

# Quarterly Financial Report

BancoEstado

First Quarter 2020 – 1Q20



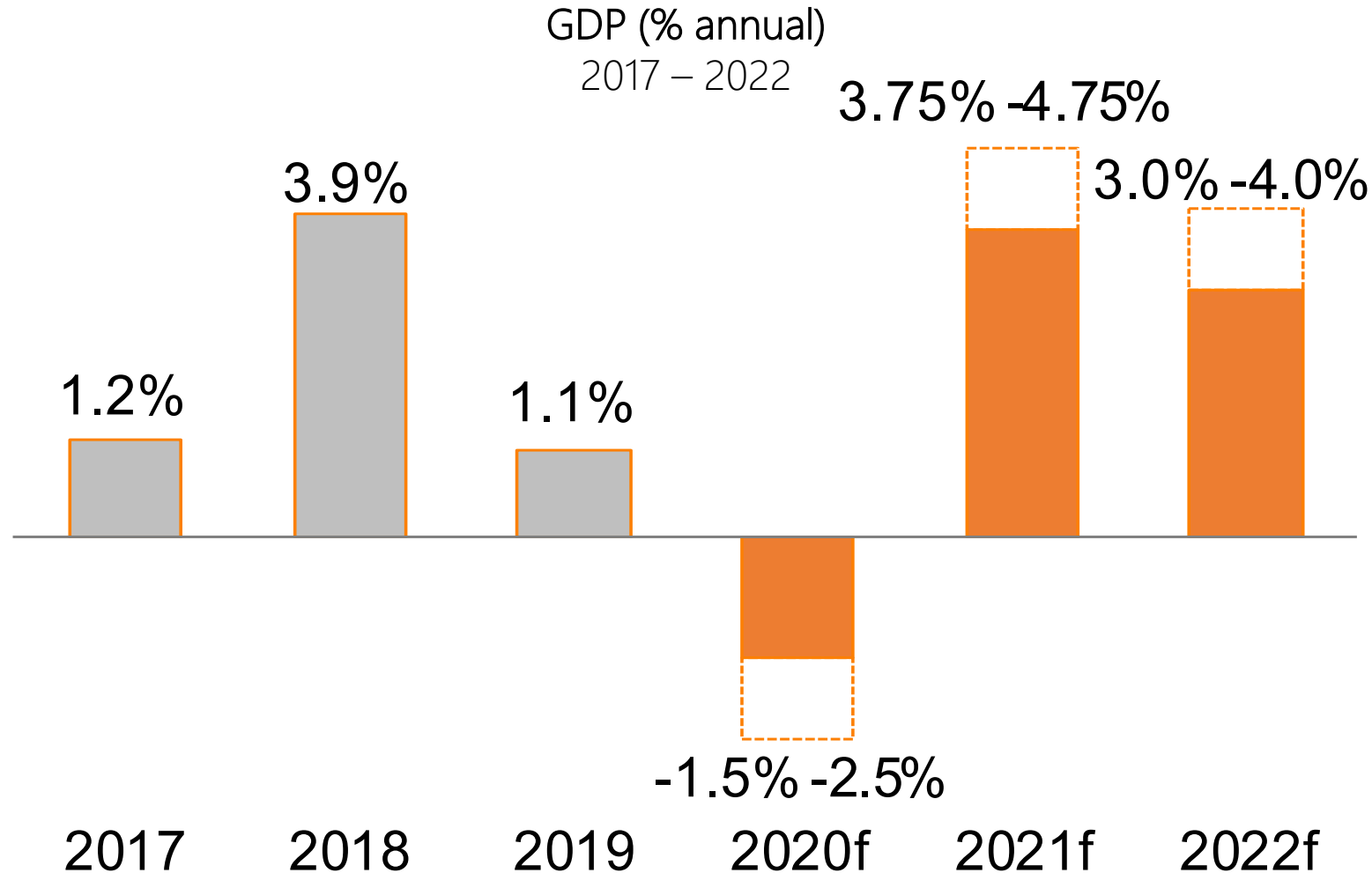
- Economic Environment
- BancoEstado Results
  - Quarterly Income Statement
  - Statement of Financial Position
  - Recent developments
  - Credit Ratings



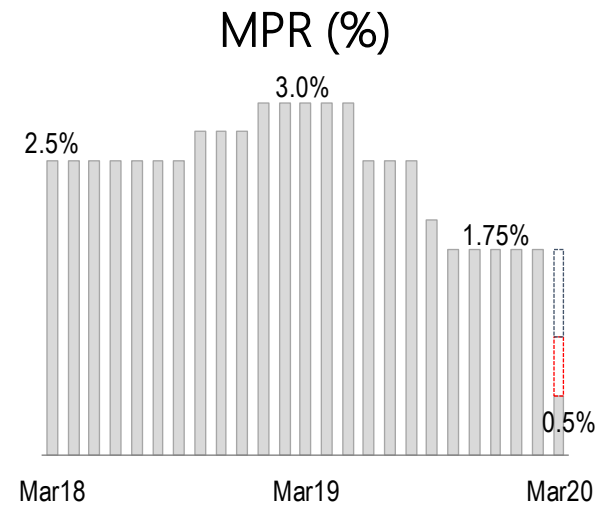
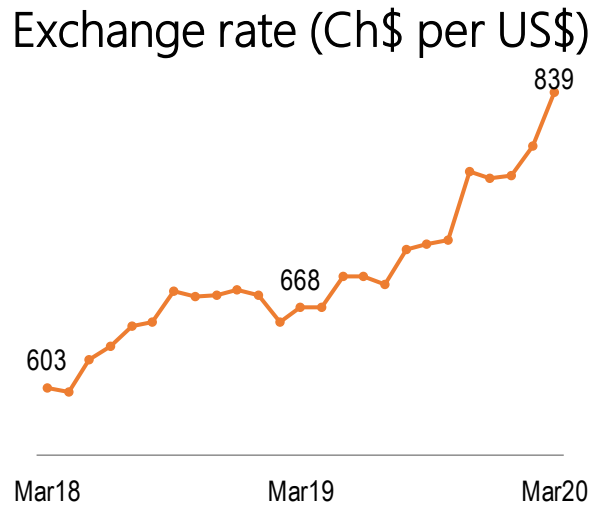
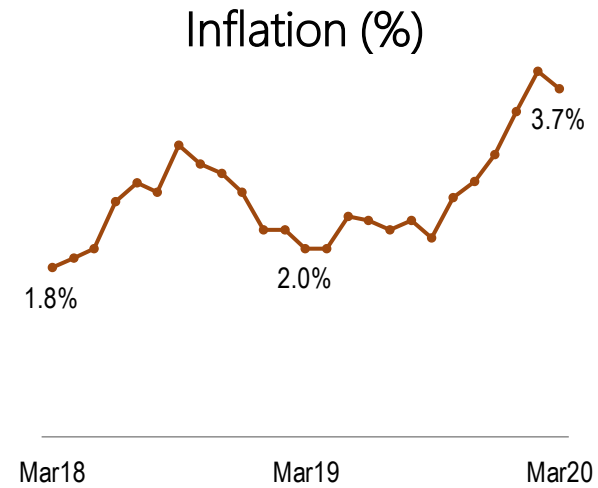
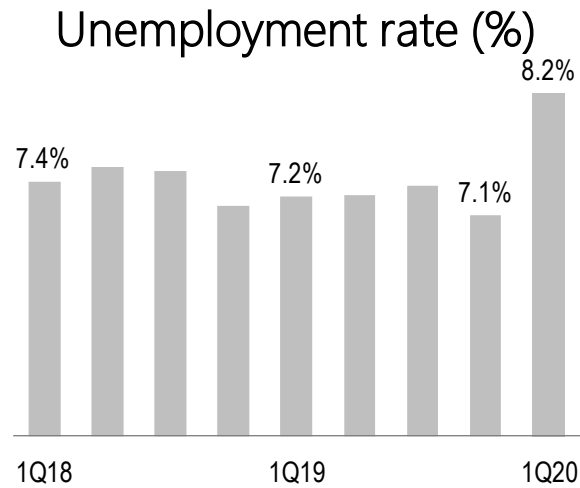
# Economic Environment



# COVID-19 global crisis is having a strong impact on Chilean economy



# Covid-19 outbreak depressed the economy, deteriorating labor market and consumer confidence. Notwithstanding the reduction in MPR, inflationary pressures have dropped



# Measures to counteract the negative effects of COVID-19 and its impact on economic activity: employment protection & credit access

**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:

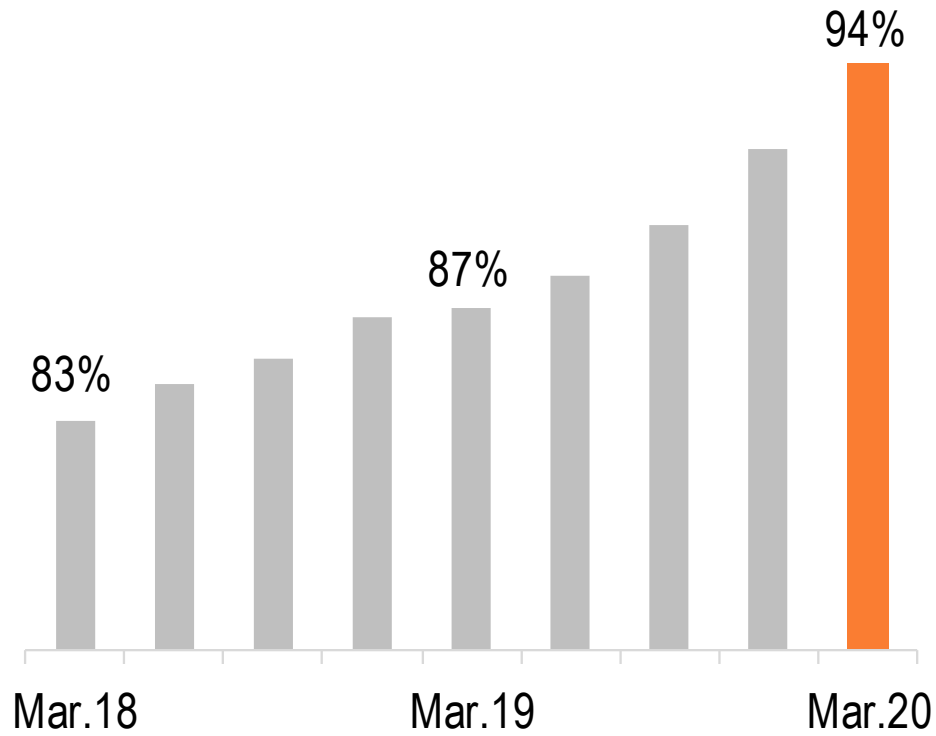
- A capital injection to FOGAPE (up to US\$ 3 billion)
- Capitalization of BancoEstado (US\$ 500 million)
- Implementation of a special credit line "Covid-19 Line of Credit" for firms to finance working capital.
- Postponed the payment of some taxes; temporary stamp duty exemption for credit operations.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

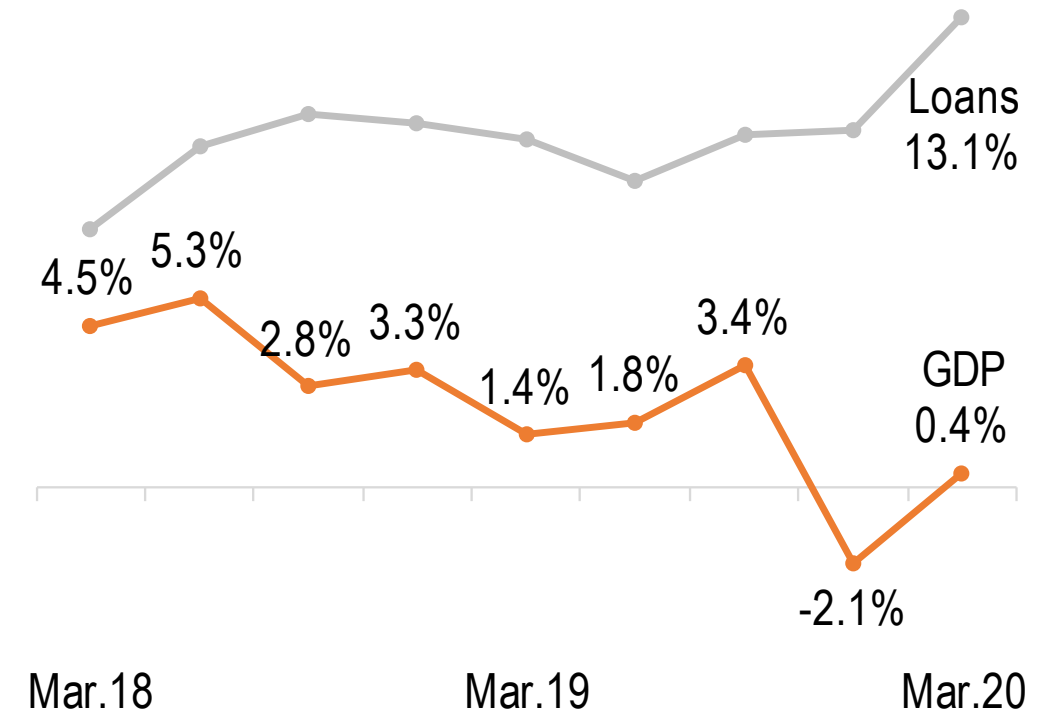
# Chile's banking system amounted to Ch\$ 189 trillion (US\$ 222 billion) in total loans, nearly 94% of GDP

Total loans\* as % of annual GDP (current prices)  
1Q18 – 1Q20



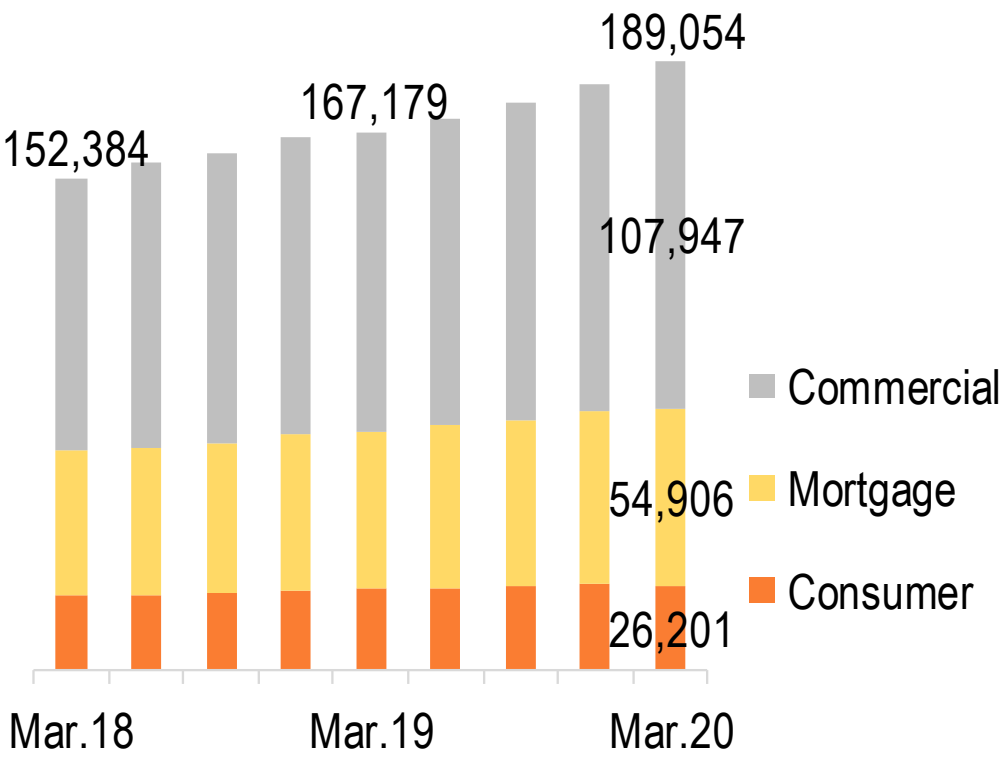
(\* It excludes subsidiaries abroad)

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

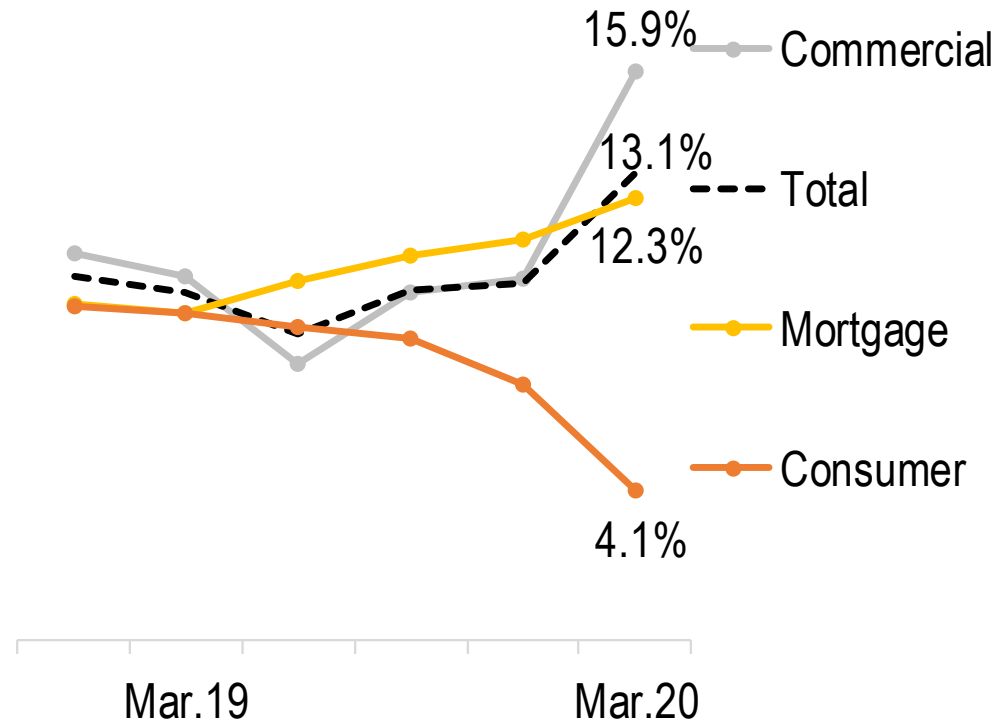


# Slower pace and narrow demand: Total loans increased 13.1% yoy, mainly due to commercial loans

Total loans (CH\$ bn\*)  
1Q18 – 1Q20



Loans growth (% yoy)  
1Q19 – 1Q20



(\*) It excludes subsidiaries abroad





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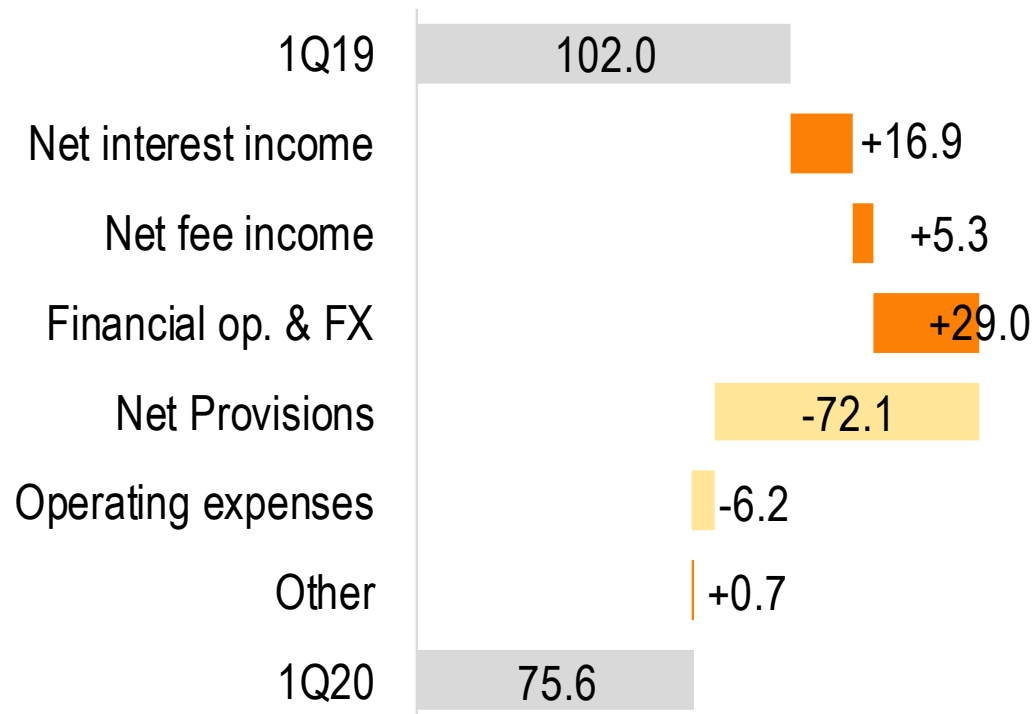


# 1Q20 Results

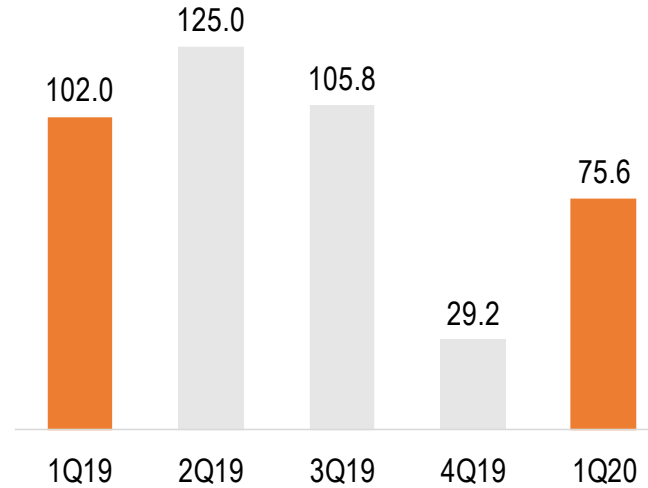


# Net income b.t. totaled Ch\$ 75.6 billion with ROAE of 15.0%

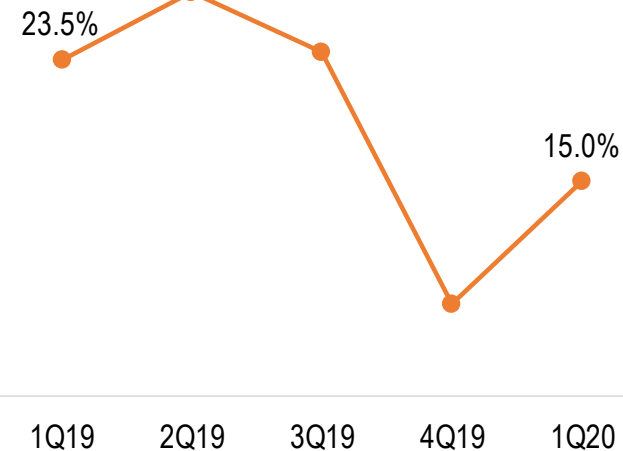
Net income before taxes development (CH\$ bn)  
1Q 2019 – 1Q 2020



Net income b.t. (Ch\$ bn)  
1Q19 – 1Q20

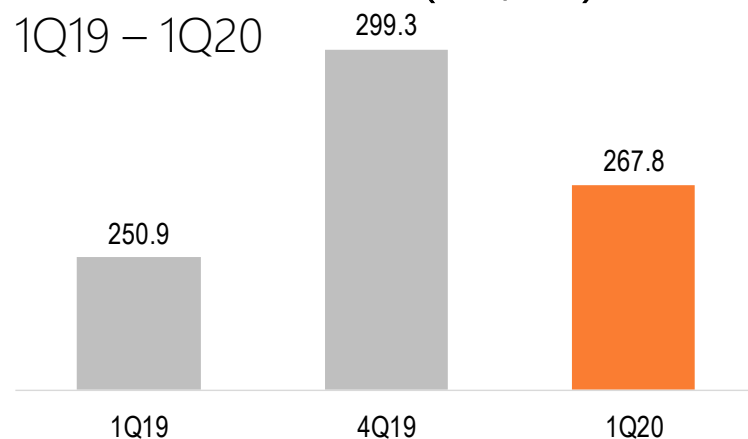


ROAE (%)

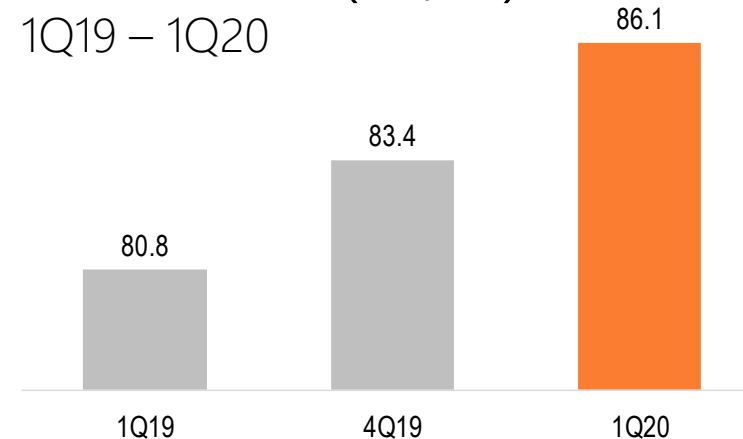


# Operating income was boosted by financial income and fee income

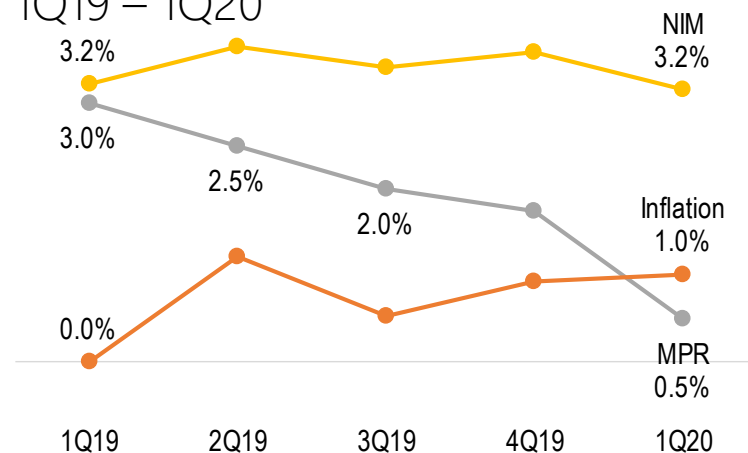
Net interest income (Ch\$ bn)  
1Q19 – 1Q20



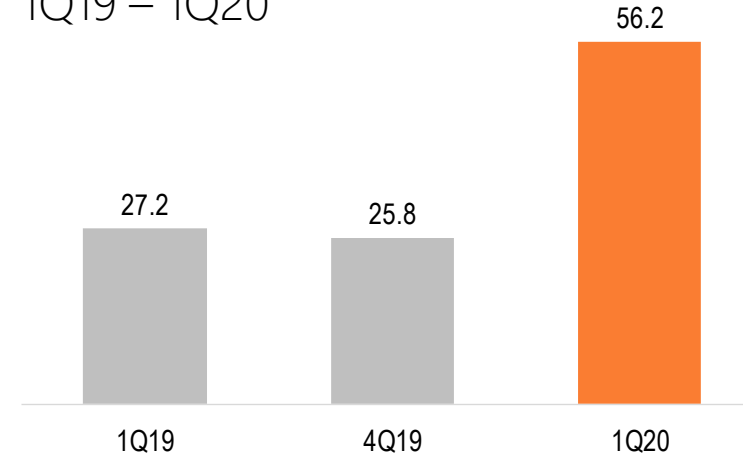
Net fee income (Ch\$ bn)  
1Q19 – 1Q20



NIM, TPM & Quarterly inflation (%)  
1Q19 – 1Q20

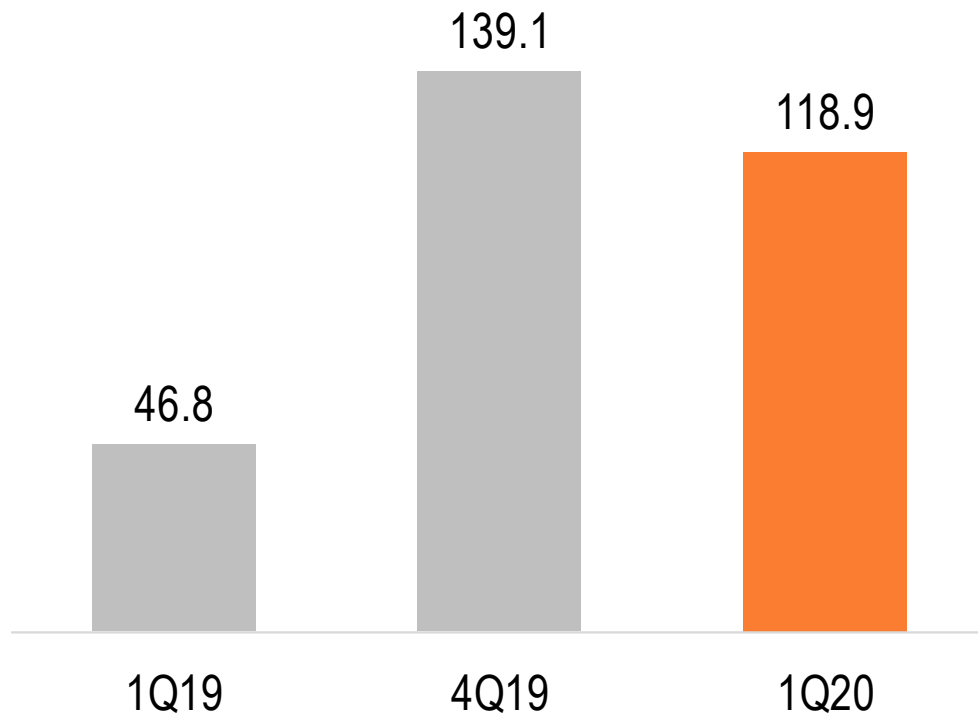


Net financial income (Ch\$ bn)  
1Q19 – 1Q20

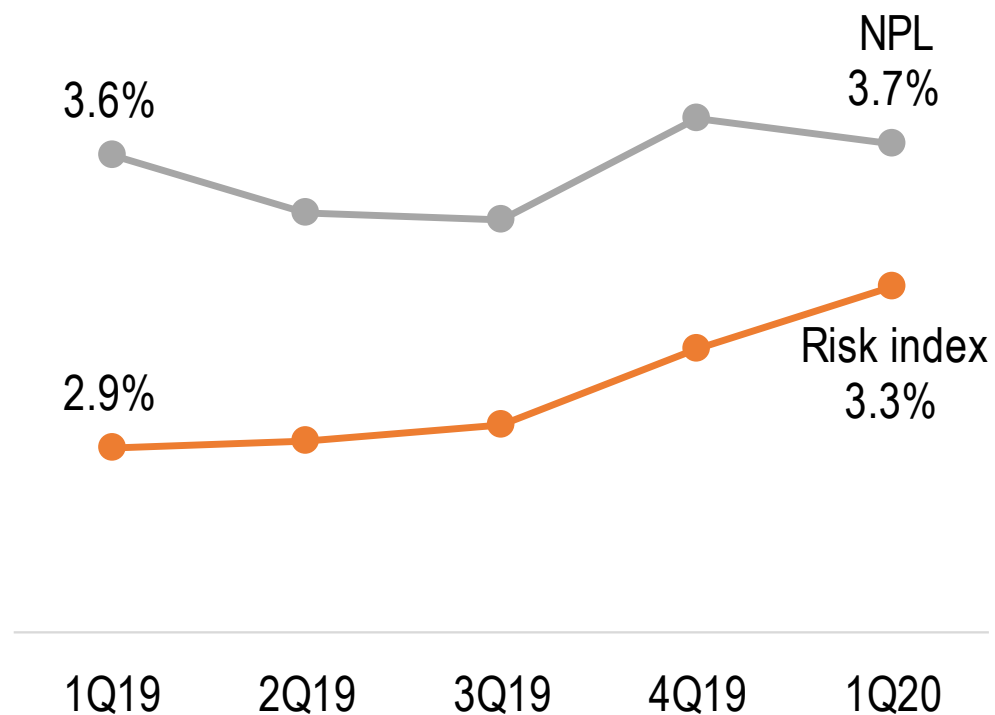


# Current economic slowdown will affect credit quality

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

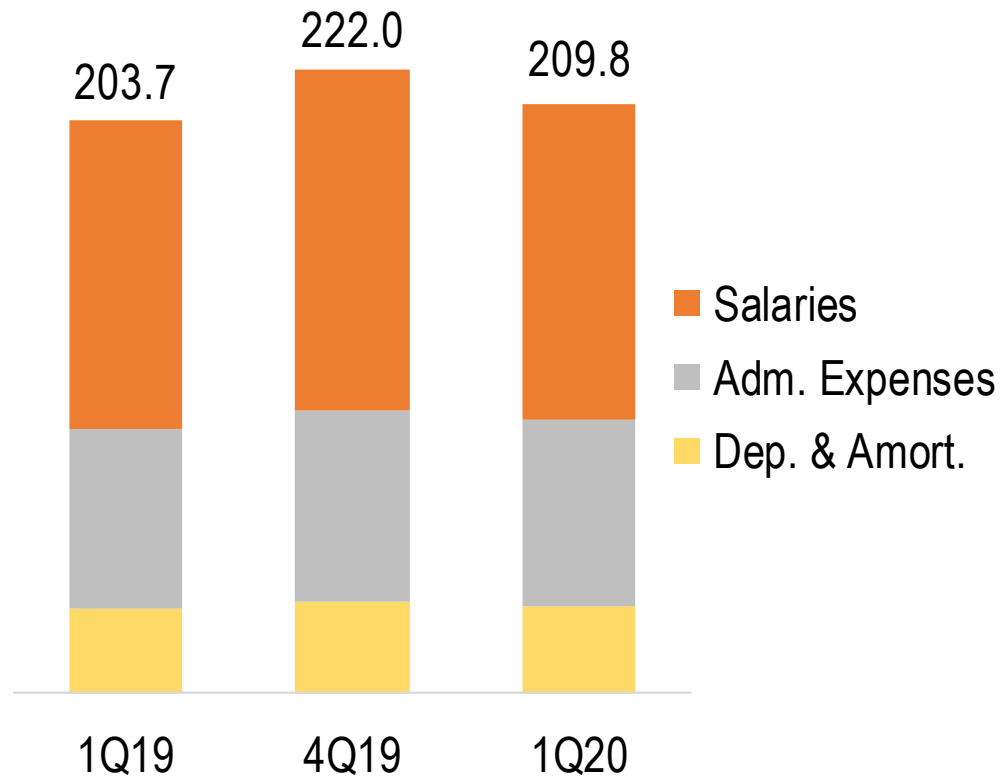


Risk index & Non-performing loans (% of loans)  
1Q19 – 1Q20

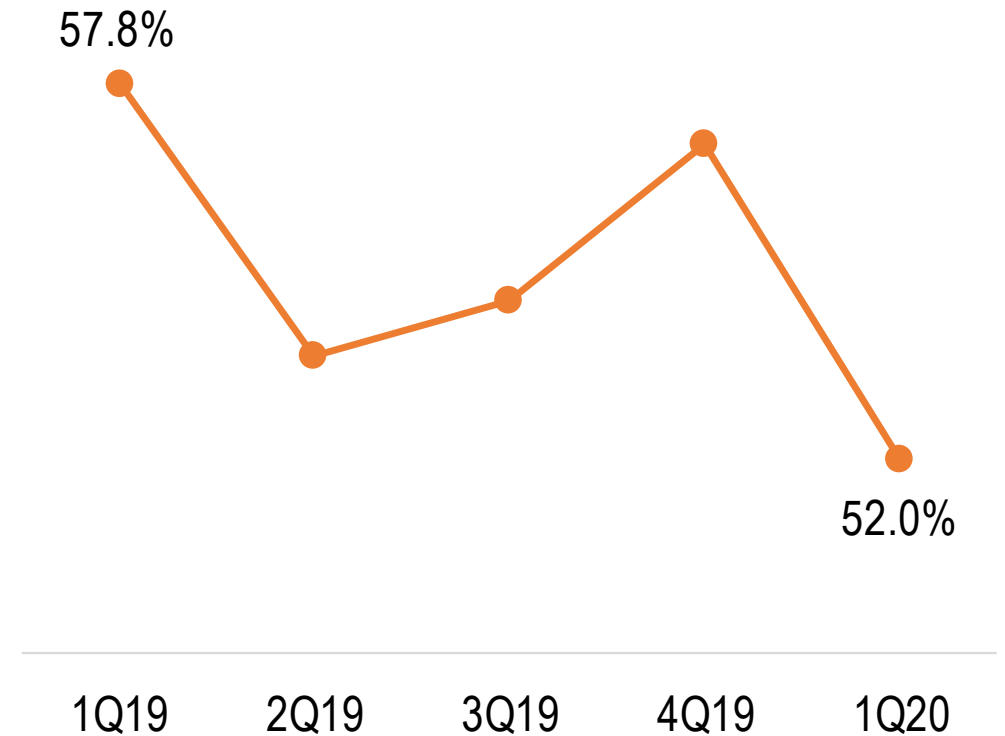


# Control in operating expenses and efficiency improvement

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

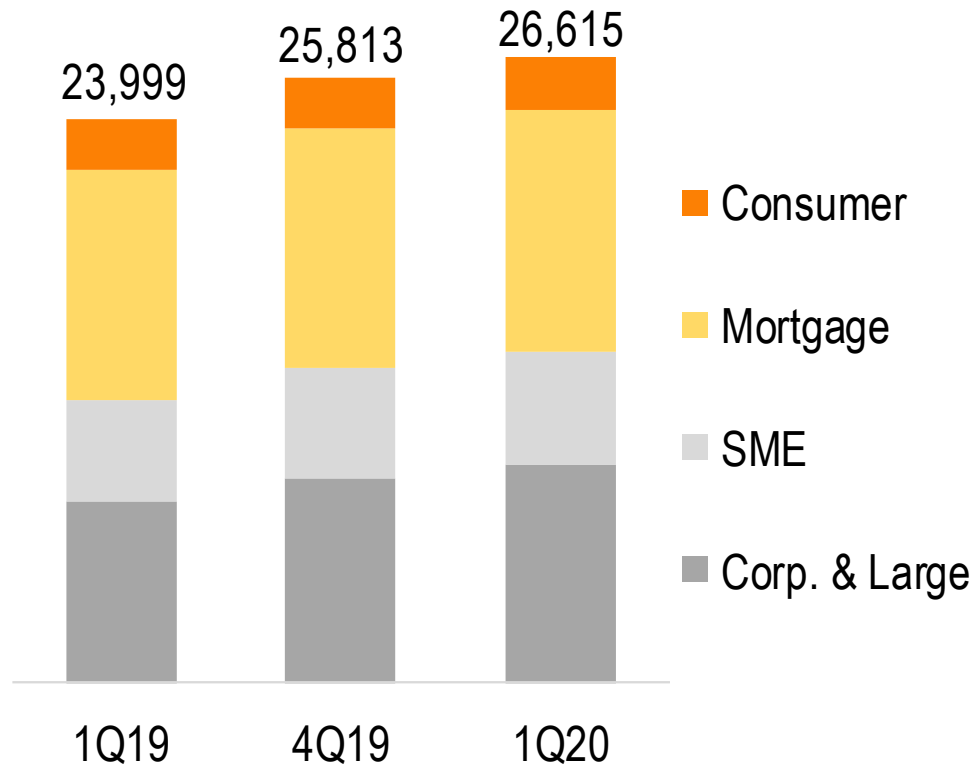


Efficiency (%)  
1Q19 – 1Q20

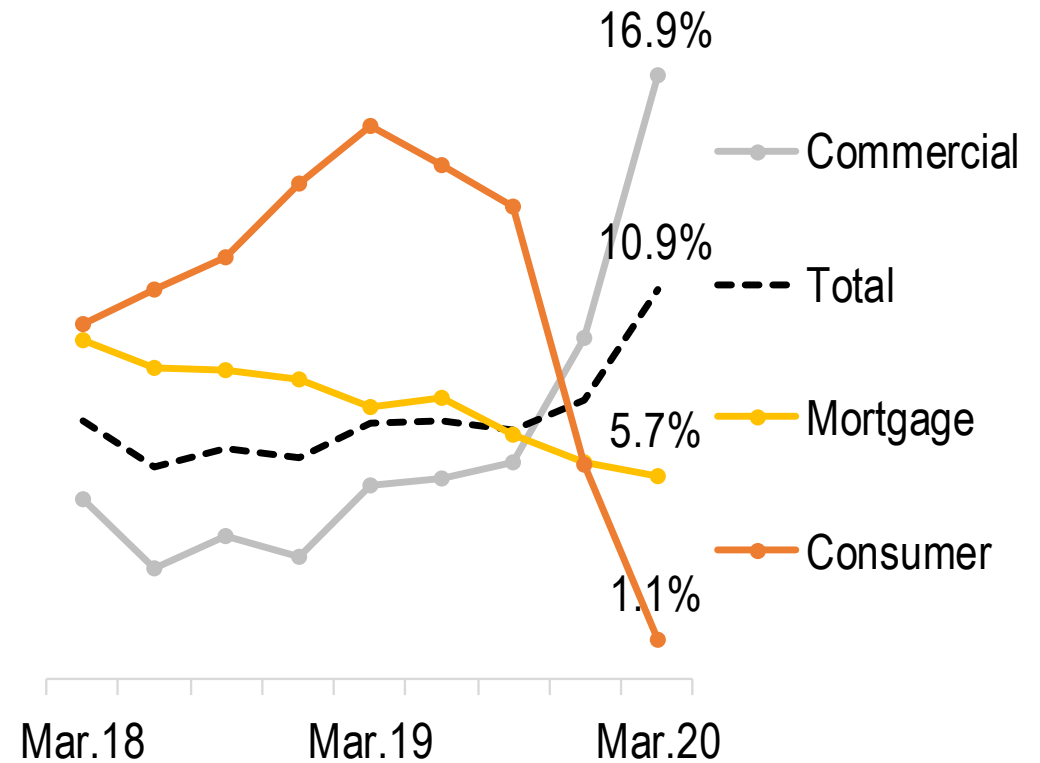


# Credit portfolio: total loans increased 10.9% yoy, maintaining the bank's market share of 14.1%

Total Loans (Ch\$ bn)  
1Q19 – 1Q20



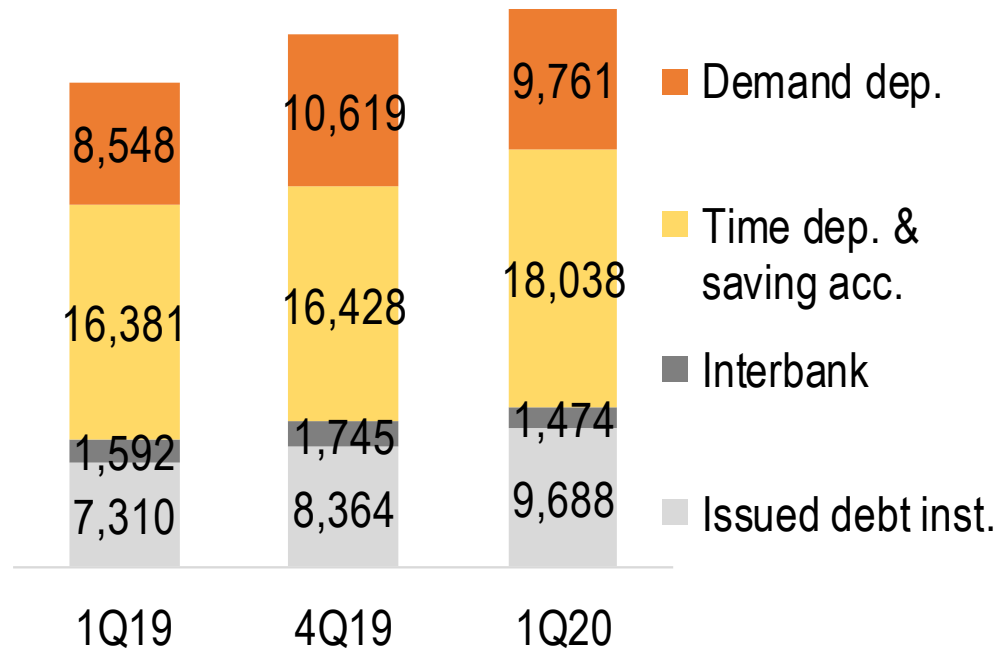
Loan growth (% yoy)  
1Q18 – 1Q20



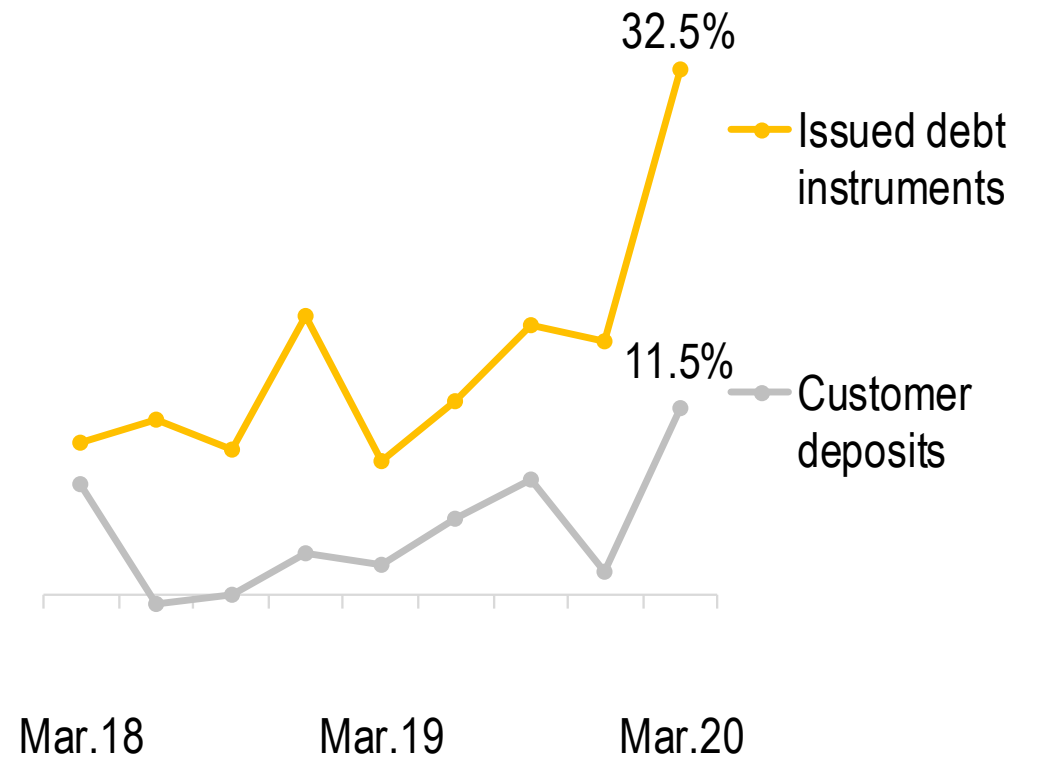


# Customers' deposits increased 11.5%. Funding through the issuance of debt instruments increased 32.5% yoy

Funding (Ch\$ bn)  
1Q19 – 1Q20



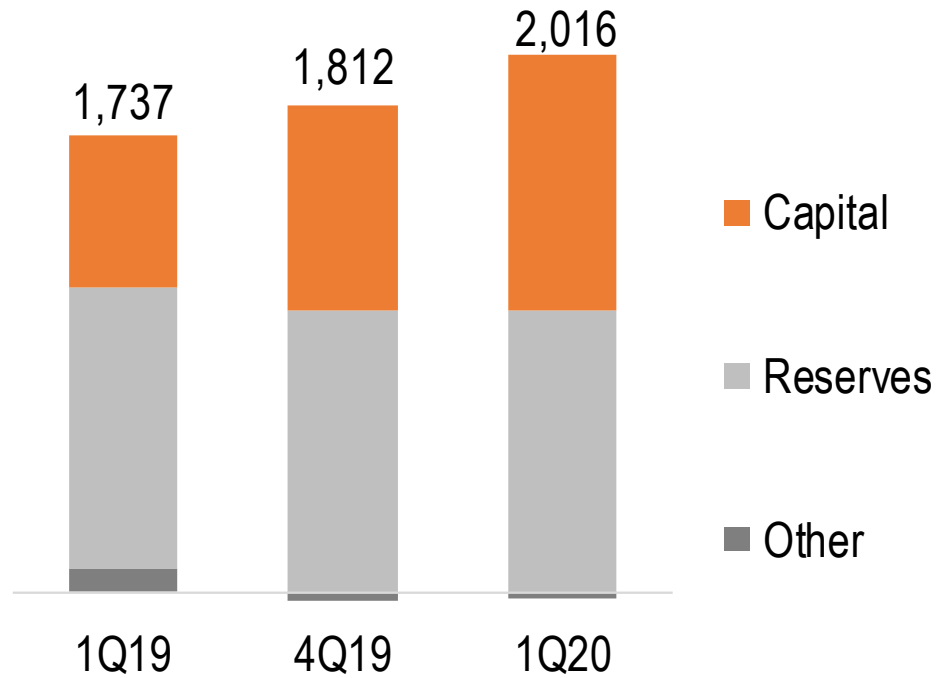
Funding development (% yoy)  
1Q18 – 1Q20



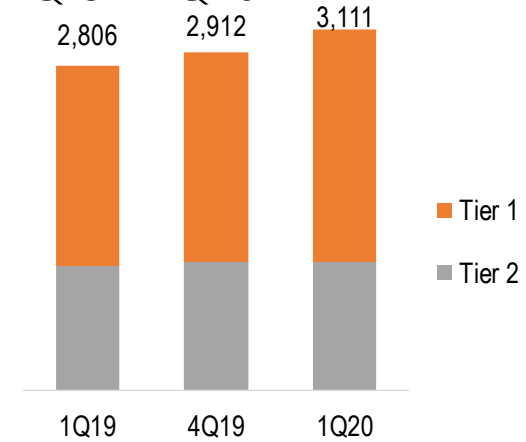


# Capital position strengthened in the last two quarters

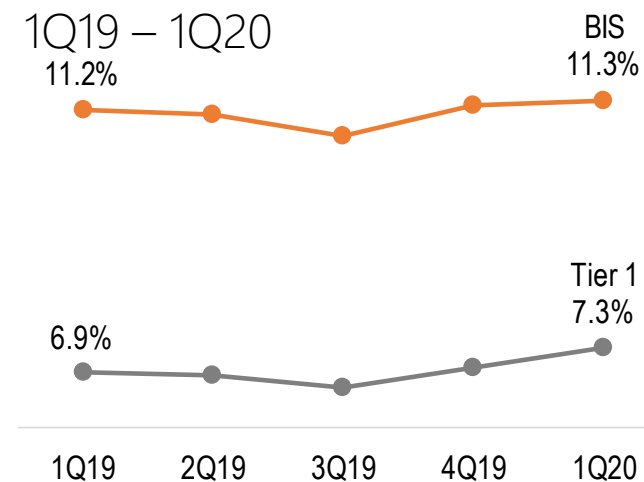
Total Equity (Ch\$ bn)  
1Q19 – 1Q20



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



Tier 1 & BIS Ratios (%)  
1Q19 – 1Q20



# Recent developments

- **Extraordinary capitalization.** BancoEstado's position strengthened in 4Q19-1Q20 after a capital injection of US\$ 500 million. This was part of the Pro-Employment and Economic Recovery Plan implemented in 4Q19.
- Recently, **a new US\$ 500 million capitalization was announced**, in order to inject liquidity into the real economy.
- **The 'Estamos Contigo' Plan.** Over 32 thousand micro and small entrepreneurs received support from BancoEstado due to the contingencies of 2019.
- **New funding measures for clients in 1Q20.** BancoEstado took exceptional steps for helping micro and small business customers, larger companies and retail clients.
- **BancoEstado inaugurates 2020 by underwriting US\$ 750 million in the international bonds market.**



# BancoEstado inaugurates 2020 by underwriting US\$750 million in the international bonds market

The geographical distribution of these investors was 68% USA, 18% Europe, 13% Asia and 1% other countries.

- BancoEstado placed a bond benchmark in USD worth US\$750 million and five (5) years term with a 2.704% annual rate, equivalent to a spread of 110 basis points over the US Treasury.
- This operation had a strong demand from international investors, totaling 2.9 times the issued amount. This placement shows the confidence of foreign investors in BancoEstado.
- On this operation, BancoEstado was supported by Bank of America, Credit Agricole, Goldman Sachs and JP Morgan, achieving very favorable terms and conditions.



# Credit Ratings

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## S&P Global Ratings

S&P (Dec. 2019). 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

Moody's (Jan. 2020). 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



# Financial Information



# Quarterly Income Statement

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch\$ billion	Ch\$ billion	Ch\$ billion	US\$ million	1Q20/1Q19	1Q20/4Q19
Interest income	419.8	553.3	530.3	622.4	26.3%	-4.1%
Interest expense	-168.9	-254.0	-262.5	-308.1	55.5%	3.3%
<b>Net interest income</b>	<b>250.9</b>	<b>299.3</b>	<b>267.8</b>	<b>314.3</b>	<b>6.7%</b>	<b>-10.5%</b>
Fees and commission income	126.5	137.3	139.8	164.0	10.5%	1.8%
Fees and commission expense	-45.7	-53.9	-53.7	-63.0	17.6%	-0.5%
<b>Net fee and commission income</b>	<b>80.8</b>	<b>83.4</b>	<b>86.1</b>	<b>101.0</b>	<b>6.5%</b>	<b>3.3%</b>
Net gain/loss from financial operations	30.8	27.7	94.8	111.3	207.7%	242.5%
Foreign exchange gain/loss net	-3.6	-1.8	-38.6	-45.3	980.3%	1990.4%
Other operating revenue	2.3	8.3	3.8	4.5	64.4%	-54.3%
<b>Total operating income</b>	<b>361.3</b>	<b>416.8</b>	<b>413.9</b>	<b>485.8</b>	<b>14.6%</b>	<b>-0.7%</b>
Provision for loan losses	-46.8	-139.1	-118.9	-139.6	154.3%	-14.5%
<b>NET OPERATING PROFIT</b>	<b>314.5</b>	<b>277.7</b>	<b>295.0</b>	<b>346.2</b>	<b>-6.2%</b>	<b>6.2%</b>
Personnel salaries and expenses	-109.5	-121.0	-112.3	-131.7	2.5%	-7.3%
Administrative expenses	-64.0	-68.0	-66.2	-77.7	3.5%	-2.6%
Depreciation and amortization	-30.2	-32.9	-31.4	-36.8	3.9%	-4.7%
Impairment	0.0	0.0	0.0	-	--	--
Other operating expenses	-9.2	-26.7	-10.4	-12.2	13.3%	-61.2%
<b>TOTAL OPERATING EXPENSES</b>	<b>-212.8</b>	<b>-248.7</b>	<b>-220.2</b>	<b>-258.5</b>	<b>3.5%</b>	<b>-11.5%</b>
<b>Net operating income</b>	<b>101.7</b>	<b>29.0</b>	<b>74.8</b>	<b>87.8</b>	<b>-26.4%</b>	<b>158.0%</b>
Income/loss from investments in other companies	0.4	0.2	0.8	0.9	127.1%	255.8%
<b>Income before income taxes</b>	<b>102.0</b>	<b>29.2</b>	<b>75.6</b>	<b>88.7</b>	<b>-25.9%</b>	<b>158.7%</b>
Income taxes	-62.7	-3.8	-25.3	-29.7	-59.6%	564.8%
<b>NET INCOME FOR THE PERIOD</b>	<b>39.4</b>	<b>25.4</b>	<b>50.3</b>	<b>59.0</b>	<b>27.7%</b>	<b>97.8%</b>
Net income attributable to equity holders	35.9	20.9	46.8	54.9	30.5%	123.6%
Net income attributable to non-controlling interest	3.5	4.5	3.5	4.1	-1.1%	-22.7%

# Assets

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch\$ billion	Ch\$ billion	Ch\$ billion	US\$ million	1Q20/1Q19	1Q20/4Q19
<b>ASSETS</b>						
Cash and deposits in banks	2,185	3,972	5,927	6,956	171.2%	49.2%
Unsettled transactions	368	167	180	211	-51.1%	7.8%
Trading investments	2,204	1,677	1,717	2,015	-22.1%	2.4%
Investments under repurchase agreements	217	145	210	246	-3.6%	44.7%
Financial derivative contracts	675	1,478	2,713	3,185	302.0%	83.6%
Interbank loans	777	457	783	919	0.7%	71.3%
Loans and accounts receivable from customers	23,293	24,994	25,731	30,199	10.5%	2.9%
Available-for-sale investments	6,704	7,647	6,448	7,568	-3.8%	-15.7%
Held to maturity investments	21	18	18	21	-16.0%	1.0%
Investments in other companies	16	18	19	22	16.1%	4.6%
Intangibles	192	136	122	143	-36.7%	-10.5%
Property, plant and equipment	357	348	351	412	-1.6%	0.9%
Right-of-use assets	125	98	101	119	-18.6%	3.5%
Current taxes	3	1	2	2	-51.9%	17.3%
Deferred taxes	871	992	994	1,166	14.0%	0.1%
Other assets	831	1,208	848	996	2.0%	-29.7%
<b>TOTAL ASSETS</b>	<b>38,842</b>	<b>43,355</b>	<b>46,163</b>	<b>54,181</b>	<b>18.9%</b>	<b>6.5%</b>

# Liabilities & Equity

	1Q19	4Q19	1Q20	1Q20	Change	
	Ch\$ billion	Ch\$ billion	Ch\$ billion	US\$ million	1Q20/1Q19	1Q20/4Q19
<b>LIABILITIES</b>						
Deposits and other demand liabilities	8,548	10,619	9,761	11,456	14.2%	-8.1%
Unsettled transactions	328	126	200	235	-39.0%	58.5%
Investments under repurchase agreements	708	925	1,018	1,195	43.9%	10.1%
Time deposits and other time liabilities	16,381	16,428	18,038	21,170	10.1%	9.8%
Financial derivative contracts	664	1,325	2,180	2,559	228.5%	64.6%
Interbank borrowings	1,592	1,745	1,474	1,730	-7.4%	-15.5%
Issued debt instruments	7,310	8,364	9,688	11,370	32.5%	15.8%
Other financial liabilities	45	26	19	22	-57.7%	-25.1%
Lease obligations	94	84	88	103	-6.4%	4.5%
Current taxes	107	203	223	262	109.5%	10.2%
Deferred taxes	0	0	0	-	-100.0%	--
Provisions	792	880	895	1,050	12.9%	1.6%
Other liabilities	535	818	563	661	5.2%	-31.1%
<b>TOTAL LIABILITIES</b>	<b>37,105</b>	<b>41,543</b>	<b>44,147</b>	<b>51,814</b>	<b>19.0%</b>	<b>6.3%</b>
<b>EQUITY</b>						
Capital	575	776	970	1,139	68.9%	25.0%
Reserves	1,075	1,071	1,072	1,259	-0.2%	0.1%
Valuation accounts	-23	-45	-39	-45	71.8%	-13.6%
Retained earnings	101	0	0	-	-100.0%	--
From previous periods	166	0	167	196	0.6%	--
Net income for the period	36	167	47	55	30.5%	-72.0%
Provision for distribution of income to the State	-101	-167	-214	-251	111.9%	28.0%
Total owners' equity	1,728	1,803	2,004	2,352	16.0%	11.2%
Non-controlling interests	9	9	12	14	32.4%	34.2%
<b>TOTAL EQUITY</b>	<b>1,737</b>	<b>1,812</b>	<b>2,016</b>	<b>2,366</b>	<b>16.1%</b>	<b>11.3%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>38,842</b>	<b>43,355</b>	<b>46,163</b>	<b>54,181</b>	<b>18.9%</b>	<b>6.5%</b>

