

CREDIT OPINION

5 October 2023

Update



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RATINGS

Banco Itau Chile

Domicile	Santiago, Chile
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Withdrawn
Type	Senior Unsecured - Fgn Curr
Outlook	Rating(s) WithDrawn
Long Term Deposit	A3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Banco Itaú Chile

Update to credit analysis

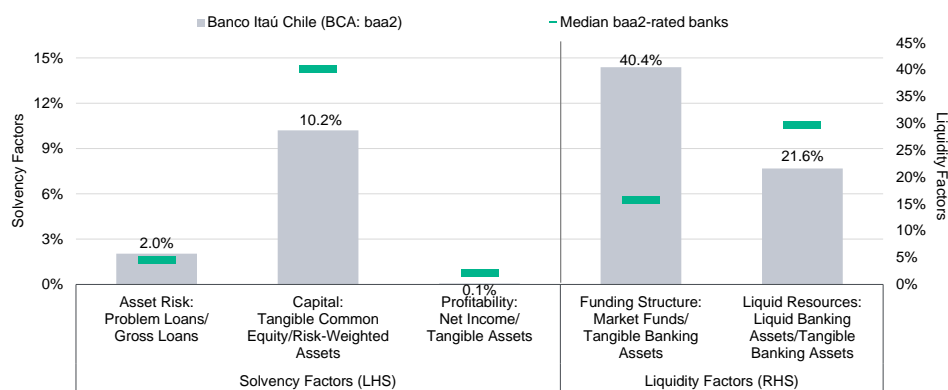
Summary

[Banco Itaú Chile's](#) (Itaú) baa2 standalone Baseline Credit Assessment (BCA) reflects the bank's improved asset quality, profitability and capital indicators, supported by a proactive and disciplined risk management. The BCA also incorporates our expectation that risks will be more contained over the next 12 to 18 months due to rigid risk underwriting criteria and conservative provisioning policies established by its Brazilian parent [Itaú Unibanco Holding S.A.](#) (Itaú Unibanco, Ba3 stable).

Itaú's A3 deposit ratings result from our assessment of support from Itaú Unibanco and the [Government of Chile](#) (A2 stable), both of which result in a two-notch uplift from its standalone BCA of baa2. The outlook is stable, in line with the outlook on the sovereign rating of the Government of Chile.

Exhibit 1

Rating Scorecard - Key financial ratios Itaú's scorecard ratios as of June 2023



Note: Ratios are from Moody's banking scorecard. Capital ratio is as of most recent period; Asset Risk and Profitability ratios are the worse of the most recent year-to-date period or the average of the last three years and the most recent year-to-date; Funding Structure and Liquid Resources ratios are as of the most recent year-end.

Source: Moody's Financial Metrics

Credit strengths

- » Retail strategy, supported by Itaú Unibanco's ample experience in this segment in Brazil, will support the improvements in core profitability that the bank has experienced.
- » Improved capitalization supported by earnings generation

Credit challenges

- » The relatively higher focus on wholesale and above-peer levels of funding and operating costs still limits profitability relative to that of peers in Chile
- » Wholesale funding mix, but with a long-term focus on increasing retail deposits.

Outlook

The stable outlook on Itaú's A3 deposit rating reflects Moody's expectation that earnings generation capacity will continue to improve, supporting stable capitalization, and as such, enhance Itaú's loss absorption. On the other hand, this partly compensates the limitations on further asset quality improvements as the franchise increases its position in the competitive retail banking business in Chile.

Factors that could lead to an upgrade

Upward ratings pressure is more limited because Itaú's ratings already benefit from one notch of uplift resulting from Moody's assessment of very high affiliate support from Itaú Unibanco and high government support in line with the bank's systemic importance. Upward pressure on the bank's BCA would increase in line with a higher profitability and lower problem loans, coupled with stability in the bank's capitalization.

Factors that could lead to a downgrade

Conversely, Itaú's ratings, could be downgraded if asset quality deteriorates substantially, with negative impacts to profitability. Capital is also a key rating driver and a fall would also pressure its deposit ratings downward.

Key indicators

Exhibit 2

Banco Itau Chile (Consolidated Financials) [1]

	06-23 ²	12-22 ²	12-21 ²	12-20 ²	12-19 ²	CAGR/Avg. ³
Total Assets (CLP Billion)	40,578.3	40,504.3	37,856.7	35,638.6	33,740.4	5.4 ⁴
Total Assets (USD Million)	50,586.9	47,543.0	44,675.0	50,159.9	44,870.5	3.5 ⁴
Tangible Common Equity (CLP Billion)	2,890.8	2,790.1	2,754.3	1,360.5	1,745.1	15.5 ⁴
Tangible Common Equity (USD Million)	3,603.8	3,275.0	3,250.3	1,914.8	2,320.8	13.4 ⁴
Problem Loans / Gross Loans (%)	2.0	2.0	1.9	2.2	2.8	2.2 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	10.2	10.1	10.8	5.9	6.9	8.8 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	14.8	14.9	13.1	22.3	25.9	18.2 ⁵
Net Interest Margin (%)	2.7	2.9	2.7	2.4	2.9	2.7 ⁵
PPI / Average RWA (%)	2.5	2.6	2.7	1.2	2.0	2.2 ⁶
Net Income / Tangible Assets (%)	1.1	1.1	0.8	-2.7	0.4	0.1 ⁵
Cost / Income Ratio (%)	50.3	52.3	51.3	71.4	59.9	57.1 ⁵
Market Funds / Tangible Banking Assets (%)	41.0	40.4	38.7	38.4	36.3	39.0 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	22.8	21.6	23.4	22.7	16.0	21.3 ⁵
Gross Loans / Due to Customers (%)	145.5	145.8	140.0	128.1	140.4	140.0 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.