Banco Itaú Chile 2Q 2025 Earnings Conference Call

for the period ending June 30, 2025

Banco Itaú Chile (SSE: ITAUCL)

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CORPORATE PARTICIPANTS

André Gailey*, Chief Executive Officer*

Emiliano Muratore, *Chief Financial Officer*

Andrés Pérez, *Chief Economist*

Matías Valenzuela, *Head of Planning and Corporate Strategy*

PRESENTATION

Matías Valenzuela

Head of Planning and Corporate Strategy

Good morning, everyone, and thank you for joining our 2Q25 conference call. My name is Matias Valenzuela, Head of Planning and Corporate Strategy at Itaú Chile. I am here today with our CEO, Andre Gailey; our CFO, Emiliano Muratore; and our Chief Economist, Andres Perez. We are pleased to present our results for the 2Q25.

Before we begin, I would like to remind you that this presentation may include forward-looking statements. Actual results might differ materially from those discussed.

I would also like to draw your attention to the financial information presented in the management discussion and analysis, which is based on our managerial model. This model adjusts for

nonrecurring events and applies internal criteria to present our income statement in a way that reflects how we manage the business.

Since the 2Q19, we have been presenting our income statement in the same format we use internally. This approach allows us to analyze and discuss our performance across 4 key dimensions: commercial performance; financial risk management; credit risk management and cost efficiency. We believe this model offers a clearer and more consistent view of our financial performance. For more details, please refer to pages 15 to 16 of our MDA report.

With that, I will now turn it over to our CEO, Andre Gailey, to continue the presentation. Good morning, Andre.

André Gailey

Chief Executive Officer

Good morning, and thank you for joining us today. Let me begin by highlighting the key achievements and developments for this quarter.

First, we are proud to share that for the fourth consecutive year, we have been recognized as the most recommended bank by our clients in the retail segment according to Servitest by Ipsos. This recognition, confirming our leadership in customer satisfaction, is a clear validation of our long-standing commitment to putting the customers at the center of everything we do. It reflects the trust we have built with customers we serve.

Second, we highlight our continuous focus on capital discipline, risk management and solid solvency levels. Over the past year, we ranked first among peers in capital generation, closing the quarter with a CET1 capital ratio of 12%. This strong capital base enhances our flexibility to pursue strategic growth while maintaining a prudent risk profile.

Third, on the credit front, loan growth in Chile remained slow during the 1H25, in line with softer economic activity and lower demand across segments. While market dynamics remain challenging, we anticipate a more active 2H and growth for 2025 in line with the market.

Fourth, we continue to diversify our revenue base. Growth in commissions and fees remains healthy, supported by increased client activity in areas such as asset management and financial advisory. This trend aligns with our broader strategy to strengthen client relationships and deepen engagement across high-value services.

Turning to culture and people, we are especially proud to have reached our highest ever employee Net Promoter Score. This reflects the strong engagement, motivation and alignment of our teams. We have been recognized as one of the best places to work for LGBTI+ Talent, a recognition that underscores our ongoing commitment to inclusion and a purpose-led culture.

Finally, in Colombia, we are executing our transformation plan with discipline. This quarter, we made meaningful progress in streamlining retail operations and reallocating capital towards the corporate segment, laying the groundwork for a more efficient, focused business. During this quarter, we have recognized costs associated with this transformation.

With that, we will now hand over to Andres Perez, who will walk us through macroeconomic outlook for Chile and Colombia. Good morning, Andres.

Andrés Pérez

Chief Economist

Good morning, Andre. Good morning, everyone. On this slide, I will provide a quick overview of the economic scenario in Chile.

During the 2Q25, the external macro environment became considerably more volatile and uncertain, partly due to shifting announcements regarding U.S. trade policy and their implications, as well as an escalation of military conflicts in the Middle East.

Domestically, economic activity was somewhat more dynamic than expected, albeit with important swings in mining, which tends to be quite volatile at a monthly frequency. According to the monthly GDP proxy, activity rose by 2.9% year-on-year in the 2Q25, up from 2.3% in the previous quarter.

In contrast to better-than-expected activity, however, the labor market continues to display some slack, likely due to rising labor costs in recent years. On the nominal side, headline inflation fell to 4.1% in June, the lowest print since September 2024, yet still above the 3% target.

In this context, the Central Bank of Chile maintained the policy rate at 5% in the quarter through June, yet signaled cuts later in the year. We will comment on the industry's loans growth further in this presentation.

Regarding funding, demand deposits grew by 3.9% with an annual rise of 2.8% in deposits from individuals, complemented by a 2.9% expansion in corporate demand deposits. Meanwhile, time deposits expanded by 3.3% over the past year, likely responding to changes in rates.

In addition to the variation in deposit levels, mutual fund investments continued their growth trend, rising 22.9% year-on-year. This trend reflects an increased appetite for higher yield alternatives amid declining deposit interest rates.

On the next slide, we show our forecast for this year and next for the Chilean economy. Factors that led to a strong start to activity this year are expectedly fading even though mining production continues to outperform, leading us to maintain our 2025 GDP call at 2.6%.

For context, Chile's potential GDP is estimated roughly at 2%. We expect a moderation of economic activity in the second year. The fiscal deficit is projected to narrow further, primarily due to a revenue recovery already taking place. Persistent labor market slack could be a headwind to private

consumption in the coming quarters. However, the recovery of mining-related investment may spill over to other sectors and support growth.

On the external front, even though tariff-related uncertainty has been high, practically all of Chilean copper exports to the U.S. have been exempt from the 50% tariff and other exports maintain the minimum 10% tariff for now. We forecast inflation ending the year at 3.8% with an important decline in annual prints during the 2H25, driven by base effects. Importantly, inflation expectations at the policy horizon remain anchored at the 3% target.

The Central Bank delivered a unanimous 25 bps cut in July as expected, and we forecast another 2 cuts by year-end to end the year at 4.25%. For context, the BCCH, the Central Bank of Chile, estimates the center of the nominal neutral rate at 4%.

Now for a quick overview of Colombia's recent economic performance, economic activity began the 2Q25 with strong momentum, primarily driven by an outperformance of consumption on the demand side. The unemployment rate has declined towards 9% on a seasonally adjusted basis, below the Central Bank's natural rate estimate.

GDP growth is expected to range between 2% and 2.5% during the 2Q25, and the marginal basis, inflation accumulated during the quarter is estimated at 5.6% that is seasonally adjusted and annualized, compared to 5.2% in the 1Q25.

Core inflation remains elevated at 5.4%, up from 5.2% in the 1Q25 due to persistent inflation in services following significant increases in the minimum wage. In this context, the Central Bank of Colombia cut the monetary policy rate by 25 bps in May to 9.25% in a unanimous decision.

On the next slide, for our economic outlook for Colombia, activity started the 2Q25 on a strong foot, leading us to maintain our 2025 GDP growth forecast at 2.5% with risks tilted towards higher growth. The economy is projected to expand at a similar pace in 2026.

While inflation surprised to the downside slightly for the second month in June, we retained our year-end inflation call at 5.1% and for 2026 at 3.6%. The disinflationary process this year is

expected to slow in the 2H25 due to base effects. Our forecast considers the Central Bank of Colombia taking the policy rate by year-end to 8.75%, while we continue to anticipate a year-end 2026 rate of 7.75%.

Now, Emiliano Muratore, our CFO, will continue the presentation. Good morning, Emiliano.

Emiliano Muratore

Chief Financial Officer

Thank you, Andres, and good morning, everyone. Before I begin, I would like to let you know that my voice in this presentation has been generated using artificial intelligence. We believe this not only improves clarity, but also offers a small tangible example of how we are thoughtfully integrating AI across various areas of our Bank, driving innovation and efficiency.

Let me now turn to the key developments in client satisfaction, culture, talent and sustainability during the 1H25.

As Andre mentioned earlier, we are proud to have been recognized for the fourth consecutive year as the most recommended bank by our retail clients according to Servitest by Ipsos. This achievement reflects the impact of our unwavering focus on client service and experience, which remains at the core of our strategy. We are consistently earning the trust of our customers and reinforcing our position as the Bank that puts them first.

Another fundamental pillar of our strategy is our people and culture. This year, we achieved the highest level of employee satisfaction in our history since we began measuring engagement. This milestone is the result of sustained efforts to build a strong purpose-driven culture throughout the organization.

We were also honored to be named one of the Best Places to Work for LGBTI+ talent, a recognition that underscores our values of diversity, equity and inclusion and our commitment to creating a workplace where every identity is respected and empowered.

In addition, during the quarter, we successfully concluded negotiations with 3 of our 5 unions, entering into new collective bargaining agreements valid for the next 36 months as of July. This outcome reflects our constructive dialogue with employee representatives and our shared commitment to long-term collaboration.

On the sustainability front, we launched our new sustainable finance framework, which defines 4 social and 6 green eligible categories. This framework supports our broader climate transition strategy and reinforces our pledge to reach net zero emissions by 2050. In this line, our framework received a second-party opinion from S&P, which reported no identified weaknesses, a strong endorsement of its quality and integrity.

Finally, in line with our social impact commitments, we continue to advance in financial education and inclusive talent development. In the 1H25, we opened 3 new finance labs at Chilean universities, bringing our total to 5 labs across the country. These labs are designed to support financial literacy to increase the participation of women in STEM and to foster broader talent development in critical areas.

Let's now turn to our financial advisory and deal activity for the 2Q25, where we continue to see strong momentum across M&A, corporate finance and debt capital markets. We are proud to report that we ranked number 1 in local DCM transactions by total volume and number 2 in M&A advisory in Chile during the 1H of the year. These results are a clear evidence of the trust placed in us by our clients and the strength of our corporate and investment banking franchise.

This quarter, we continued to successfully advise and structure corporate financing transactions across Chile, Brazil and Peru, once again demonstrating the value of being part of the Itaú Unibanco Group.

Our ability to leverage the Group's regional reach and global platform enables us to originate and execute cross-border deals with scale and efficiency. These transactions reflect not only our broad sector expertise but also our proven capacity to mobilize capital across markets, supporting our clients' most strategic initiatives.

Turning now to some of our key financial highlights for the quarter in Chile, we are pleased to report a continued stable trend in our financial margin with clients, which reached 3.7%, up from 3.4% in the same quarter last year. This improvement was achieved while maintaining a cost of credit rate of 1.1%, well within our expected range.

As a result, our net financial margin with clients rose to 2.6% by the end of the 2Q, extending the solid trajectory we have seen in previous quarters and confirming the resilience of our core earnings.

On the capital front, we further strengthened our position. Our CET1 capital ratio rose to 12%, representing a buffer of approximately 370 bps above the regulatory minimum of 8.3%. This buffer is not only significant but also well above our peers' median, reflecting our commitment to disciplined capital management and a prudent risk approach. With this result, we are positioned as the top-ranked bank among peers in capital generation over the last 12 months.

Regarding profitability, return on tangible equity normalized to 13% this quarter as anticipated. This evolution reflects the expected post FCIC adjustment and is fully aligned with our forward guidance.

This quarter's results confirm our ability to sustain healthy and predictable margins, to strengthen our capital buffers and to deliver consistent solid profitability, all while operating within a stable risk and cost environment.

Now let's turn to the next slide to have an overview of our loans. By the end of the 2Q25, total loans in the Chilean banking industry grew by 3.9% year-over-year in nominal terms. This growth was mainly driven by mortgage lending, which grew by 5.6%, and consumer lending with a growth of

6%. In contrast, commercial loans grew only 2.2%, reflecting weaker business investment and a cautious stance on corporate financing across the sector.

From a portfolio composition perspective, mortgage loans have maintained solid traction, supported by more stable financial conditions. Consumer credit has also rebounded in recent months, thanks to lower interest rates and a gradual recovery in employment. Meanwhile, commercial credit continues to lag, consistent with the current stage of the economic cycle.

Let's now look at Itaú Chile's performance in this context. Over the 12 months, total loan growth stood at 0.4%. Breaking this down by segment, we can see that our mortgage portfolio has been the primary loan growth driver with 7.4% year-over-year growth, well above industry's 5.6%.

In this line, we would like to point out that we are participating in the FOGAES program launched by the government in May, aimed at fostering the housing market in Chile by providing incentives for customers to have access to mortgage loan. This program, which covers 60% of property values and interest rate subsidies of up to 60 bps, is expected to stimulate growth in the mortgage portfolio.

We are well positioned to benefit from it, not only in mortgage lending but also through positive spillover effects on our corporate loan book, particularly with real estate developers.

In terms of our consumer loan portfolio, we saw a contraction of 0.5%. This contraction reflects our deliberate strategy of achieving an enhanced risk control and focusing on portfolio selectivity.

As discussed in our 1Q results, we have prioritized growing in new money and controlling growth of refinanced and renegotiated loans. This strategy is already yielding results. We recorded the largest reduction in renegotiated loan market share among our peers by the end of the quarter, demonstrating a measurable improvement in our risk profile.

Now regarding our commercial portfolio, lending declined 3.1% year-over-year. This movement was driven by subdued demand, selective origination and cautious investment behavior across the business sector. We continue to focus on quality over volume in this segment.

Quarter-over-quarter, Itaú Chile's total loans grew by 0.6%, in line with the industry. Our mortgage loans grew 1.6%, slightly ahead of the industry's 1.1%, while commercial loans rose 0.4%, which was broadly in line with the market. In turn, consumer loans declined 1.3% versus 1% growth in the industry, again, reflecting our continued focus on disciplined risk management.

While overall loan growth remains modest, our results demonstrate consistency in our strategy of capitalizing on targeted opportunities in mortgage lending, proactively managing risk in consumer lending and maintaining discipline in commercial lending. In all cases, aligning growth with our risk appetite, pricing discipline and forward-looking view of market conditions.

Moving on to funding and assets under management, in the 2Q, demand deposits continued to show strong performance, aligned with our strategy of deepening the relationship with our clients.

Itaú Chile posted 12-month growth of 7.3%, significantly outpacing the Banking industry average of 3.9% and the peer group average of just 2.3%.

In terms of composition of the portfolio, demand deposits of individuals grew by 4.5%, above the industry's 2.8% growth, and companies' demand deposits showed even stronger momentum, increasing by 6.5%, while the industry grew by 2.9% in this segment.

This positions us among the top 2 banks in terms of year-over-year demand deposit growth with an increase of 19 bps of market share in demand deposits over the last 12 months, resulting in a 6% share at the end of the quarter. In terms of time deposits, we recorded a 12.4% decline over 12 months versus an industry growth of 3.3%. This decline primarily reflects the reduction in customer appetite amid falling interest rates, a trend seen across the system.

Turning to assets under management, we delivered a 26.2% increase year-over-year, outperforming the industry's 22.9% growth. This momentum helped us expand our market share in AUM to 5.6%, an improvement of 15 bps over the last 12 months. These results show that our strategy to build deeper relationships and offer top-tier financial products to our clients is paying off.

Lastly, in terms of funding cost, as shown in the bottom right panel of the slide, our primary issuance of local bond spreads tightened meaningfully in the 2Q, in line with AAA-rated peers, down from an average of 7.9 bps since 2024.

This significant improvement is directly tied to the credit rating actions taken earlier this year, including an upgrade to AAA by Feller Rate and a positive outlook assigned by ICR. Together, these upgrades have lowered our funding costs and enhanced efficiency in our access to capital markets, strengthening our ability to fund growth in a more cost-efficient and competitive way.

The next slide summarizes our key consolidated indicators for the quarter. Our consolidated financial margin with clients stood at $332.3 billion, and our net interest margin reached 3.4%, reflecting continued resilience in our core banking activity.

Commissions and fees totaled $56.9 billion, supported by stable client activity and a diversified service offering. The cost of credit was $82.6 billion, remaining within our expected range and aligned with our disciplined risk management approach. Finally, our consolidated recurring net income reached $98.8 billion, translating into a return on tangible equity of 11.1% for the quarter.

These results reflect the solid fundamentals of our business anchored in stable margins, strong credit quality and disciplined capital allocation.

Moving on to the next slide, our financial margin with clients continued its positive trajectory, increasing by 1.1% quarter-over-quarter and 1.3% year-over-year and reaching a rate of 3.7%, which represents a 27 bps improvement compared to the same period last year.

This quarter's performance was primarily driven by active management of our impaired loan portfolio and stable levels of credit spreads. However, this increase was partially offset by softer growth in commercial lending in the quarter and lower client activity in FX and derivatives.

On a year-over-year basis, the improvement in the financial margin with clients is mostly explained by a positive trend in spreads, which was partly tempered by slower growth in loans.

On the next slide, we take a closer look at our financial margin with the market, which posted a decline of 81% quarter-over-quarter and 96% year-over-year in the 2Q. This decline was primarily driven by negative trading results, reflecting increased market volatility and lower commercial activity.

Over the past few months, we have enhanced the structure of our trading division, incorporating new talent to reinforce capabilities and promote greater stability and performance. This is aligned with our broader strategy to build a client-centric treasury platform, designed to improve the quality and consistency of solutions delivered to our clients.

Turning to ALM in June, Itaú executed its first-ever bond repurchase, a strategic move aimed at improving our structural liquidity position, diversifying future maturities and also generating a positive impact on results for the quarter. From a year-over-year perspective, it's also worth noting that results for the 2Q24 still included a positive impact from the FCIC program, which created a high comparison base.

Lastly, I would highlight our limited exposure to inflation, thanks to the close alignment between our funding and loan structures. This risk-match balance sheet continues to shield our results from inflationary shocks and allows us to benefit from the tailwind of monetary policy rate reductions observed in recent quarters.

In short, while market-related results were softer this quarter, we are taking decisive steps to improve performance, strengthen the team and ensure long-term value creation in this line of business.

Turning to the next slide. We saw strong performance in commissions and fees, which increased by 16.9% quarter-over-quarter and 23.6% year-over-year. This growth reflects the commercial strategies we have implemented since last year, especially a sharpened focus on the credit card business and the strategy of expansion in transactional products. These efforts have strengthened our value proposition and helped broaden our recurring revenue base. We also saw increased

contribution from structuring services, especially in financial advisory fees, which reflects both rising client activity and the evolution of our corporate and investment banking platform.

As shown in the chart in the bottom right corner of the slide, there is a clear upward trend in the share of commissions within total operating revenues. This metric rose to 16% in the 2Q, up from 12.6% a year ago, an important indicator of our business diversification and improved revenue quality.

We also continue to benefit from positive momentum in fee income linked to asset management. This line is supported by our 26.2% year-over-year growth in assets under management, reinforcing the value of our advisory and investment platforms. In contrast, the performance of our insurance business remains under pressure, reflecting the continued effects of a slow economic recovery.

In the following slide, we can see that our cost of credit increased by 12.8% quarter-over-quarter. This increase was mainly due to rating reclassifications applied to certain clients within the commercial portfolio and to the reversal of CVA provisions recorded in the 1Q25, which created a higher base for comparison.

These impacts were partially offset by higher recoveries from written-off loans supported by enhanced collection efforts, particularly important in the context of rising delinquencies seen during the 1H24. Despite the sequential increase, our cost of credit remained stable at 1.1%, fully within our annual guidance range.

The solid performance year-to-date reflects lower delinquency across the portfolio, especially in the consumer segment, and positive outcomes from our ongoing management of renegotiated and refinanced loans, which have contributed to a healthier credit risk profile.

Looking at nonperforming loans, we saw an 11 bps increase compared to the previous quarter. This was primarily driven by a 5.3% increase in the NPL portfolio within commercial loans stemming from the defaults of certain specific transactions in the Itaú corporate portfolio.

Lastly, our coverage ratio stood at 136% in the 2Q, down 9 p.p. from the previous quarter, in line with the increase in commercial NPLs just mentioned. While we have seen isolated credit impacts in the corporate portfolio, overall credit quality remains well managed, supported by proactive risk controls and the improved structure of our consumer book.

In the next slide, we present our non interest expenses for the quarter, which increased slightly by 0.1% quarter-over-quarter and 5% year-over-year. On a quarterly basis, and with a high focus on cost control, we were able to maintain expenses effectively flat, with personnel expenses rising by 3.3% and administrative expenses declining by a similar margin, offsetting the increase and keeping overall expenses stable. The year-over-year increase was primarily driven by salaries indexation to inflation, the recomposition of staffing levels, investments in commercial initiatives and IT expenses, along with other minor operational factors.

Turning to efficiency. We ended the quarter with a ratio of 43.6%, which is a 0.8 p.p. improvement compared to the previous quarter and a 3.4 p.p. increase year-over-year. The increase in the yearly comparison is largely due to lower operational results as compared to last year's stronger base.

Despite this, expense growth remains under control, tracking below inflation and aligned with our full year expectations. Our ongoing focus is on efficiency through disciplined cost management, even as we continue to invest in long-term capabilities that support client service and growth.

Turning to slide 18, let's take a look at our operation in Colombia. Starting with operating revenues, I would like to highlight that the financial margin with the market posted a positive result this quarter for the first time since 2021. This improvement was driven by stronger trading performance, stable self-funding levels and also a positive impact from lower monetary policy rates in the period.

In terms of asset quality, the NPL ratio remained broadly stable compared to the previous quarter with a slight decrease of 5 bps. This stability reflects continued improvement in consumer loan delinquency and a solid performance in the commercial loan portfolio, which, despite a few isolated cases in Itaú corporate, benefited from new loan disbursements in recent months.

On the cost side, noninterest expenses decreased by 3.6% quarter-over-quarter, mainly due to a reduction in personnel expenses following severance costs booked in the previous quarter. This reduction was partially offset by an increase in administrative expenses mainly related to marketing investments. As a result, our efficiency ratio improved to 68.3%, a 3.5 p.p. decrease versus the 1Q. This improvement reflects both lower expenses and a 3.3% increase in operating revenues.

Finally, we reached a return on equity of 2.6% for the quarter, continuing the stable trend observed over the past 12 months.

While profitability remains modest, we are seeing early signs of structural improvement, particularly in trading, funding efficiency and cost control, as we continue to execute on our transformation plan in Colombia.

Moving on to the next slide, I would like to share more detail on the transformation strategy we are executing in Colombia. We are actively implementing a transformation plan focused on unlocking the full potential of our corporate segment, a business that is already profitable and well positioned for growth.

In parallel, we are reinforcing our focus on the affluent retail segment and deescalating our presence in the nonaffluent retail segment. This strategy has a clear goal to make this segment more efficient, transitioning to a more digitalized offer and optimizing resource allocation.

It's important to emphasize that this transformation plan will continue throughout the next months, so we are expecting to incur in nonrecurring expenses in upcoming quarters. These will be disclosed transparently and in a timely manner, in line with our commitment to proactive market communication.

Overall, this strategy is designed to sharpen our focus and build a leaner, more profitable business in Colombia over the medium term.

Now let's move on to the next slide to discuss capital. With a strong focus on capital management, financial discipline and risk mitigation techniques, we have consolidated a highly competitive

position in terms of capital adequacy. We now rank first among peers in capital generation, supported by a sustained improvement in solvency over recent years.

As already mentioned in this presentation, we had a robust capital generation during the 2Q25. Our CET1 ratio increased 66 bps and 105 bps quarter-over-quarter and year-over-year, respectively, reaching 12%.

In the same line, we maintain a significant buffer of around 370 bps, far exceeding the regulatory minimum, allowing us to maintain a capital position that is well ahead of peers' averages.

In addition, our liquidity ratios also remained well above regulatory thresholds and continue to position us among the top performers in the industry. Together, these indicators reflect our consistent approach to disciplined growth, strong balance sheet management and long-term financial resilience.

Moving on to the next slide, let's take a look at our updated view on 2025 guidance. Following a 1H marked by lower growth in terms of loans, largely reflecting softer credit demand and cautious market dynamics, we have revised our 2025 guidance to align with the market level growth. That said, we continue to anticipate a recovery in the 2H, supported by improving macroeconomic conditions and targeted growth initiatives already in place.

On the other hand, both our financial margin with clients and commissions and fees have performed above guidance in the first semester. This performance demonstrates solid client activity and strong execution of our commercial strategy. Meanwhile, our cost of credit, non interest expenses and return on tangible equity remain on track with full year expectations, in line with the trajectory we had projected.

With that, we conclude the presentation that we have for you today. Thank you for your attention and continued trust in Itaú Chile. We will now gladly take any questions that you might have.