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Bci Conference Call-Fourth Quarter 2018 Results

On Slide 1 - Introduction

Good morning and welcome to our 2018 Conference Call.

My name is José Luis Ibaibarriaga Bci's CFO, I'm joined by Daniel Kushner, CFO of City National Bank of Florida.; Francisca Pérez, Principal Economist and Cristian Saffie Senior Investor Relations

Now I'll leave you with our CEO, Eugenio Von Chrismar, who unfortunately couldn't be here in person today, anyway he wanted to give you all his vision of the year 2018.

On Slide Number 2 (Eugenio Von Chrismar Introduction)

Good morning to all of you and thanks for participating in our annual conference call 2018.

Before starting this presentation, I would like to say I am very pleased with the results Bci attained this year, which were in line with our forecasts. We also witnessed a more favorable economic scenario which was according to our loan growth, where the latest economic figures have endorsed the prospects of recovery of domestic activity, despite external volatility.

The Bank accomplished sound results and made progress with the key transformations we are undertaking, in line with our vision of making Bci the most beloved and preferred bank.

On Slide Number 3 (M&A Consolidation)

Moreover, last year was particularly special for us as we successfully integrated Walmart Financial Services and TotalBank, in line with our strategy of further

diversifying our income stream in key markets for us, such as Florida and the credit card industry.

With the acquisition of TotalBank, City National Bank (CNB) is now the third largest Florida based bank. Furthermore, TotalBank was successfully integrated and we have already captured the estimated synergies, mainly explained by a similar footprint and high branch overlap between both, considering we have merged all of the twelve intended branches.

In addition, the acquisition of Walmart Financial Services will allow us to double our market share of credit cards in Chile, boosting our retail loans in the portfolio mix, by 200 basis points.

Furthermore, it will also enable us to improve our Net Interest Margin and Efficiency Ratio.

On Slide Number 4 Digital Transformation

Now I want to mention something that we are passionate about and in which we have invested a great deal of time and resources: Our Digital Transformation Plan.

This year we have been able to implement several initiatives, further developing the following strengths, in order to keep up the current momentum.

Change Management Plan:

We have put in place a **Change Management Plan**, enhancing leadership and collaboration throughout the organization to be one of the best overall places to work and innovate.

Technological Architecture Development of Ecosystems

Regarding technological architecture, we have made significant progress in terms of optimization and the development of application programming interfaces (APIs).

Through the implementation of the microservice architecture, we have also carried out agile practices with DevOps methodologies. This has allowed us to reduce our cycle times from over 7 weeks to less than 4 weeks on average

We are working with leading world-class companies like Accenture, Microsoft, Amazon, Salesforce, and leaders in global technology such as Everis, with exclusive agreements. They allow us to attain major scale and speed of execution and innovation.

Data Analytics

Data Analytics continues to make significant progress, allowing us to deliver granular proposals to each customer instead of the traditional segment approach and has become a fundamental tool for our commercial effectiveness.

As a result, today 25% of the new banking account sales in the retail segment are totally digital, while 60% of loans to SMEs are made through digital channels. Moreover, 75% of online commercial loans from SME banks originate digitally through campaigns.

Regarding innovation, we have managed to generate an ecosystem with Fintechs through Bci Labs, where today we work with more than 18 tech companies that support us in different fields.

On Slide Number 5 “Mach Financial Inclusion”

In this regard, I would like to devote a few minutes to one of the most important innovations that we have undertaken in recent years.

Through MACH, we have positioned the Bank as a “leader of financial inclusion in Chile”. This person-to-person transfer and payment app, allows making secure payments in less than 15 seconds. This is the first app in Chile that solves customers’ needs allowing them to withdraw their cash when they want and having access to an online prepaid credit card.

Today, this app is used by almost one million users and we have issued more than six hundred thousand (600,000) MACH prepaid cards, which accounts for 42% of the number of international credit card operations.

Lastly, I would like to highlight that MACH is ranked as one of the top downloaded financial Chilean app at the stores, with an excellent user rating.

On Slide Number 6 Successful and Consistent Growth

Last year operating revenue increased 15%, due to a better performance in the commercial areas, the contribution from our subsidiaries and positive results in the financial division.

In the domestic market, and despite a more competitive scenario we achieved remarkable loan growth increasing our market share in the different segments, as you can see in this slide.

I would also like to highlight the growth we have achieved in our customer base, where Walmart Financial Services contributed with 1.75 million customers (including additional cardholders) adding to the success of the new MACH users we have already mentioned.

This will lead to a greater number of business opportunities and provide tremendous income growth potential. As you are aware, in a highly competitive environment one of the most important things is to have the customer base and the data required to substantially increase the bank's profitability.

On Slide Number 7 Solid Capital Ratios

As a result of the organic and inorganic growth we have had in recent years, we have strengthened our commitment to have sound capital ratios. This was reflected in last year capital increase raising approximately US\$600 million closing the year with a 10.14 Tier 1 ratio.

Furthermore, I would also like to highlight the Bank's soundness, which was particularly evident in Feller Rate upgrading our rating from AA (double A) to AAA (triple A) in the domestic market.

On Slide Number 8 Efficiency

In the light of the year's challenges, it is imperative to greatly improve our competitiveness and efficiency levels to assure our long-term sustainability. Regarding Efficiency is a permanent source of concern at Bci and one of the strategic focuses for the forthcoming years.

Although we are working on both sides of the equation, in 2018 we had additional pressure on expenses, related to M&A and Digital Transformation, which José Luis will go through further in this presentation.

For this year 2019, we forecast an efficiency improvement of 200 basis points, in line with our aim of attaining levels of 46% by 2020.

On Slide Number 9, Recognitions

I would like to wind up by highlighting that, as a consequence of our strategy, in 2018 Bci was once again recognized in various areas like corporate reputation, innovation, business management, financial performance, work environment, among others.

Example of this is that for the fourth year running the Bank received recognition for being the company with the best corporate reputation in Chile from MERCO, Also, this year Forbes magazine distinguished Bci as one of the World's Best Employers. In addition, we were recognized as one of the “Best Places to Innovate” and one of the best companies in Chile for millennials in the “Best Employers for Youth” world ranking.

On Slide Number 10 (Main Macroeconomic Indicators)

Thank you Eugenio, as we have done in past Conference call will firstly go through the main Macroeconomic Figures and then we will go through Bci and City National Bank Results, to leave time at the end of the presentation for questions and answers. Now, I'll leave you with our Principal Economist, Ms. Francisca Pérez, who will now analyzed the macroeconomic scenario.

On Slide Number 11 (GDP Growth Projections)

Thank you José Luis .

The Chilean economy has slowed down after a particularly dynamic first half of the year in 2018, which is due to a series of factors. Firstly, the around 3% growth potential of the economy is a limitation that leads to gradual convergence towards that growth rate. And secondly, the international scenario has become more complex, causing greater uncertainty, less favorable financial conditions and marked concern about the fallout of the trade war. More significantly for Chile, this has led to a copper price decrease. Nonetheless, Chile's risk premium remains at very low levels.

The Chilean economy grew 2.8% YoY in the third quarter of last year, revealing less dynamic consumption and exports compared to the first couple of quarters, whereas investment maintained its momentum. The lower export growth reflects a more complex international scenario. With that, 2018 GDP growth will be around 4.0%.

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On Slide Number 12 (Macro Indicator)

- Growth could be 3.3% in 2019, slightly below what we forecasted previously, due to a somewhat less favorable international scenario than expected. In any case, investment will once again be the most dynamic component of domestic demand, based on better expectations, due to more promising mining figures and a gradual improvement in the non-mining sector, particularly real estate. Households consumption will remain dynamic. By 2020, we can see a slight recovery of growth to 3.5%, which could be related to the fact that the government manages to make progress with reforms that boost investment and growth by means of tax system modernization and the establishment of a more flexible labor market.
- In a scenario of virtually no capacity margins and inflation of around the 3% target, the Chilean Central Bank will keep up the gradual monetary normalization process launched in October. With that vision, in 2019 we could witness three interest rate hikes of 25 basis points. Core inflation could be around 2% during 2019.
- Regarding the US economy, it will grow around 2.9% in 2018 and well above its estimated potential of 1.8%. Growth could slow down to 2.3% in 2019, in line with convergence to more sustainable growth rates. Private consumption will remain the main driver of growth, maintaining a high rate, thanks to a strong labor market. Although gross investment will show some improvement too. The Government shutdown will have an important negative impact in the first quarter, but fewer interest rate hikes by the FED could give some space in the following quarters. The State of Florida will grow nearly by 3.5% and 4.0% in 2018, above the US national average. Personal consumption has been the main driver due to the stronger labor market. We expect that Financial and Business Services with Construction and Real Estate will continue to be the most dynamic sectors in 2019. With that, 2019 GDP growth will be higher than the national average and around 2.5-3.5%.

Now I'll leave you with Jose Luis, who will continue with the presentation

On Slide Number 13 (Bci)

Thank you, Francisca, we will now go over, Bci main Figures.

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On Slide Number 14 (Bci Highlights: Profitable and Financially Sound)

- As of December 2018, Bci had assets of nearly 60 billion dollars.
- Our loan market share is 17.04% including City National Bank of Florida, and 13.95% in the domestic market. This takes into consideration the incorporation of the Walmart Financial Services loan portfolio last December.
- In 2018, Bci had a strong consolidated bottom line of 570 million dollars, with a return on average equity of 13.53%. It should be noted that this includes some non-recurring events:
 - Expenses associated with the integration of TotalBank and Walmart Financial Services
 - Higher provisions charge, given the implementation of new group-based risk models.
 - Sale of Credicorp Shares
- Furthermore, I would like to mention the strong performance of our stock which increased by 9.3% and was reflected by our market cap reaching US\$ 8.8 billion.

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On Slide Number 15 (Corporate Strategy)

Our ultimate goal is to be the best bank for our customers and become their overall “bank of choice.” To achieve this, we have been working on a strategy based on three pillars.

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On Slide Number 16 (Progress with the Digital Transformation Plan)

As Eugenio recently mentioned, one of our top priorities is to develop a top-of-the-line “digital customer experience” in order to gain a competitive edge.

As you can see in this slide, this year we have seen important advances in various areas, such as Customer Journeys, Data Analytics, IT Architecture, Disruptive Innovation, and Change Management.

Our digital transformation plan will allow us to offer the best-in-class customer experience, by implementing a leaner and less complicated process, which will be reflected by lower operating costs.

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On Slide Number 17 (Corporate Strategy: Drive sustainable growth)

- In terms of our second pillar, we aim to continue outperforming our competitors in selected segments and products, where we were able to organically gain more than **24 basis points** of market share the last year.

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On Slide Number 18 (Financial Results)

We will now go through the main figures in the Chile Operation.

Last year operating revenue increased 12%, due to a better performance in the commercial areas, the contribution from our subsidiaries and positive results in the financial division.

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On Slide Number 19 (Loan Portfolio)

- In the domestic market, our loans grew 14.6%, including the acquisition of Walmart Financial Services and 11.5% if we exclude this effect.
- Commercial loans grew 12.3% YoY, the growth in this segment is a reflection of a better macroeconomic outlook and greater economic dynamism. In this environment, Bci was able to anticipate the competition due to our sectorial and regional focus implemented last year.
- In the consumer segment, we grew 8.8% this year and 31.4% with the integration of the Financial Service portfolio.
- Mortgage loans grew 11.2% this quarter in the domestic market. As we have mentioned in past calls, our main objective is to become the principal bank for our clients for all of the products and services that we provide.
- Furthermore, this year, we expect to grow 9%-10% in the domestic market in terms of total loans, taking into consideration 3.2% GDP growth and 2.8% inflation rate, as Francisca discussed earlier.

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On Slide Number 20 (Loan Portfolio 2)

As part of our strategy, and as you can see in this slide, we have increased our exposure in the retail segment to further develop our portfolio:

1. We have been able to grow organically through the implementation of successful commercial initiatives that have been supported by data analytics and marketing campaigns. As an example of this, as of November, and hence before adding the Walmart portfolio, we have been able to gain as November 46 basis points of the market share in credit cards, YoY.
2. With the Financial Services acquisition, we have **doubled our market share of credit card loans**, positioning us among the industry leaders. In addition, we have improved **our** consumer mix by 200 basis points.

3. This year, we will launch a new service model for Bci Nova customers to become part of the Bci client portfolio. We are evolving from one service model per segment to one per person, which allows through data analytics to offer solutions tailored to the needs of each client. Bci Nova will have access to Bci's products and service, together with new and better digital solutions, among other benefits. In total, there will be 420 thousand customers who will become part of Bci.

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On Slide Number 21 (Net Interest Margin)

In the domestic market, Bci's Net Interest Margin was 3.39% in this period. As we have mentioned in previous presentations, our product mix has impacted our NIM, specifically the growth of mortgage loans by 2.2 billion dollars since 2016.

For this year, we expect that the increase in the consumer loan book, due to the Walmart Financial Service acquisition will positively impact the bank's Net Interest Margin by 30 basis points.

In addition, our fee income ratio grew to 25.27% in 2018, which is consistent with our cross-selling strategy.

We would like to note our sound performance in the insurance sales area, and the ATM division which has positively impacted fees.

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On Slide Number 22 (Financial Results)

Let's continue with the provision expenses.

In terms of risk, this year our provision expenses were US\$364 million and increased by 27.13%. This is primarily explained by:

1. A greater provision charge of nearly US\$44 million made in November in order to update our models according to a new definition of impairment and regulatory requirements.
2. This includes around a US\$25 million charges to the SMEs (commercial retail) portfolio, and such amount is the anticipation of part of the cost of the future standard.
3. In addition, US\$7.2 million provisions were recorded in December, as a result of the Walmart Financial Services acquisition, since it is necessary to increase allowances for Bci customers who were clients of Walmart Financial Services and have higher delinquency levels.

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On Slide Number 23 (NPLs)

- Non-performing loans (NPLs) were 1.72% in this quarter, an increase of 3 basis points YoY.
- Regarding consumer loans, this ratio reached 1.65%, representing a slight 6 bp increase YoY. However, when adding the “ Financial Services “ portfolio, this figure rises to 1.94%.
- Lastly, you can also see that the mortgage NPL ratio has maintained a positive trend, falling to 1.15% this quarter.

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On Slide Number 24 (Financial Results- Opex)

The year's operating expenses were US\$973 million, growing 9,3% (excluding City National Bank of Florida).

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On Slide Number 25 (Operating Expenses)

In terms of efficiency, we were able to reduce this ratio in 100 basis points, when we exclude City National Bank's figures.

Now, I want to briefly address Bci's efficiency at a consolidated level, since this year we had additional pressure on expenses, mainly associated with:

1- The Digital Transformation Plan and Cybersecurity:

We have spent and invested a lot of resources both in Opex and Capex of around US\$90 million due to the implementation of initiatives on several fronts, such as technical architecture, cybersecurity, change management, robotics among others. All this has been done jointly in order to accelerate the implementation of these initiatives.

2- Acquisition of Walmart Financial Services and TotalBank:

Last year's the one-time expenses associated with TotalBank where US\$55 million and US\$4.5 million dollars in the case of Walmart Financial Services.

It should be noted that without considering these transactions-related expenses, the Bank's consolidated efficiency should have been 49%

In 2019, we aim to improve our efficiency ratio by 200 basis points, with a target of 46% by 2020.

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On Slide Number 26 (Financial Results- Net Income)

Local net income amounted to US\$470 million in Chile Operation , where despite the growth in operating income, it contained non-recurring effects such as;

- The effect on Credicorp Shares, where despite on this year sale, we must consider that in 2017 we had a greater comparative base of nearly USD \$28 million dollars.
- Higher provisions expenses we recently address.
- Operating expenses associated to the integration of Walmart Financial Service (USD

Lastly, we want to highlight the contribution of our subsidiaries mentioned by, which complemented our customer value proposition and account for 49% of our net income.

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On Slide Number 27 (Profitability)

Our ROAA and ROAE reached levels of 1.05% and 13.5%, respectively, including net income of City National Bank of Florida.

Where particularly this year were affected by the non-recurring effects discussed during the presentation.

Now, I'll leave you with Daniel Kushner, CFO of City National Bank of Florida

On Slide Number 28 (City National Bank of Florida)

Thank you once again José Luis

Thank you again, Jose Luis, for the opportunity to join you on this quarterly earnings call to review City National Bank's performance over the past quarter.

Good morning everyone. We are pleased to join Jose Luis, Andres, Sergio and the rest of the Bci team on this call. As I've mentioned before, we are proud of the growth and transformation that has taken place at CNB over the last few years. We believe that we continue to build the premier Florida banking franchise.

2018 was a landmark year for City National Bank as we successfully completed our first acquisition with the TotalBank transaction that closed this past year. We proved that we are highly effective acquirers after seamlessly integrating a \$3B bank during the third quarter. CNB is uniquely positioned in the Florida market and will continue to grow and outperform peers in one of the most dynamic markets in the US.

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On Slide Number [29] (City National Bank of Florida Q4 Highlights)

We've achieved remarkable success since the acquisition by Bci in 2015, and that success has gained additional momentum in 2018 through continued strong organic and inorganic growth that has positioned us well for 2019 & beyond. On this call, we will focus on our fourth quarter and year-to-date results. But before I cover the details of what has been another strong quarter for City National Bank, I'd like to comment on our acquisition of TotalBank that closed this past June.

This transaction solidifies our position as the pre-eminent local bank focused on the South Florida market and demonstrates our ability to acquire and successfully integrate a bank that adds value to the City National Bank franchise. It is important to emphasize that Bci and CNB collaborated to ensure that the appropriate resources were in place to successfully plan and execute the closing of the transaction and the subsequent systems integration. This meticulous approach ensured that our proven ability to generate loans and core deposits in our core markets was not disrupted during the acquisition process, leading to another strong quarter of organic business production. Our strong and consistent organic growth since we partnered with Bci supplemented by the recent TotalBank acquisition positions City National Bank as the 3rd largest Florida based bank.

Let me comment briefly on some of the acquisition highlights:

- Integration has been smooth and according to plans
- Clients successfully retained; TotalBank loan & deposit activity has been business-as-usual
- TotalBank's systems were successfully integrated into CNB's systems in July
- Employee base was right-sized at end of July
- 12 banking centers were closed in October

As I mentioned Q-4 was another strong quarter for us and we continue to focus on the drivers that have made us successful:

This has consistently produced strong results over the years and City National Bank continues to represent a uniquely positioned growth platform.

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On Slide Number [30] (Financial Highlights)

Q-4 was another strong quarter, and our performance across different business lines maintains momentum with the TotalBank acquisition supplementing our strong and proven organic growth capabilities. Allow me to point out some of the financial highlights for the most recent quarter:

Q-4 Balance Sheet

- Total Assets decreased by \$374 MM in the quarter & increased by \$4.2 BN YoY to \$14.33 BN
- Total Net Loans & Leases increased by \$78 MM in the quarter & \$3 BN YoY to \$10.1 BN, with the Bank selling ≈\$113MM of loans in Q4 as part of balance sheet optimization. \$1.1 BN of the YoY loan growth was organically generated with the remainder the result of the TotalBank acquisition.

- The investment portfolio, consisting primarily of investment grade government backed securities, represents 20% of assets or \$2.9Billion at December 31st.
- Deposits increased by \$3.5Billion, or 44% compared to December 2017, reaching \$11.3 Billion. The TotalBank transaction accounted for \$1.9 Billion of that growth, so a significant amount of the growth over the past year has been generated organically. We had an especially strong 4th quarter with deposits increasing \$631MM in the 4th quarter alone. In fact, the growth in customer deposits was even higher at \$791MM if we exclude the \$160MM reduction in brokered deposits. DDAs continue to account for a significant amount of the Bank's deposit base at 29% of total deposits.

Income Statement

As for our earnings for Q-4;

- YTD net income of \$96MM increases to \$146MM on a normalized basis after adjusting for non-recurring expenses & the effect of TotalBank intangible amortization, including goodwill amortization
- Net income for the quarter was \$17.5MM after incurring \$19.6MM of non-recurring expenses in the quarter
- Non-interest income increased by 11% quarter-over-quarter attributed to service charges that are now being assessed on legacy TotalBank customers

Key Metrics

- Our capital position remains a strength. Tier 1 capital is \$1.45 BN; Total RBC Ratio of 13.60% and Tier 1 Leverage ratio is 10.44%.
- Our asset quality remains very strong and we continue to have the appropriate reserves to successfully navigate any unforeseen economic issues. We stringently abide by our prudent lending guidelines in order to ensure that our strong asset quality position is not compromised.
- Efficient growth is also one of our primary focuses. Our efficiency ratio is approximately 59% which is inflated by about 15 percentage points due to \$55MM of transaction related expenses incurred during 2018.
- We continue to perform well as indicated by our profitability ratios.
 - Return on Average Assets was 0.76% and Normalized ROAA was 1.16% after adjusting for transaction expenses

- Return on Average Equity was 6.82% and Normalized ROAE was 10.39% after adjusting for transaction expenses

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On Slide Number [31] (City National Bank at a Glance)

- 92% of our revenue is generated by our loan and lease portfolio, in particular CRE loans, which comprise 42% of generated revenue, this is followed by Commercial loans at 17%, and Residential loans generating 14%. Our investment portfolio is also a strong contributor to our revenues, generating 14% of our revenues as well. Fee revenue continues to be an area of opportunity as we move forward. In July, we launched our WM unit and we continue looking for opportunities in the secondary loan market to generate fee income in the future.
- Moving to the balance sheet, loans comprise 71% of our assets as of December 31st.
- On the Liability side of the balance sheet, deposits are our primary source of funding at 76%, other borrowings are at 10% and are primarily comprised of FHLB funding.
- Turning to the composition of our credit portfolio, 72% of our loans have real estate collateral while the Commercial & Industrial portion representing 20% of the portfolio is substantially secured by other company assets. The real estate portion is well diversified and the commercial real estate segment is further diversified by property type with no one property type representing more than 20% of the commercial real estate segment.
- Customer deposits constitute 85% of our funding liabilities and DDAs continue to be the largest component comprising 31% of customer deposits and 29% of all deposits, including brokered deposits. Deposit generation continues to be a priority for us and we are focused on initiatives to maintain deposit growth as one of the Bank's strengths moving forward.

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On Slide Number [32] (Balance Sheet Consolidated)

Our loan portfolio increased by \$41MM in the quarter while our lease portfolio increased by \$77MM. Our growth was relatively limited since we sold ≈\$113MM of syndicated loans in the quarter.

The loan portfolio grew by \$3.0 BN year-over-year with CNB's strong loan production engine accounting for \$1.1 BN of that growth.

We had a strong quarter generating deposits. Our customer deposits increased by \$791MM in the quarter while total deposits increased by \$631MM due to a \$160MM reduction in brokered deposits. Year-over-year, we have grown the deposit portfolio by \$3.5 BN with CNB's organic deposit generating activities accounting for \$2.0 BN of that growth.

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On Slide Number [33] (Quarter on Quarter Loan and Deposit Evolution after Acquisition)

Moving on to the next slide, I'd like to point that the composition of our loan portfolio at December 31st remained very similar to what it was as of the prior quarter. With our leasing company continuing

The make-up of our deposits changed slightly as compared to the third quarter due to the strong inflow of interest bearing deposits. As a result, money market balances now represent 39% of total deposits, up 5 percentage points as compared to the prior quarter. Non-interest bearing deposits continue to remain a source of strength for the Bank and represent 29% of total deposits.

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On Slide Number [34] (Sustained and stable growth)

“CNB Has Maintained Consistent Growth”

City National Bank has grown its loan and deposit base consistently over the past four years. The organic loan and deposit growth rates over the past are 26% and 28%, respectively.

Tier 1 Capital has grown as a result of the Bank's strong earnings and was supplemented in 2018 with Bci's \$570MM capital contribution to facilitate the TotalBank acquisition and ensure the Bank has sufficient capital to meet its organic growth needs in the short and medium term.

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On Slide Number [35] (Consolidated Income Statement)

Net income for the quarter was \$17.5MM inclusive of \$19.6MM of pre-tax non-recurring expenses, including amortization of goodwill & other intangibles. Of note, non interest income increased by 11% QoQ due to the assessment of fees to the TotalBank deposit base in the fourth quarter. The increase in non-interest expenses for the quarter was partially driven by the closure of 12 banking centers as part of our branch optimization plan following the TotalBank transaction.

For the year, the Bank's net income is \$96MM which increases to \$146MM after adjusting for \$67MM of non-recurring/transaction expenses, which includes \$12MM of amortization on goodwill & other intangibles created by the TotalBank transaction.

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On Slide Number [36] (Normalized Net Income – Q2)

We have already covered our normalized income, so let's proceed to the next slide.

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On Slide Number [37] (Final Data Table and Wrap-Up)

On this slide, you can see our reported and normalized ROA, ROE & efficiency ratio, as we just discussed. You can also see the evolution of our net interest margin over the past two years. Our margin increased year-over-year by 2 bps as our yield on earning asset growth is outpacing the growth of our cost of funds. It is also important to mention that we manage credit risk very effectively as indicated by our outstanding asset quality ratios.

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On Slide Number [38] (Key Metrics)

Finally, allow us give you a summary of CNB's performance during the previous years. As you can see from these figures, we have consistently produced strong results over the last 5 years and expect to continue to do so. While we have discussed many of these metrics already, please focus on the asset quality ratios on this slide. Our NPLs are at historically low levels, comprising only 0.33% of our total loans. We also have sufficient ALLL coverage. Our capital ratios have also improved significantly year-over-year.

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On Slide Number [39] (Florida Banking Sector)

On this slide, you can see that we have built a premier banking franchise in Florida that now ranks as the 4th largest bank headquartered in Florida and the only bank in the top 4 exclusively focused on serving the Florida market. We are now also 12th in deposit market share in the State of Florida. Just two years ago, our deposit market share was

0.89% or less than half the 1.98% share we have earned in 2018. Furthermore, we have climbed from #18 to #12 in deposit market share in two short years.

Let me conclude by commenting on what we expect in 2019 and our key priorities going forward:

- Continued focus on regulatory excellence - this is fundamental to our business – and asset quality. We will continue to invest in risk management.
- Enhanced focus on sales effectiveness in order to continue to generate consistent low cost deposit growth that will enhance our NIM and drive fee income
- Now that we have closed the transaction, we are well on our way to maximizing the value of the acquisition by optimizing synergies and focusing on client retention initiatives. The positive impact of the transaction will be clearly apparent in our 2019 results.
- Diversification along business and geographic lines will continue to be a key part of our strategy:
 - Continuing to generate new business opportunities such as we did with leasing
 - Consolidating our position in Tampa and Orlando

The management team remains focused and we are confident that CNB will continue to produce results for Bci as we expand our teams and our business.

In closing, CNB continues to be well positioned as we focus on building the iconic Florida banking institution.

We thank all of you for your time today, and we look forward to the next time we join you on an earnings call.

And now, let's turn the call back over to the Bci team for final thoughts and a wrap up.

On Slide Number 40 (Enhance Leadership and Collaboration)

We have a strong commitment to enhancing leadership and collaboration throughout the organization by means of a set of best practices with a particular focus on customer centricity and disciplined execution.

- We want to keep promoting disruptive innovation and drive a cultural change around our core values to encourage collaboration as distinctive capabilities. Through our change management, we encourage flexibility creating an environment that fosters innovation over marginal improvement.
- We aim to be the first choice employer for talent in the industry and to be one of the best overall places to work and innovate in order to gain a competitive edge for our Digital Transformation Plan.

Let me conclude by commenting, that we are proud of the 2018 results, where we accomplished significant milestones:

1. The acquisition and successful integration of TotalBank and Walmart Financial Services.
2. Significant advances in our Digital Transformation plan , in key initiatives such as Customer Journeys, Data Analytics, IT Architecture, Disruptive Innovation.
3. We achieved remarkable loan growth increasing our market share, despite a more competitive scenario..
4. We have strengthened our commitment to have sound capital ratios. This was reflected in last year capital increase raising approximately US\$600 million closing the year with a 10.14 Tier 1 ratio.
5. We Continue with strong performance of City National Bank and our subsidiaries in Chile

Q&A

Thank you for participating in our presentation. If you have any questions, we'll be glad to answer them.