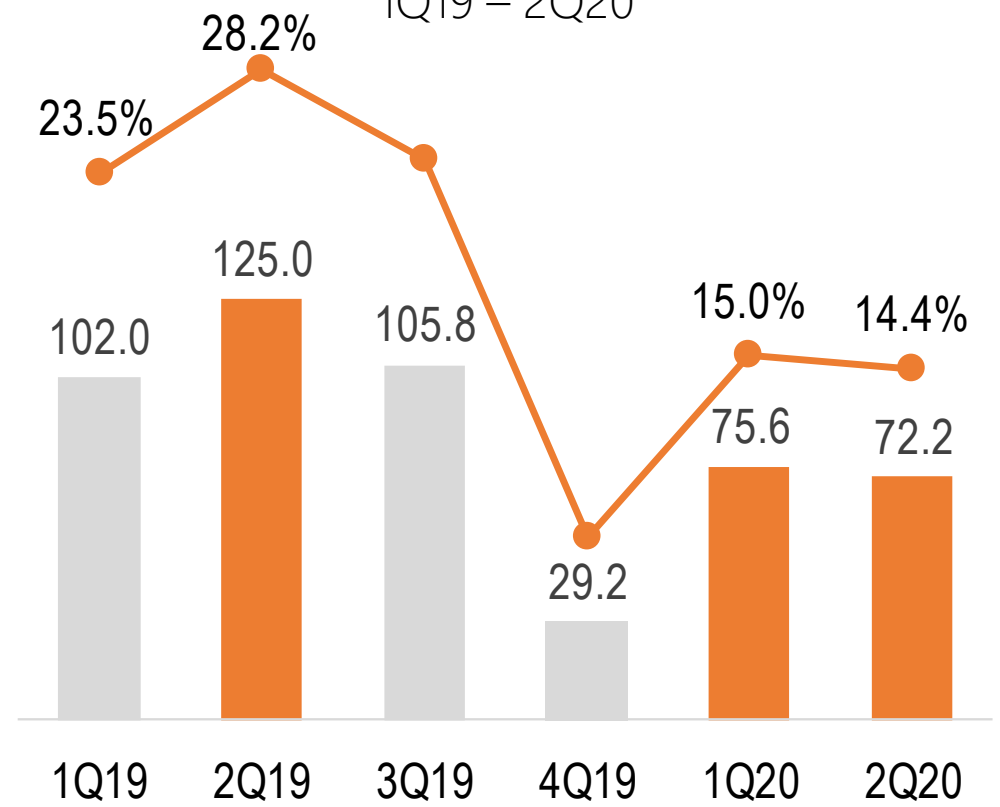
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Net income b.t. totaled Ch\$ 72.2 billion with ROAE of 14.4%, a decrease from the previous year mainly due to a significant increase in provision expenses and a lower operating income

Net income b.t. development (Ch\$ bn)
2Q 2019 – 2Q 2020

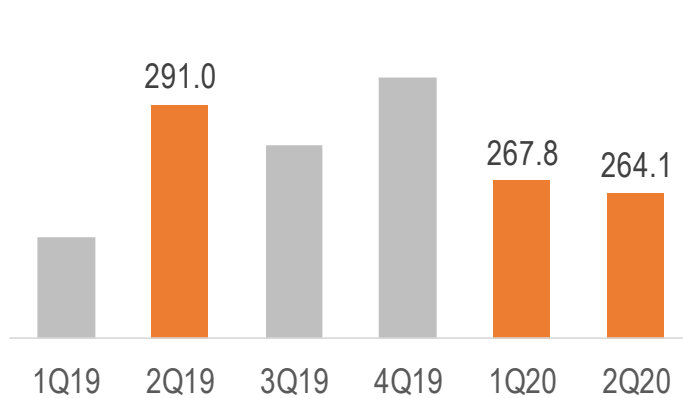


Net income b.t. (Ch\$ bn) & ROAE (%)
1Q19 – 2Q20

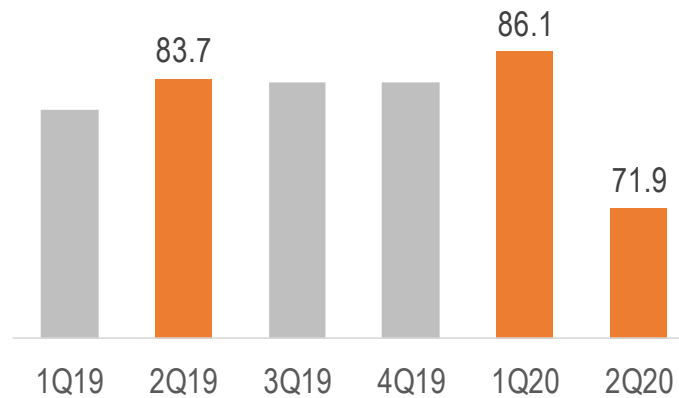


Lower activity and changes in customer behavior in light of the pandemic negatively affected operating income

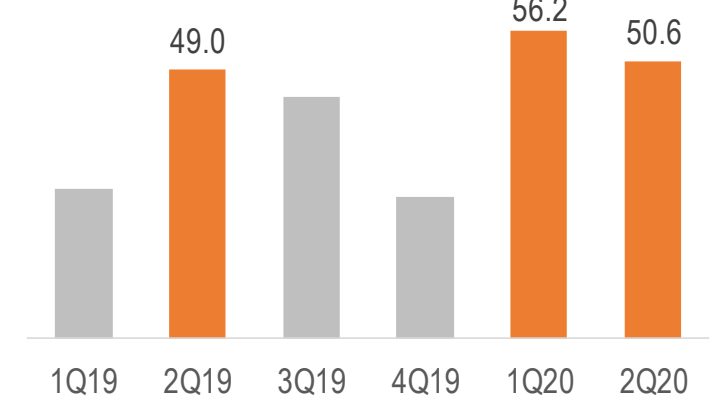
Net interest income (Ch\$ bn)
1Q19 – 2Q20



Net fee income (Ch\$ bn)
1Q19 – 2Q20

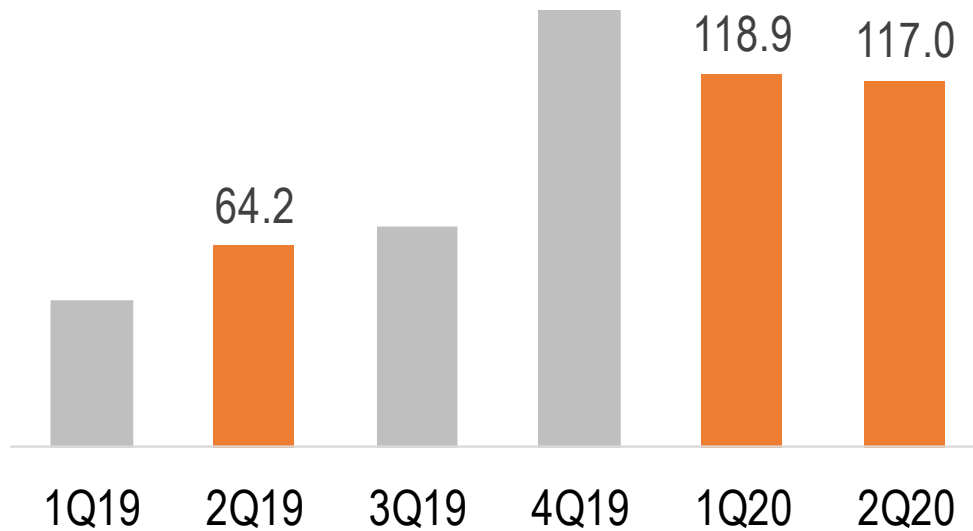


Net financial income (Ch\$ bn)
1Q19 – 2Q20

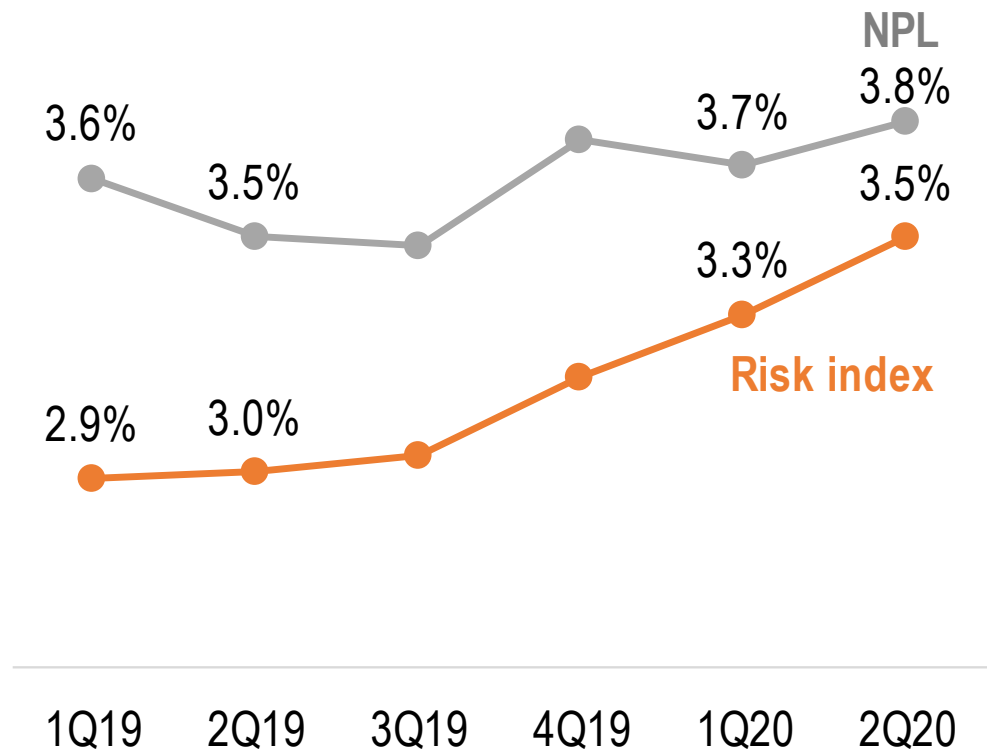


The weak economic outlook has created a challenging operating environment and is also affecting credit risk

Net loan loss provisions (Ch\$ bn)
1Q19 – 2Q20

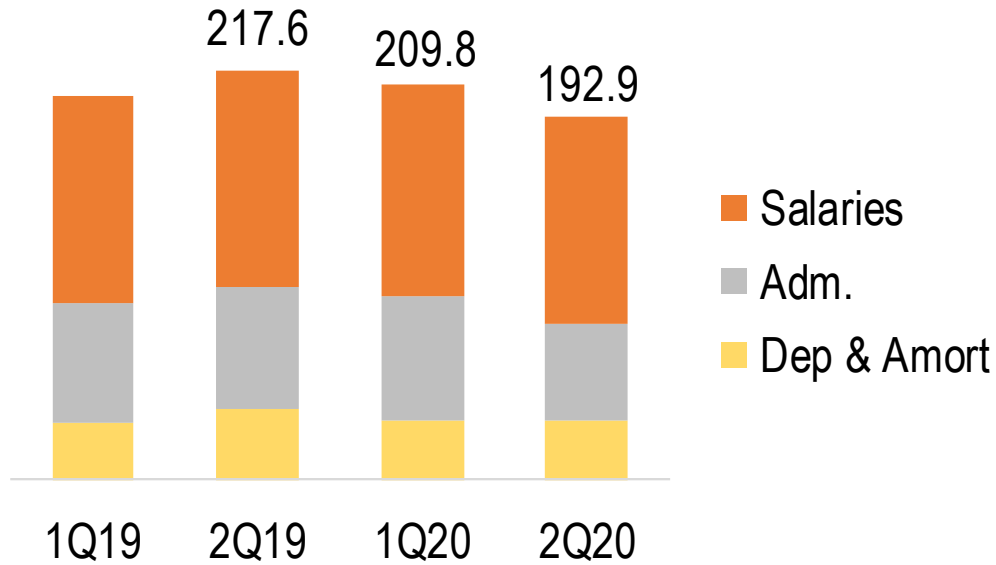


Risk index & Non-performing loans (% of loans)
1Q19 – 2Q20

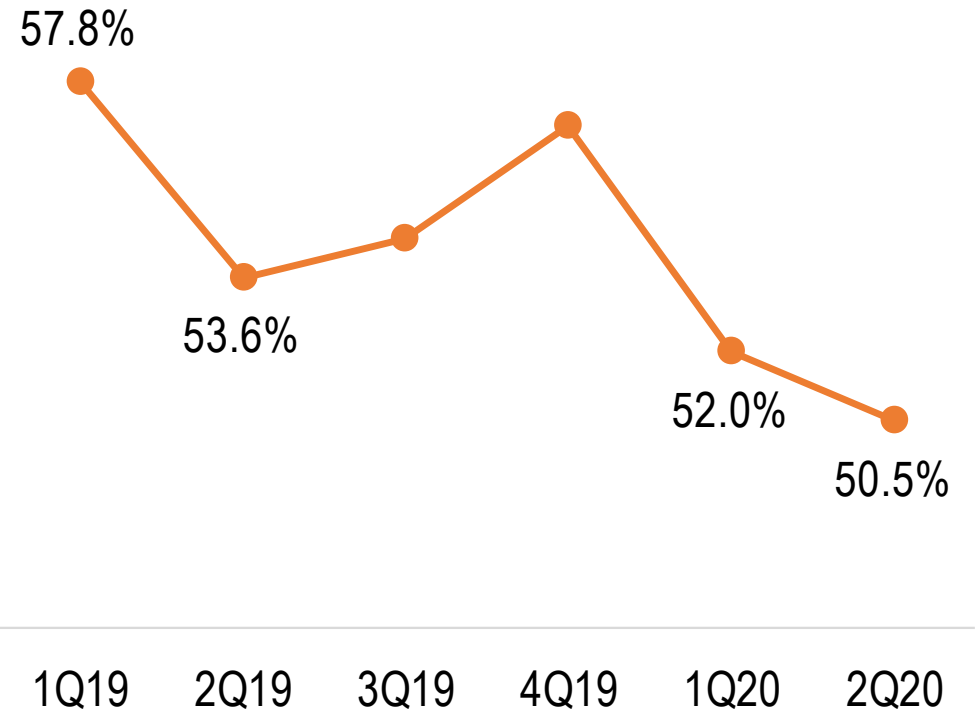


Operational efficiency ratio improved due to restricted operating expenses

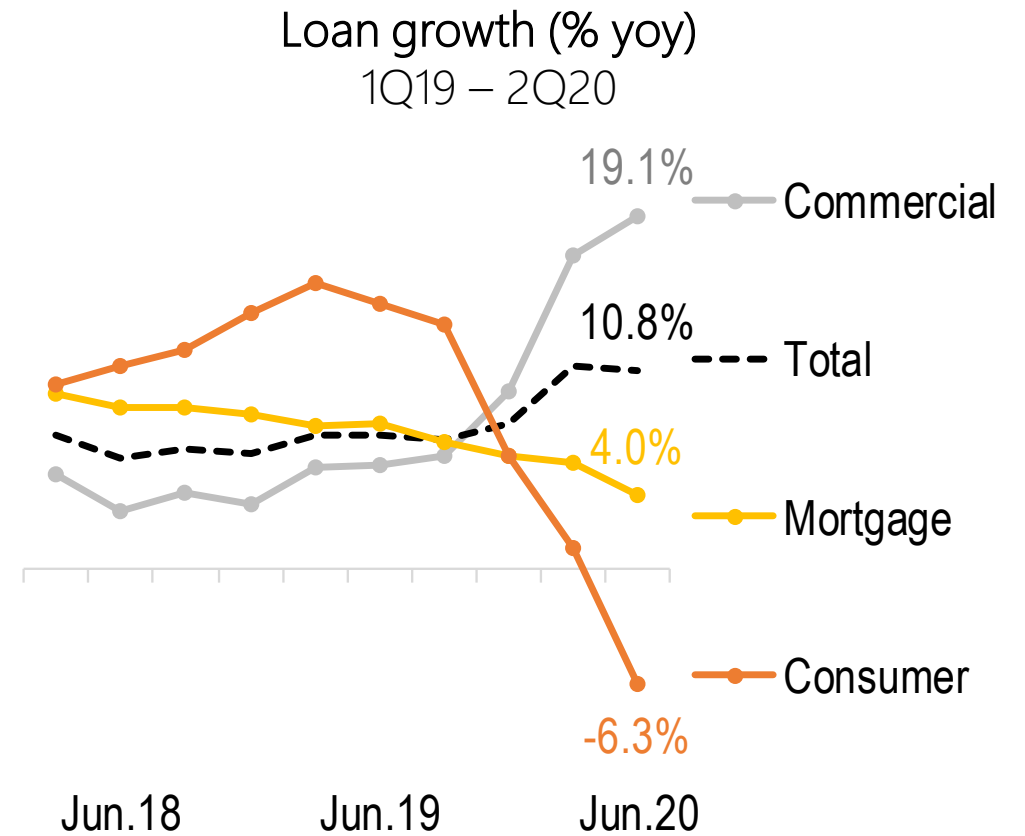
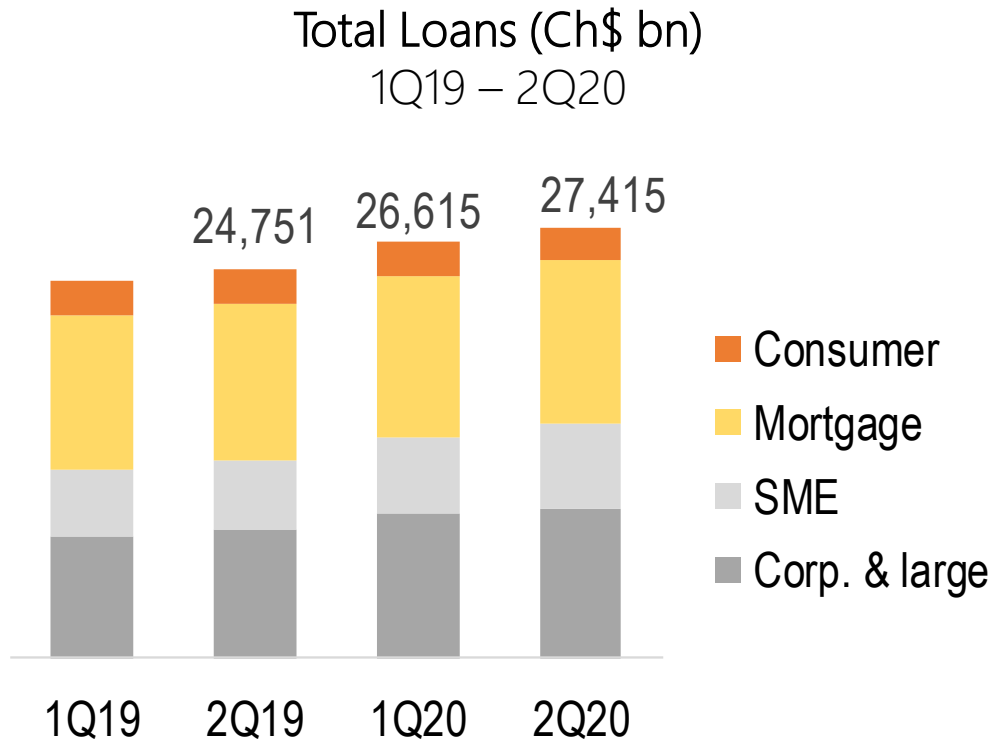
Operating expenses (Ch\$ bn)
1Q19 – 2Q20



Efficiency (%)
1Q19 – 2Q20

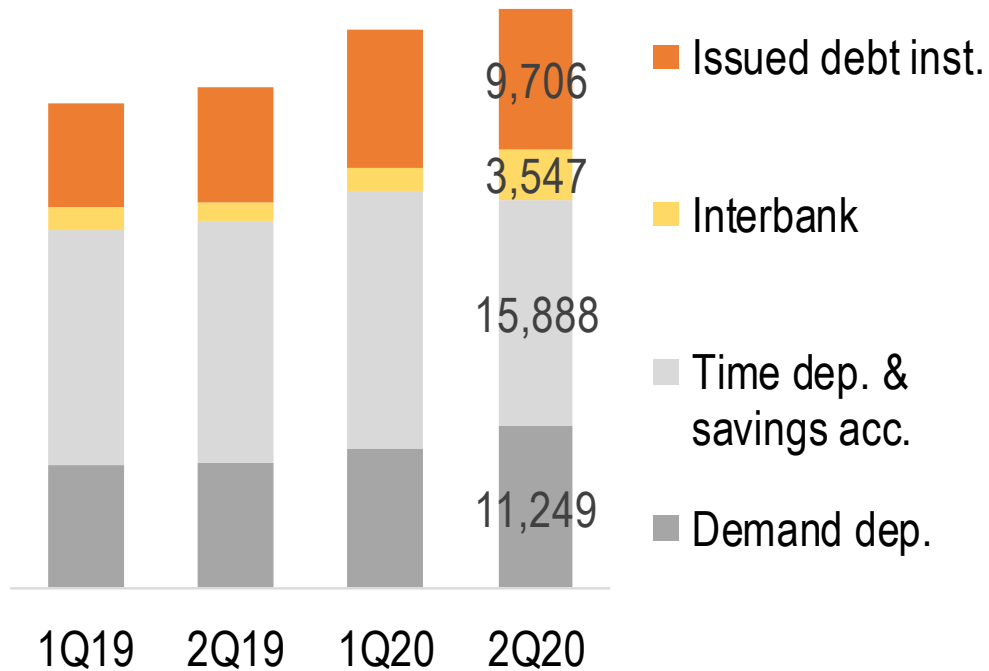


Total loans grew driven by the expansion in SMEs and commercial segments. BancoEstado competes for the third market place with a market share of 14.3%

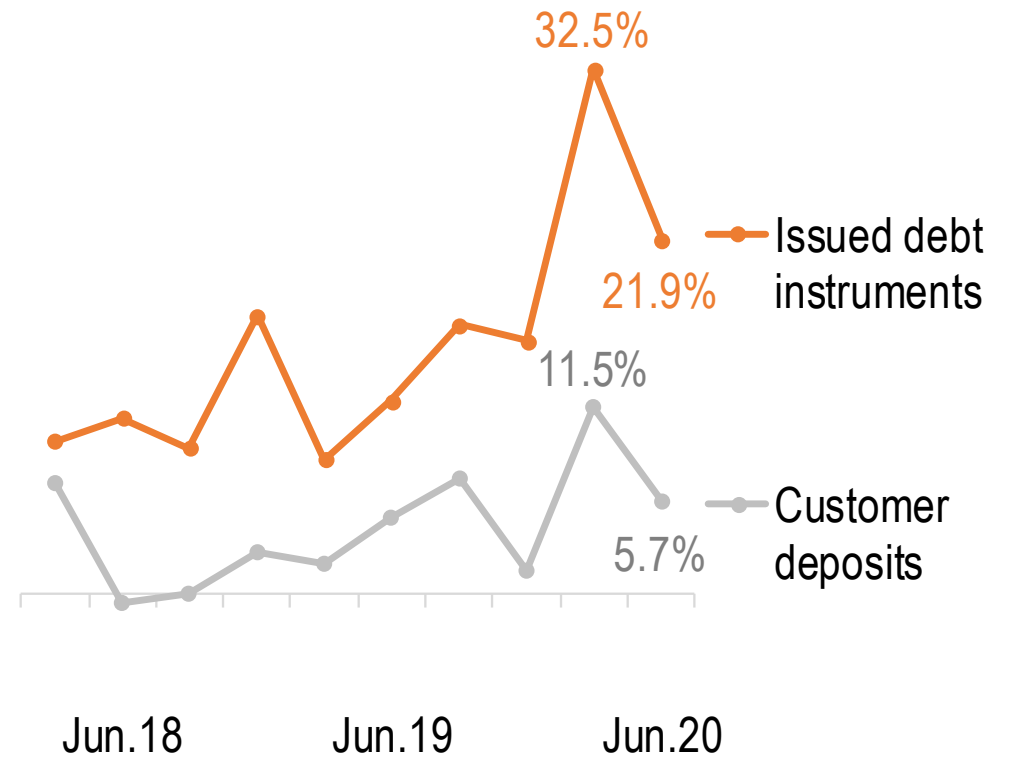


BancoEstado funding base increased through the issuance of debt instruments... Customers' deposits continued to grow, though at a slightly slower pace

Funding (Ch\$ bn)
1Q19 – 2Q20

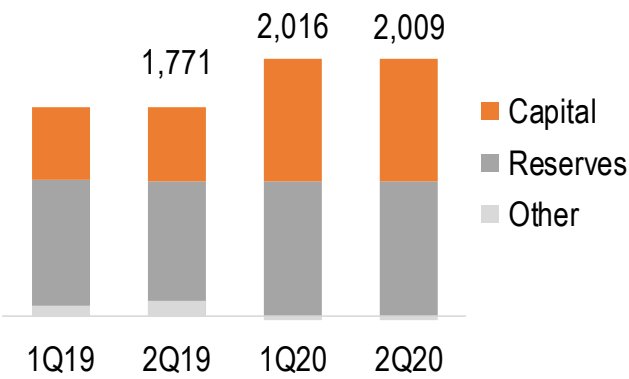


Funding development (% yoy)
1Q19 – 2Q20

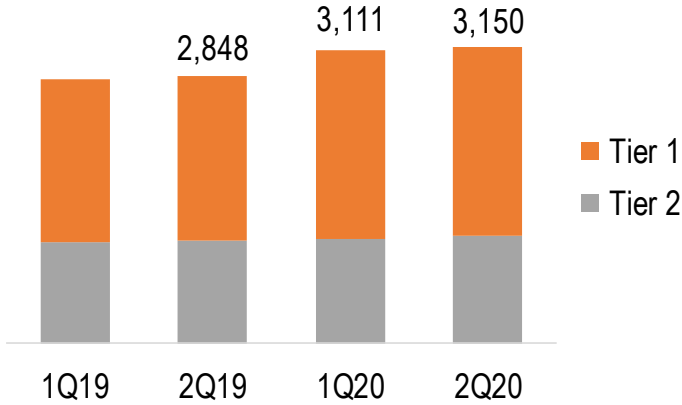


Capital position strengthened after an extraordinary capital injection in 1Q20... and a forthcoming additional US\$ 500 million capitalization is pending

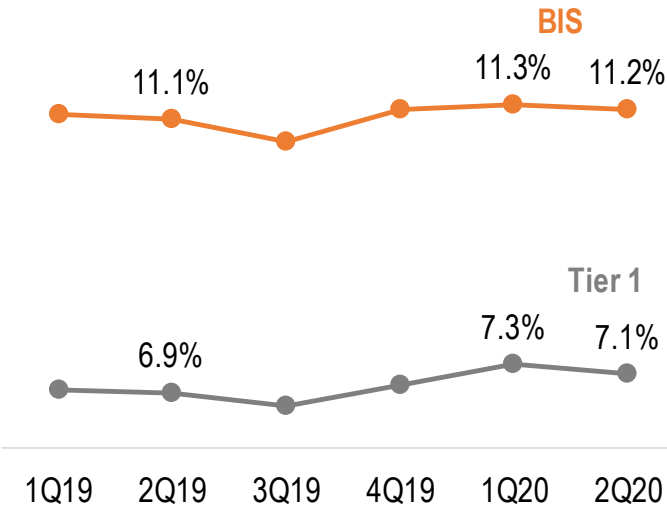
Total Equity (Ch\$ bn)
1Q19 – 2Q20



Regulatory capital (Ch\$ bn)
1Q19 – 2Q20



Tier 1 & BIS Ratios (%)
1Q19 – 2Q20



BancoEstado remained among the highest ratings of the Chilean financial institutions and international agencies highlighted its sound business position

S&P Global Ratings

Strong market position and public policy role

	Dec. 2019	Apr. 2019
Long-Term	A+	A+
Outlook	Stable	Negative
Short-Term	A-1	A-1

MOODY'S

Significant public policy role with an explicit mandate to promote home ownership and savings, to finance small and mid-sized enterprises, and foster financial inclusion

	Dec. 2019	Apr. 2020
Long-Term	A1	A1
Outlook	Stable	Negative
Short-Term	P-1	P-1



BancoEstado maintains its sound business position as one of the leading banks in Chile, reaching the highest ratings among the Chilean financial institutions



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Annex Financial Information



Income Statement

	2Q19	1Q20	2Q20	2Q20	Change	
		Ch\$ billion		US\$ million	2Q20/2Q19	2Q20/1Q20
Interest income	591.6	530.3	407.7	496	-31.1%	-23.1%
Interest expense	-300.6	-262.5	-143.6	-175	-52.2%	-45.3%
Net interest income	291.0	267.8	264.1	322	-9.2%	-1.4%
Fees and commission income	130.6	139.8	120.5	147	-7.7%	-13.8%
Fees and commission expense	-46.9	-53.7	-48.6	-59	3.7%	-9.4%
Net fee and commission income	83.7	86.1	71.9	88	-14.1%	-16.5%
Net gain/loss from financial operations	39.8	94.8	30.1	37	-24.3%	-68.2%
Foreign exchange gain/loss net	9.2	-38.6	20.4	25	122.5%	-152.9%
Other operating revenue	3.4	3.8	7.7	9	125.9%	102.8%
Total operating income	427.1	413.9	394.3	480	-7.7%	-4.7%
Provision for loan losses	-64.2	-118.9	-117.0	-142	82.1%	-1.6%
NET OPERATING PROFIT	362.8	295.0	277.3	338	-23.6%	-6.0%
Personnel salaries and expenses	-115.7	-112.3	-109.5	-133	-5.3%	-2.5%
Administrative expenses	-63.9	-66.2	-51.7	-63	-19.1%	-21.9%
Depreciation and amortization	-38.0	-31.4	-31.7	-39	-16.6%	1.1%
Impairment	0.0	0.0	0.0	-	--	--
Other operating expenses	-21.1	-10.4	-12.2	-15	-42.2%	17.4%
TOTAL OPERATING EXPENSES	-238.7	-220.2	-205.1	-250	-14.1%	-6.9%
Net operating income	124.1	74.8	72.2	88	-41.8%	-3.4%
Income/loss from investments in other companies	0.9	0.8	-0.1	-0	-105.9%	-106.9%
INCOME BEFORE INCOME TAXES	125.0	75.6	72.2	88	-42.3%	-4.5%
Income taxes	-57.7	-25.3	-37.7	-46	-34.6%	48.8%
NET INCOME FOR THE PERIOD	67.4	50.3	34.5	42	-48.8%	-31.4%
Net income attributable to equity holders	63.7	46.8	32.0	39	-49.9%	-31.7%
Net income attributable to non-controlling interest	3.6	3.5	2.5	3	-30.2%	-26.9%

Assets

	2Q19	1Q20 Ch\$ billion	2Q20	2Q20 US\$ million	Change	
					2Q20/2Q19	2Q20/1Q20
ASSETS						
Cash and deposits in banks	2,943	5,927	5,456	6,644	85.4%	-7.9%
Unsettled transactions	651	180	499	607	-23.4%	177.0%
Trading investments	1,781	1,717	1,133	1,380	-36.4%	-34.0%
Investments under repurchase agreements	83	210	67	82	-19.2%	-67.8%
Financial derivative contracts	867	2,713	2,194	2,671	153.1%	-19.2%
Interbank loans	661	783	862	1,049	30.3%	10.0%
Loans and accounts receivable from customers	24,019	25,731	26,455	32,214	10.1%	2.8%
Available-for-sale investments	6,695	6,448	7,538	9,179	12.6%	16.9%
Held to maturity investments	22	18	18	22	-17.2%	0.4%
Investments in other companies	17	19	19	23	8.8%	-1.9%
Intangibles	183	122	109	133	-40.3%	-10.4%
Property, plant and equipment	360	351	349	424	-3.1%	-0.7%
Right-of-use assets	107	101	98	120	-8.7%	-3.3%
Current taxes	2	2	1	1	-63.1%	-49.8%
Deferred taxes	915	994	1,090	1,327	19.1%	9.6%
Other assets	928	848	964	1,174	3.9%	13.6%
TOTAL ASSETS	40,234	46,163	46,850	57,049	16.4%	1.5%

Liabilities & Equity

	2Q19	1Q20	2Q20	2Q20	Change	
		Ch\$ billion		US\$ million	2Q20/2Q19	2Q20/1Q20
LIABILITIES						
Deposits and other demand liabilities	8,781	9,761	11,249	13,698	28.1%	15.3%
Unsettled transactions	452	200	450	548	-0.4%	125.1%
Investments under repurchase agreements	540	1,018	586	713	8.6%	-42.5%
Time deposits and other time liabilities	16,904	18,038	15,888	19,347	-6.0%	-11.9%
Financial derivative contracts	865	2,180	1,828	2,226	111.4%	-16.2%
Interbank borrowings	1,295	1,474	3,547	4,320	173.9%	140.6%
Issued debt instruments	7,959	9,688	9,706	11,818	21.9%	0.2%
Other financial liabilities	26	19	51	62	100.5%	167.9%
Lease obligations	91	88	85	103	-7.2%	-3.6%
Current taxes	141	223	118	143	-16.5%	-47.3%
Deferred taxes	0	0	0	0	-68.3%	--
Provisions	834	895	762	928	-8.6%	-14.8%
Other liabilities	577	563	571	696	-1.0%	1.4%
TOTAL LIABILITIES	38,464	44,147	44,842	54,603	16.6%	1.6%
EQUITY						
Capital	575	970	970	1,182	68.9%	0.0%
Reserves	1,073	1,072	1,070	1,303	-0.3%	-0.2%
Valuation accounts	-22	-39	-40	-49	83.4%	4.2%
Retained earnings	133	0	0	-	-100.0%	--
From previous periods	166	167	0	-	-100.0%	-100.0%
Net income for the period	100	47	79	96	-20.9%	68.3%
Provision for distribution of income to the State	-133	-214	-79	-96	-40.7%	-63.2%
Total owners' equity	1,759	2,004	2,000	2,436	13.8%	-0.2%
Non-controlling interests	12	12	8	10	-31.8%	-30.4%
TOTAL EQUITY	1,771	2,016	2,009	2,446	13.4%	-0.4%
TOTAL LIABILITIES AND EQUITY	40,234	46,163	46,850	57,049	16.4%	1.5%