

## Rating Action: Moody's Ratings affirms Banco Itaú Chile's A3 deposit ratings; outlook stable

14 Aug 2025

New York, August 14, 2025 -- Moody's Ratings (Moody's) has affirmed all ratings and assessments assigned to Banco Itaú Chile (Itau Chile), including the bank's A3/P-2 long- and short-term local and foreign currency deposit ratings, the A2/P-1 long- and short-term local and foreign currency Counterparty Risk Ratings, as well as its baa2 baseline credit assessment (BCA) and baa1 adjusted BCA. In addition, we also affirmed Itau Chile's long-and short-term Counterparty Risk Assessments (CRA) of A2(cr)/P-1(cr). The outlook on the long-term deposits remains stable.

## **RATINGS RATIONALE**

The affirmation of Itau Chile's ratings reflects its robust risk management, ample reserve coverage, and adequate capital position. While the bank's profitability has improved following its strategic shift towards increasing retail lending and core deposit funding over the past three years, profitability levels reported by Itau Chile remain below those of its larger peers in the country.

Amid modest economic growth both in Chile and in Colombia, through its wholly-owned subsidiary Itaú Colombia S.A. (Baa3 stable, ba2), Itau Chile has been able to maintain both low consolidated problem loans at 2.4% of gross loans in June 2025, consistently below the average of its larger Chilean peers, and relatively low single borrower exposures. The bank's commitment to maintain good loss absorption is demonstrated by an ample loan loss reserve coverage at 146% of problem loans, as of June 2025, and adequate tangible common equity to risk-weighted assets at 11.9% as of June 2025, from 10.1% in 2022, that has increased in the past three years as a result of stronger earnings generation capacity and restrained dividend payouts.

The bank's profitability has gradually improved because of a focus on becoming a leading choice among clients, despite facing stiff competition from larger, more diversified peers in Chile, as well as in Colombia. Net income stood at 1.0% of tangible baking assets in June 2025, slightly up from the 0.9% a year earlier. In June 2025, Itau Chile's net interest margin at 2.9% incorporated its relatively high funding costs, despite a consistent growth of core deposit funding. As of June 2025, deposits composed 56% of Itau Chile's funding mix, up from 49% in 2022.

The baa1 Adjusted BCA assigned to Itau Chile benefits from our assessment of a very high probability of affiliate support, which results in one notch of uplift from the bank's baa2 BCA, stemming from its controlling shareholder, Itaú Unibanco S.A. (Ba1 stable, ba1). This assessment takes into consideration the level of controls and managerial involvement, as well as integrated risk oversight adopted by the Brazilian parent with all its subsidiary.

We incorporate a high likelihood of support from the Government of Chile (Chile, A2 stable) for Itau Chile, based on it systemic importance as the sixth largest bank in Chile in term of loans and deposits. As of June 2025, Itau Chile held 9.4% of gross loans and 8.4% of deposits. Our assessment of government support translates into one additional notch uplift from the Adjusted BCA of baa1 to a deposit rating of A3.

The stable outlook on Itau Chile's A3 long-term deposit rating reflects the stable outlook on Chile, and our expectation of steady capitalization, limited asset quality deterioration in the next quarters despite a slow economic growth in Chile and Colombia, and the bank's good core earnings.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward ratings pressure is more limited because Itau Chile's ratings already benefit from one notch of uplift resulting from our assessment of very high affiliate support from Itau Unibanco and high government support in line with the bank's systemic importance. Upward pressure on the bank's BCA of baa2 would increase as a result of higher profitability stemming from the bank's focus on increasing its core funding mix and retail banking operation.

Conversely, Itau Chile's ratings could be downgraded if asset quality deteriorates substantially, with negative impacts to profitability. As a key rating driver, downward pressure would also arise if there is a sustainable fall on capitalization.

The principal methodology used in these ratings was Banks published in November 2024 and available at <a href="https://ratings.moodys.com/rmc-documents/432741">https://ratings.moodys.com/rmc-documents/432741</a>. Alternatively, please see the Rating Methodologies page on <a href="https://ratings.moodys.com">https://ratings.moodys.com</a> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

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