



**Banco Santander
Chile
Update**

April 2020

Important information

Banco Santander Chile cautions that this presentation contains forward looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. These forward looking statements are found in various places throughout this presentation and include, without limitation, statements concerning our future business development and economic performance. While these forward looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to: (1) general market, macro-economic, governmental and regulatory trends; (2) movements in local and international securities markets, currency exchange rates, and interest rates; (3) competitive pressures; (4) technological developments; and (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties. The risk factors and other key factors that we have indicated in our past and future filings and reports, including those with the Securities and Exchange Commission of the United States of America, could adversely affect our business and financial performance.

Note: the information contained in this presentation is not audited and is presented in Chilean Bank GAAP which is similar to IFRS, but there are some differences. Please refer to our 2019 20-F filed with the SEC for an explanation of the differences between Chilean Bank GAAP and IFRS. Nevertheless, the consolidated accounts are prepared on the basis of generally accepted accounting principles. All figures presented are in nominal terms. Historical figures are not adjusted by inflation. Please note that this information is provided for comparative purposes only and that this restatement may undergo further changes during the year and, therefore, historical figures, including financial ratios, presented in this report may not be entirely comparable to future figures presented by the Bank.

AGENDA



CHILE AN UPDATE



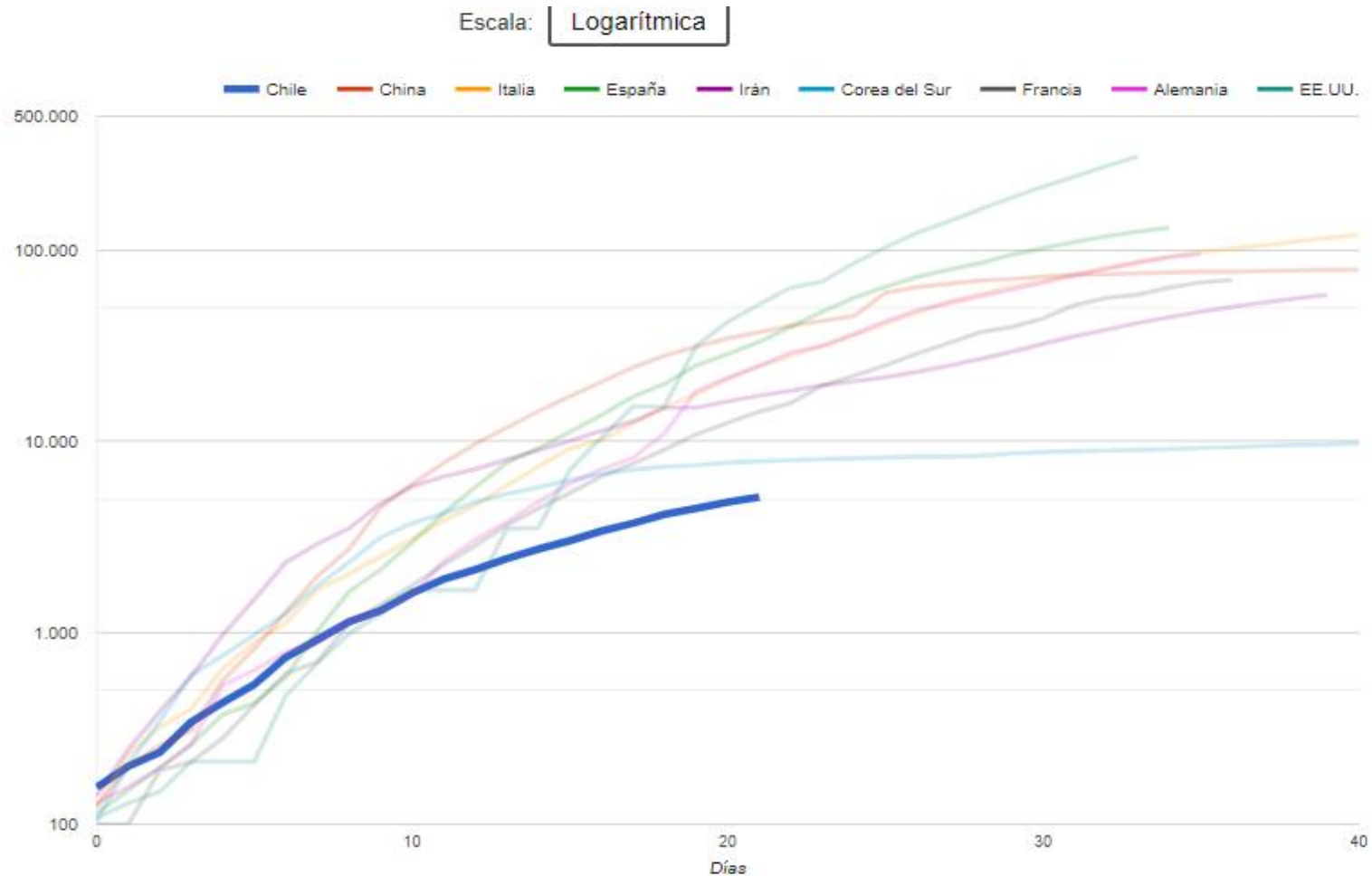
SAN CHILE: BALANCE SHEET



SAN CHILE: BUSINESS GROWTH AND RESULTS

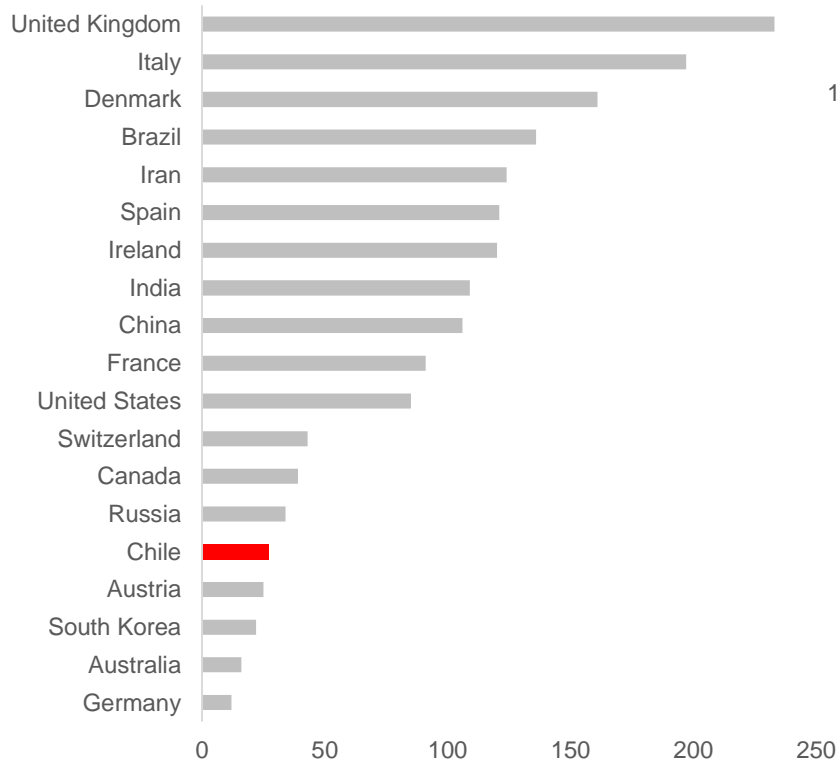
Despite increase in contagions, Chile has managed to slowdown its progression

Country comparison after 100 COVID19 cases

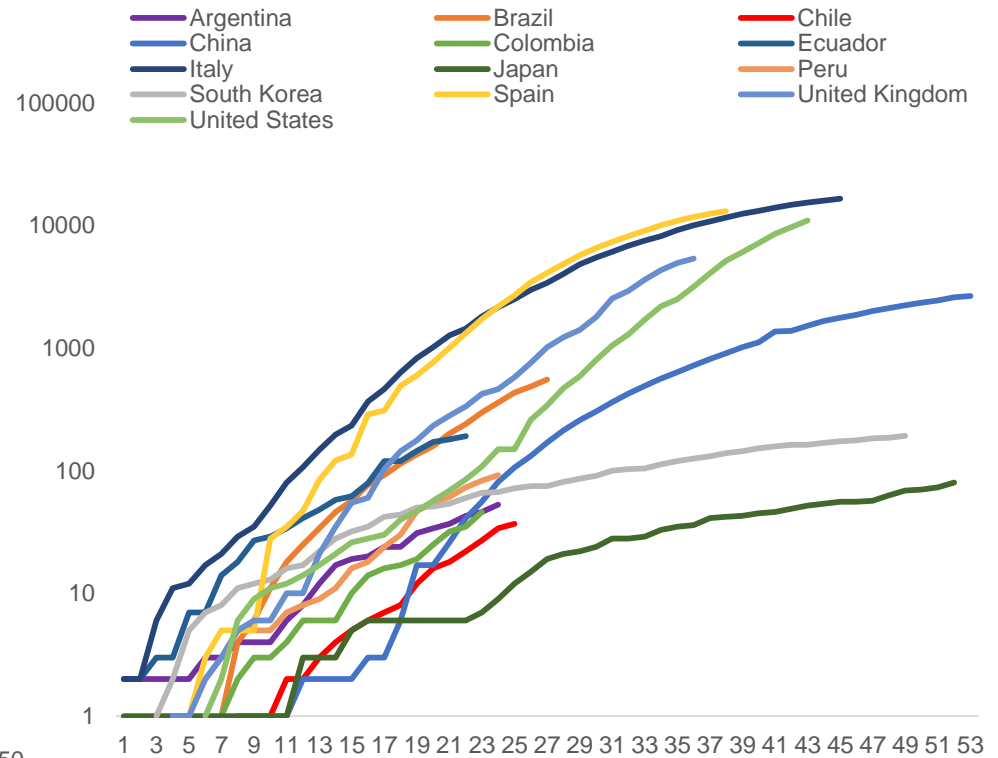


Mortality has been low in Chile

Deaths on reaching 4,000 contagions



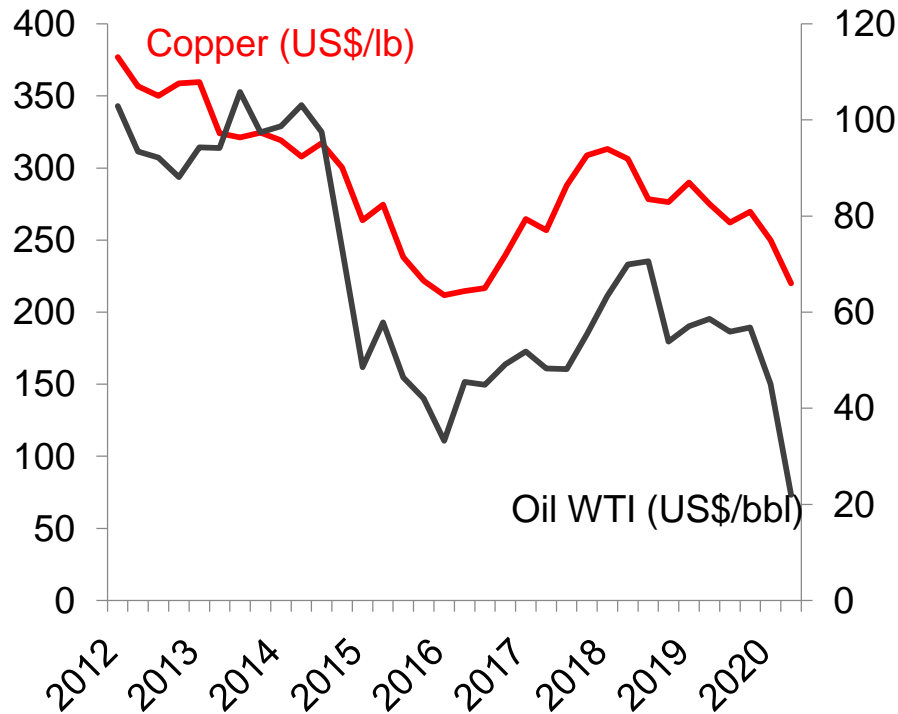
Number of deaths



(0= first day with 40 or more total cases)

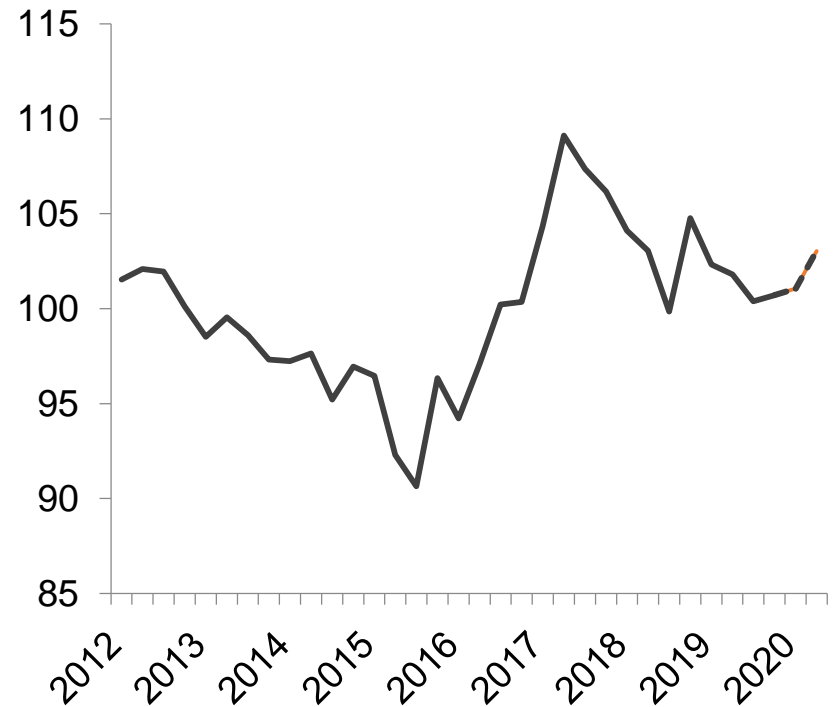
Oil price fall favors the terms of exchange

Commodity prices



Terms of Trade

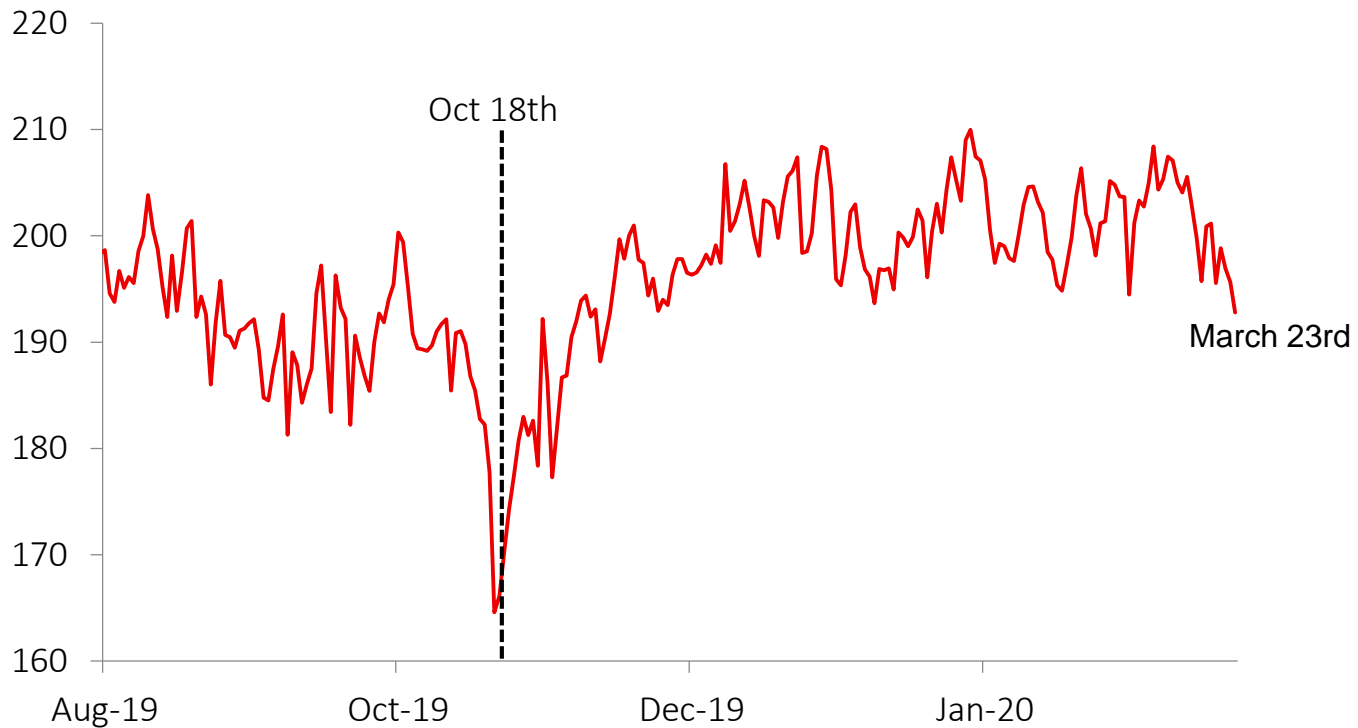
(Average 2012-2019=100)



There is a moderate impact in March's activity

Electric generation

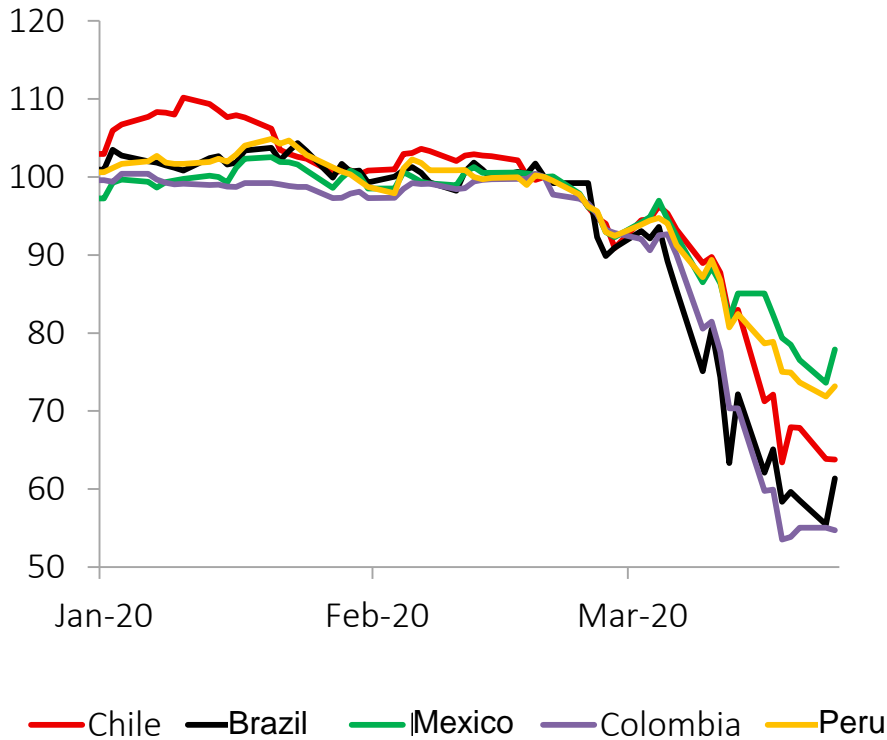
(GWh adjusted by weekends and holidays)



Chilean assets have lost less value than other countries

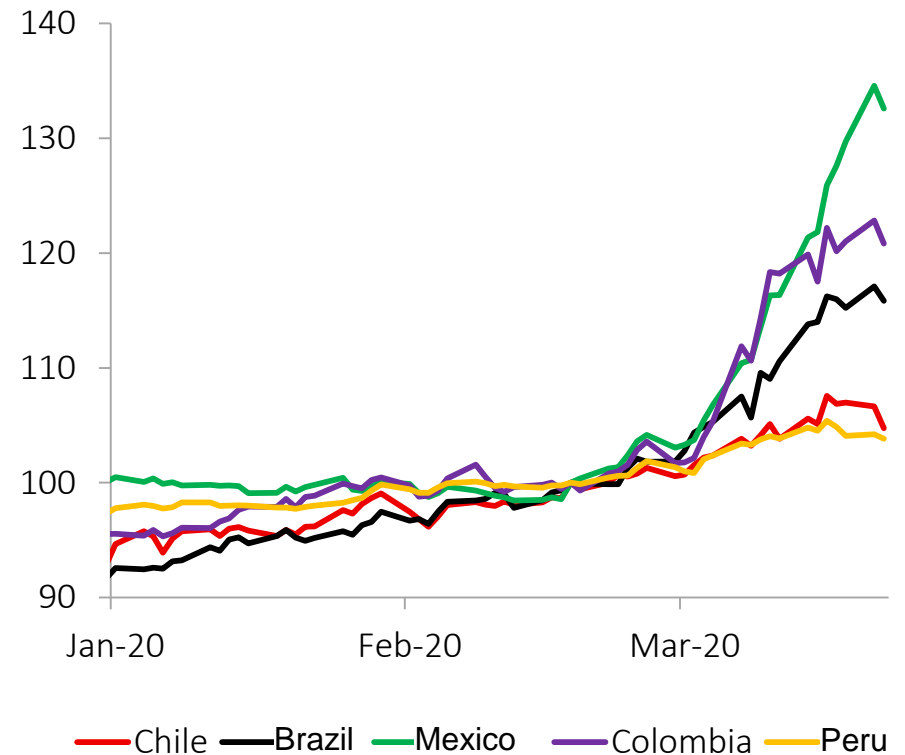
Stock market indices

(Feb 20 = 100)



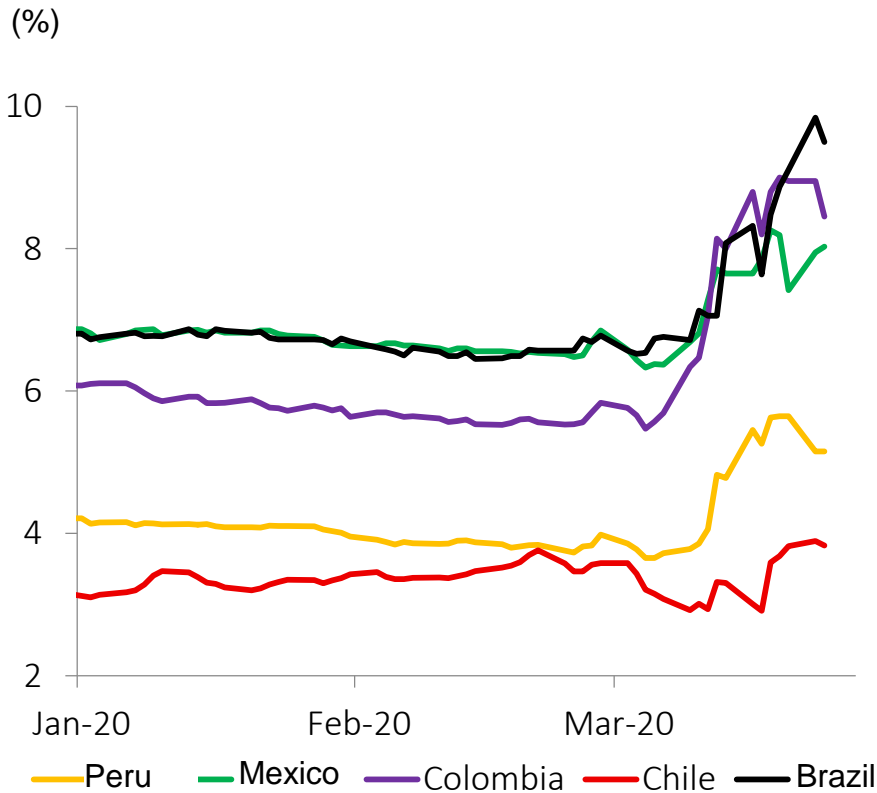
Currencies

(Feb 20 = 100)

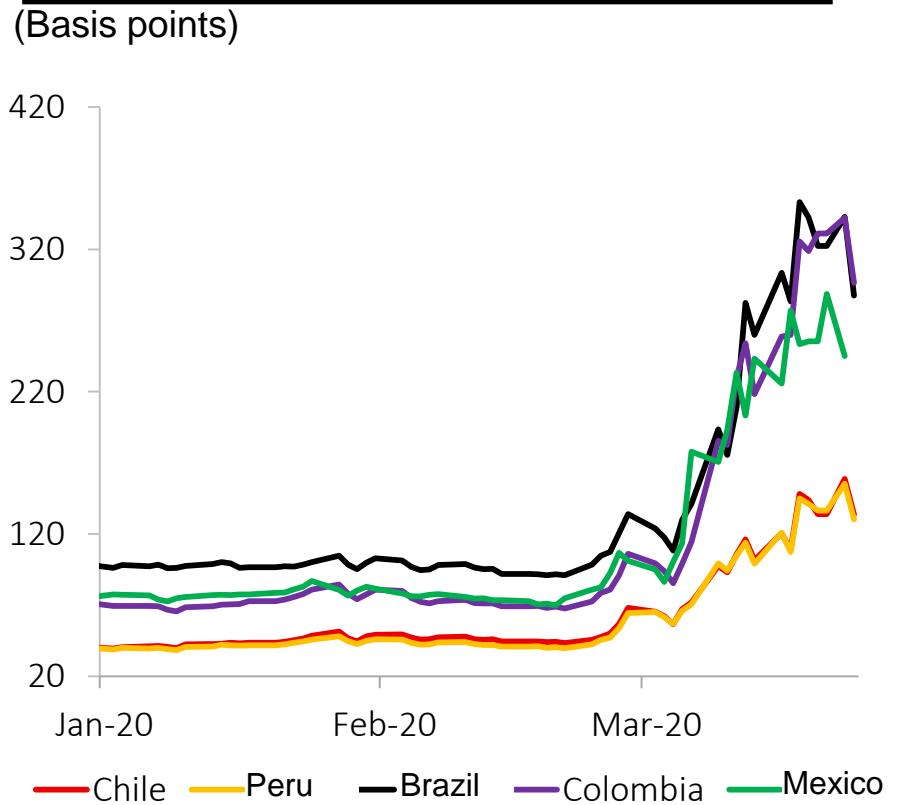


Long-term rates remain relatively low

Nominal long-term interest rates



5yrs CDS

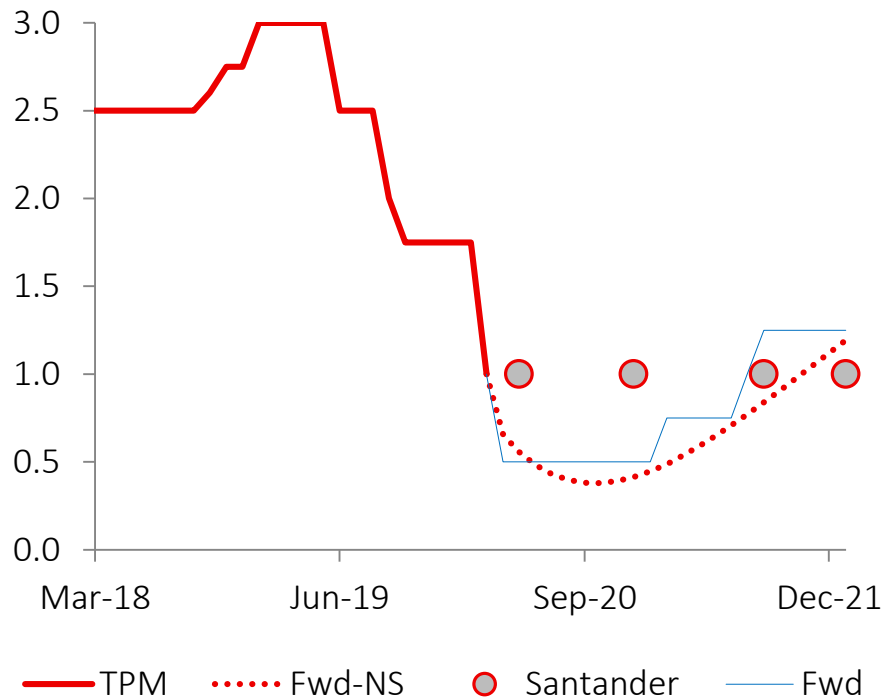


Update

Central Bank cut its MPR to 0.5% and announced additional measures

Monetary Policy Rate (TPM)

(%)



Additional measures

- New liquidity facility FCIC
- Corporate bonds accepted as collateral
- Purchase of banks bonds
- Exchange rate intervention program extended up to January 2021

Fiscal announcements (US\$11.8 billion)

- Expenditure increase:
 - Health's budget increased by US\$1.5 billion (2% PIB)
 - Allowance per family (US\$ 230) for those without formal jobs
 - Solidarity fund (US\$100 million) for social emergencies
- Tax cuts
 - Transitory reduction of the stamp tax
- Liquidity measures
 - Corporate tax provision delayed 3 months
 - VTA and local taxes delayed 3 months
- Job protection
 - Bill to allow for the continuation of labor relations (salaries paid for by the unemployment insurance system)
- Capitalization of Banco Estado for US\$500 million

CMF announcements

- For the bank
 - CMF has suggested the implementation of Basel III could be postponed
 - Extension of the term that banks have for the alienation of Goods Received in Payment
 - Modification to the treatment of derivatives (capital charge reduction)
- For mortgage loanbook
 - Possibility of deferring up to 3 installments in the payment of mortgage loans
- For SMEs and individuals
 - Facilities for banks to make loan installments more flexible to SME and individuals up to 6 months, without this being considered a renegotiation
 - Possibility of using mortgage guarantee surpluses to guarantee loans to SMEs

AGENDA

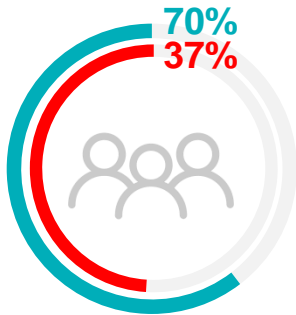
CHILE AN UPDATE

SAN CHILE: BALANCE SHEET

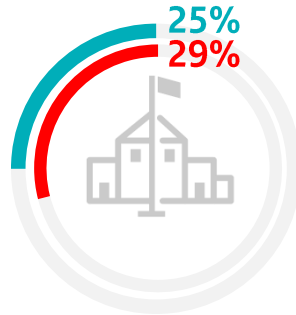
SAN CHILE: BUSINESS GROWTH AND RESULTS

A universal and diversified bank

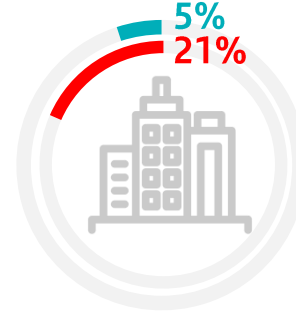
■ % of total loans ■ % of total contribution



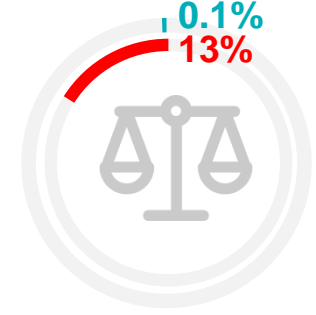
Retail



Middle Market

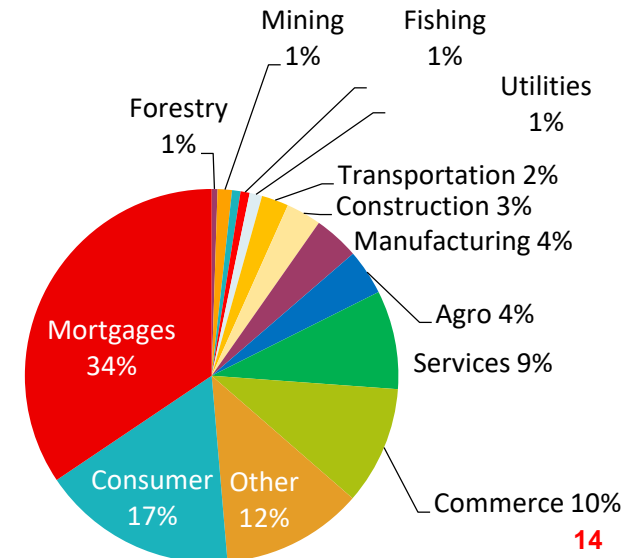


Corporate Investment Banking (SCIB)



Corporate Activities

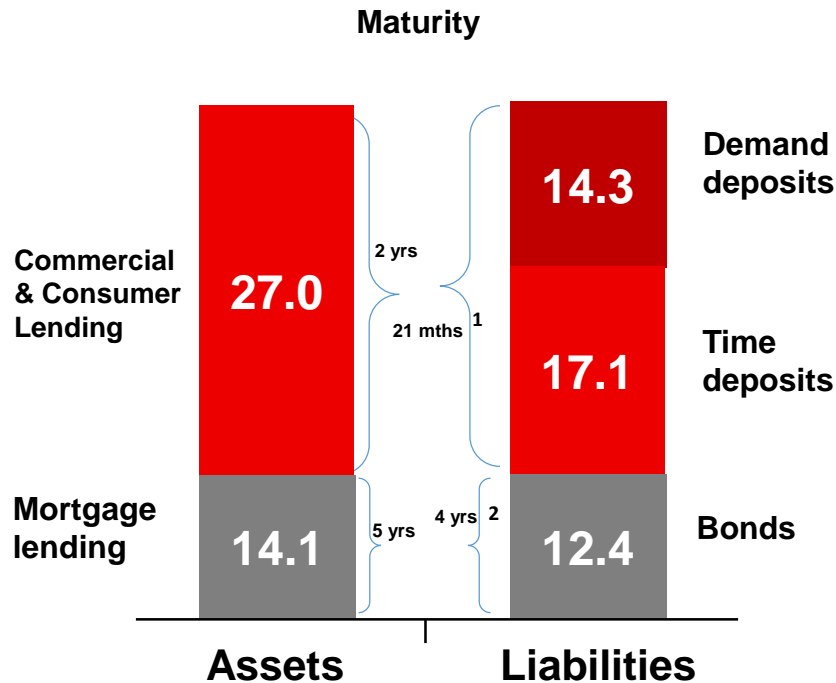
- **Loans: 58% Individuals / 42% Companies**
- **High diversity by sector. All loans in Chile**
- **Individuals:** focus on growing the middle income, selective growth in lower income
- **SMEs:** focus on larger SMEs, especially those with balanced income flow (range of products)
- **Middel market:** Focus on non-credit activities, loans are part of an integrated relationship
- **SCIB:** Strong focus on non-credit activities



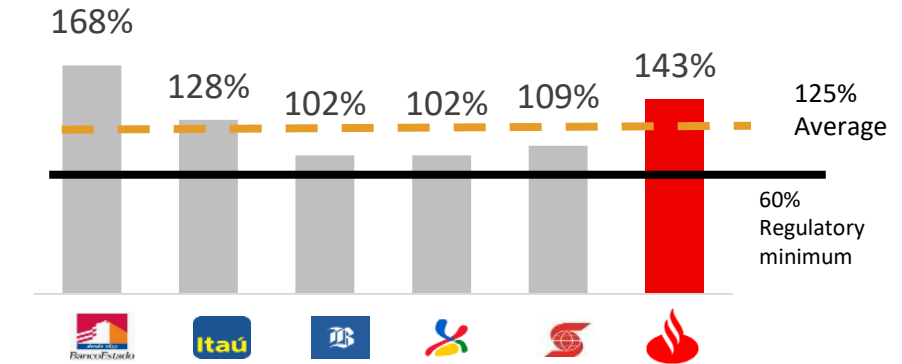
Solid balance structure and liquidity levels

Structural balance sheet

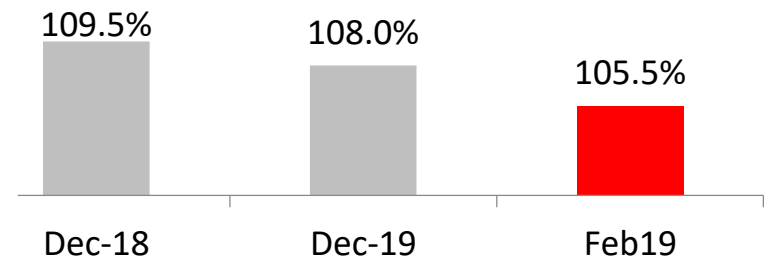
US\$bn Feb. 2019



Liquidity coverage ratio³



NSFR⁴

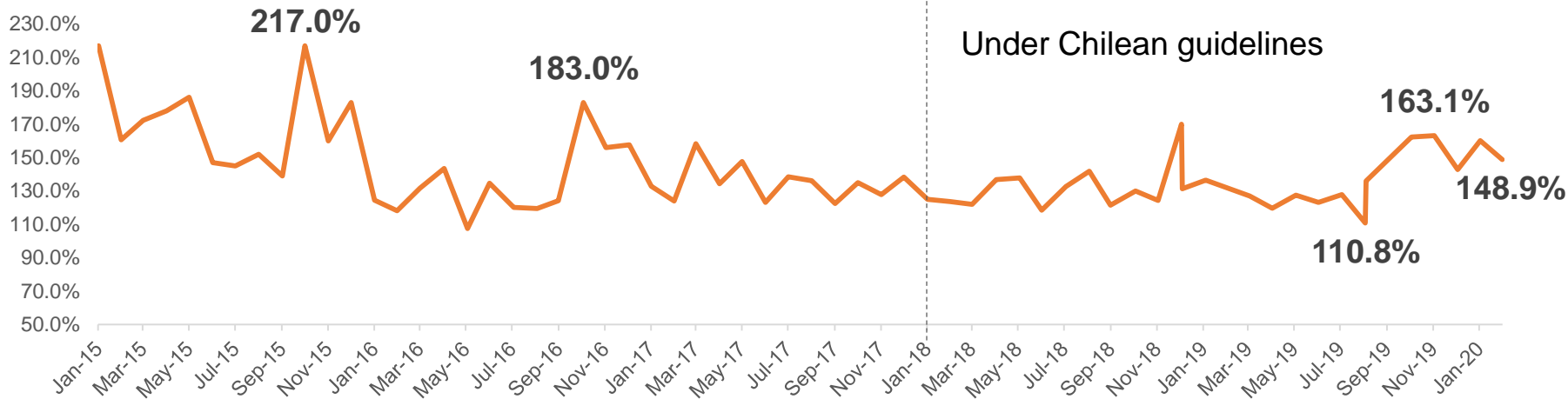


1. Assumes an actual duration for demand deposits of four years. 2. Includes pre-payment estimate. 3. LCR calculated following the new local Chilean models
 4. Internal methodology and not the local Chilean regulator's guidelines still under discussion

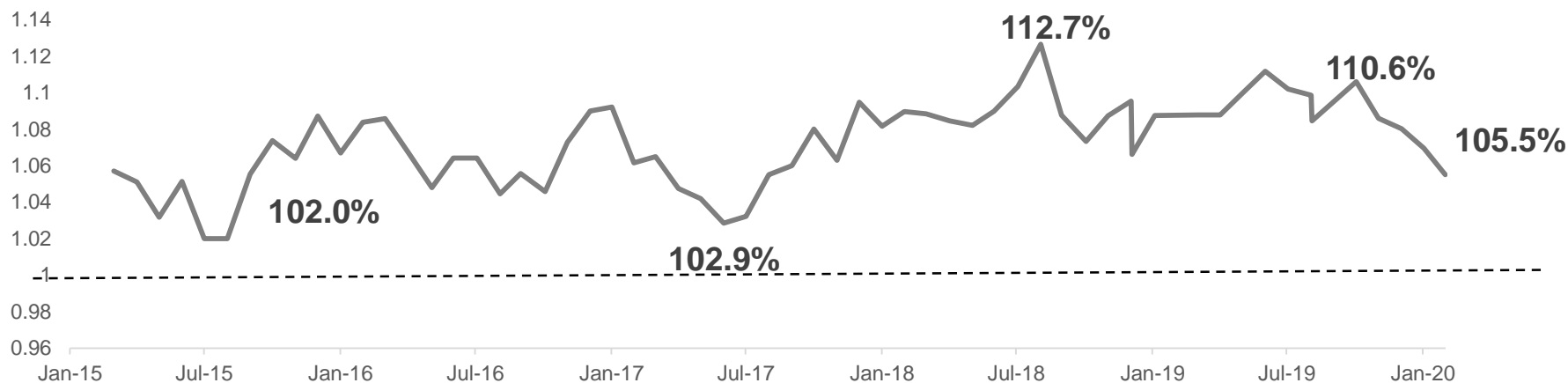
Balance sheet

Maintaining solid liquidity levels

LCR¹



NSFR²

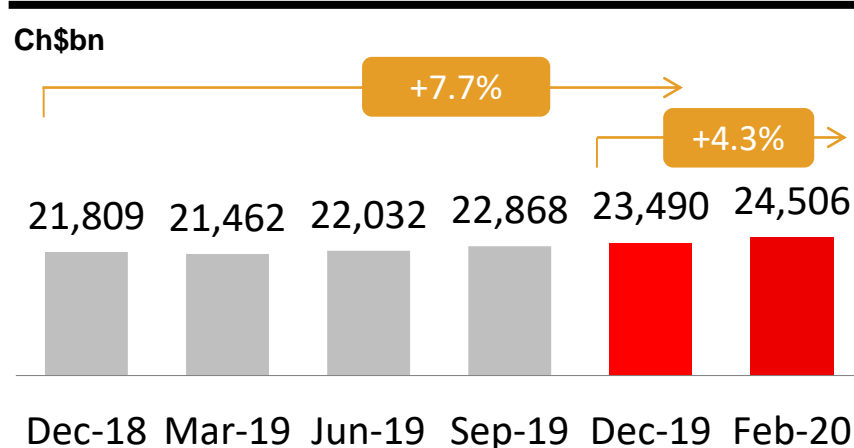


1. Liquidity coverage ratio. Jan-15 to Dec-17 under internal models. According to local Chilean regulations from Jan-18. ¹⁶ 2. Net Stable Funding Ratio according to internal models.

Balance sheet

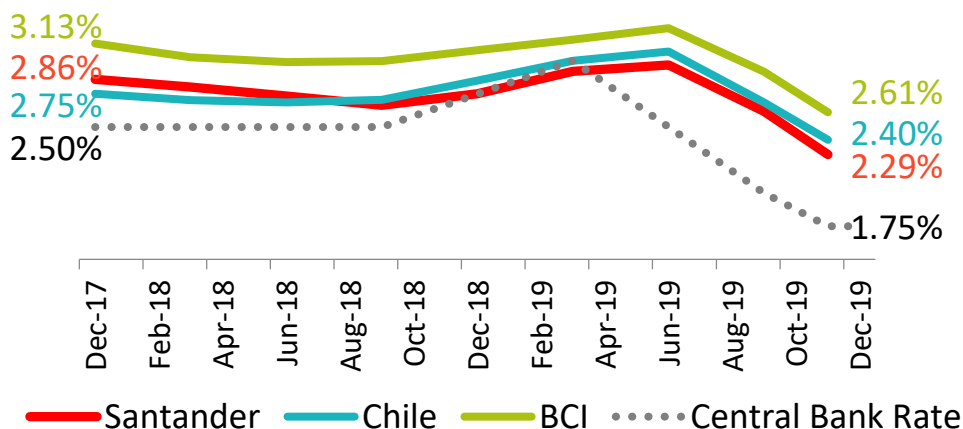
Positive evolution of funding mix

Total Deposits



Ch\$ bn	2M20	YoY
Demand deposits	10,499	24.4%
Time deposits	14,007	8.3%
Total Deposits	24,506	14.7%
Mutual funds ¹	7,105	21.1%
Loans/Deposits²	92.5%	

CLP Time Deposit Cost Evolution³



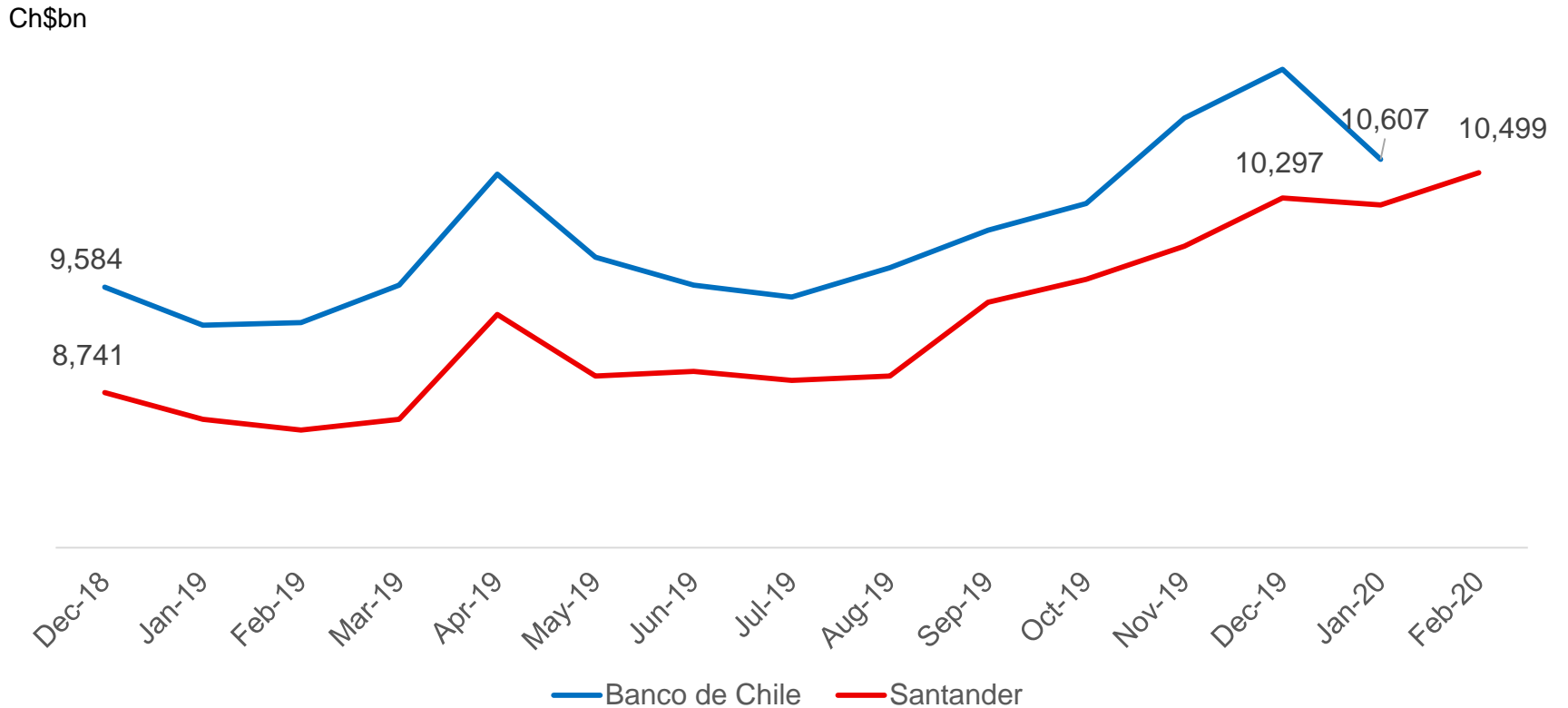
Demand deposits by segment

Ch\$ bn	12M19	YoY	QoQ
Individuals	3,650	8.5%	0.5%
SMEs	1,698	15.3%	0.5%
Retail	5,348	10.7%	0.5%
Middle Market	2,991	14.4%	2.7%
Corporate (SCIB)	1,959	55.0%	13.0%
Total⁶	10,297	17.8%	8.8%



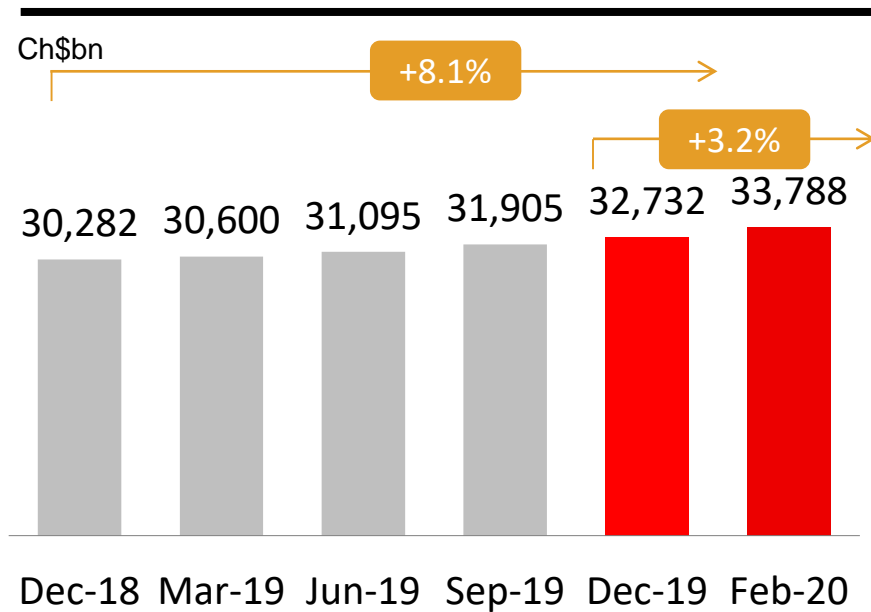
Evolution of demand deposits versus Banco de Chile

Deposits and other demand deposits



Loan growth driven by Retail banking

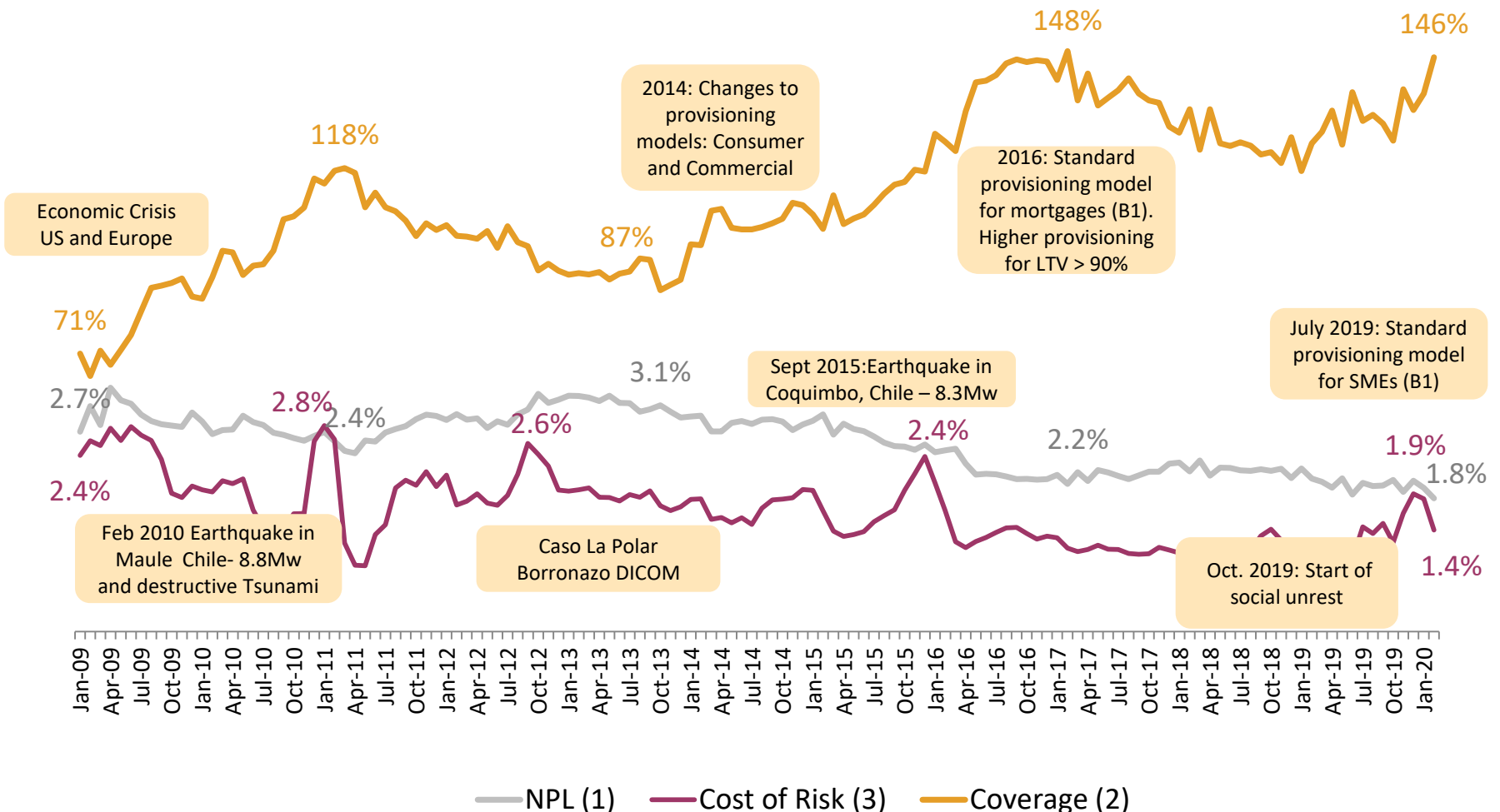
Total Loans



Ch\$ bn	12M19	YoY	QoQ
Individuals ¹	18.834	11,3%	5,1%
Consumer	5.539	13,6%	9,4%
Mortgages	11.263	11,0%	3,3%
SMEs	4.085	5,7%	1,1%
Retail	22.919	10,3%	4,3%
Middle Market	8.093	5,2%	1,1%
Corporate (SCIB)	1.672	(0,6%)	(5,9%)
Total²	32.732	8,1%	2,6%

Stable asset quality throughout the years

Total loans: NPLs, coverage and cost of risk



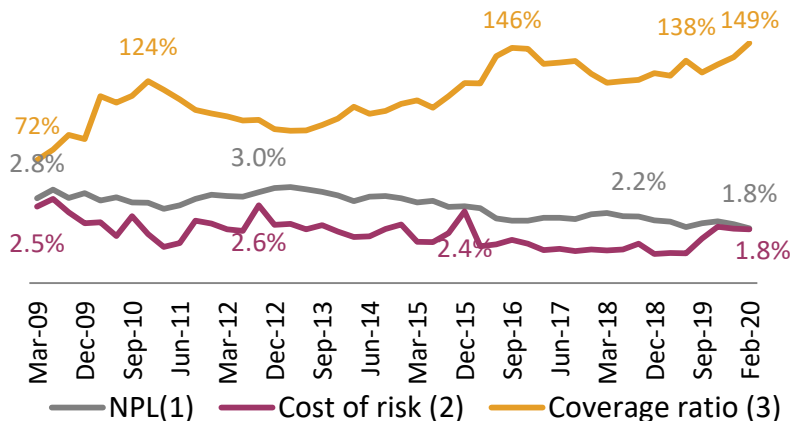
1. Loans with 90 days or more overdue. 2. Stock of provisions divided by NPLs.. 3. Quarterly cost of risk = quarterly provision expense/ quarterly average loans.

Balance sheet

Deterioration of asset quality in periods of stress improving

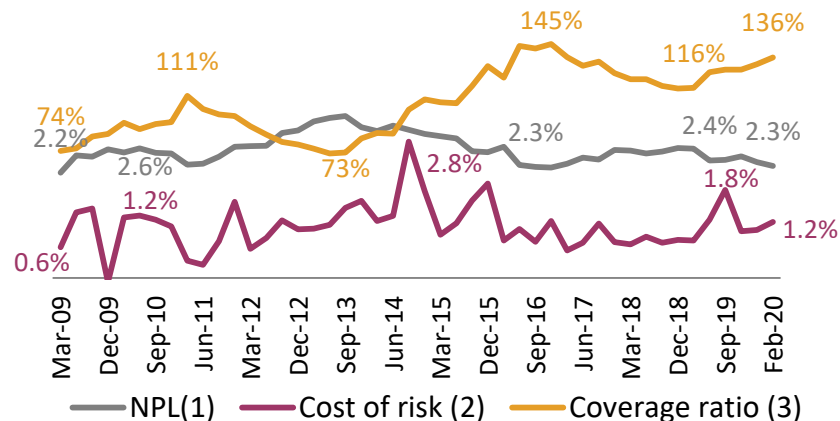
Total loans

% of loans



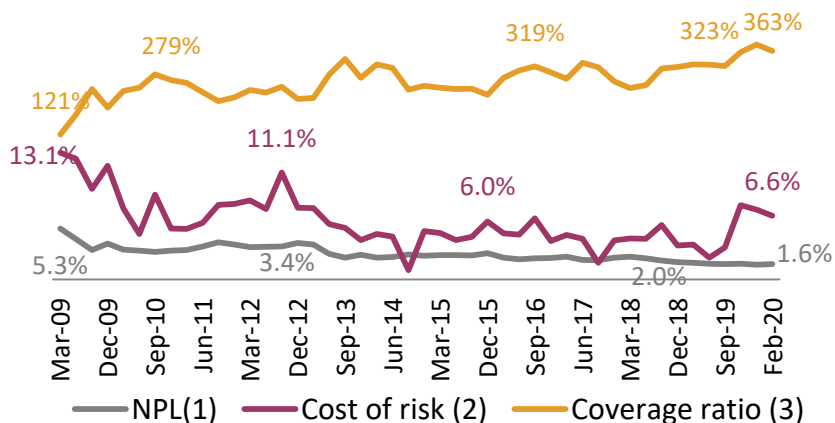
Commercial loans

% of loans



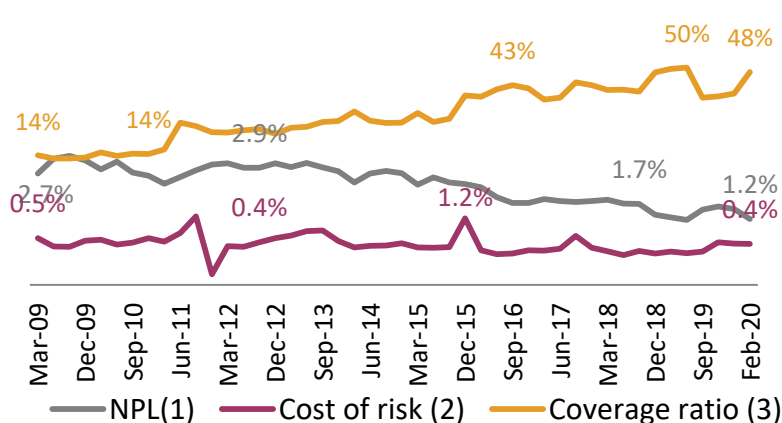
Consumer loans

% of loans



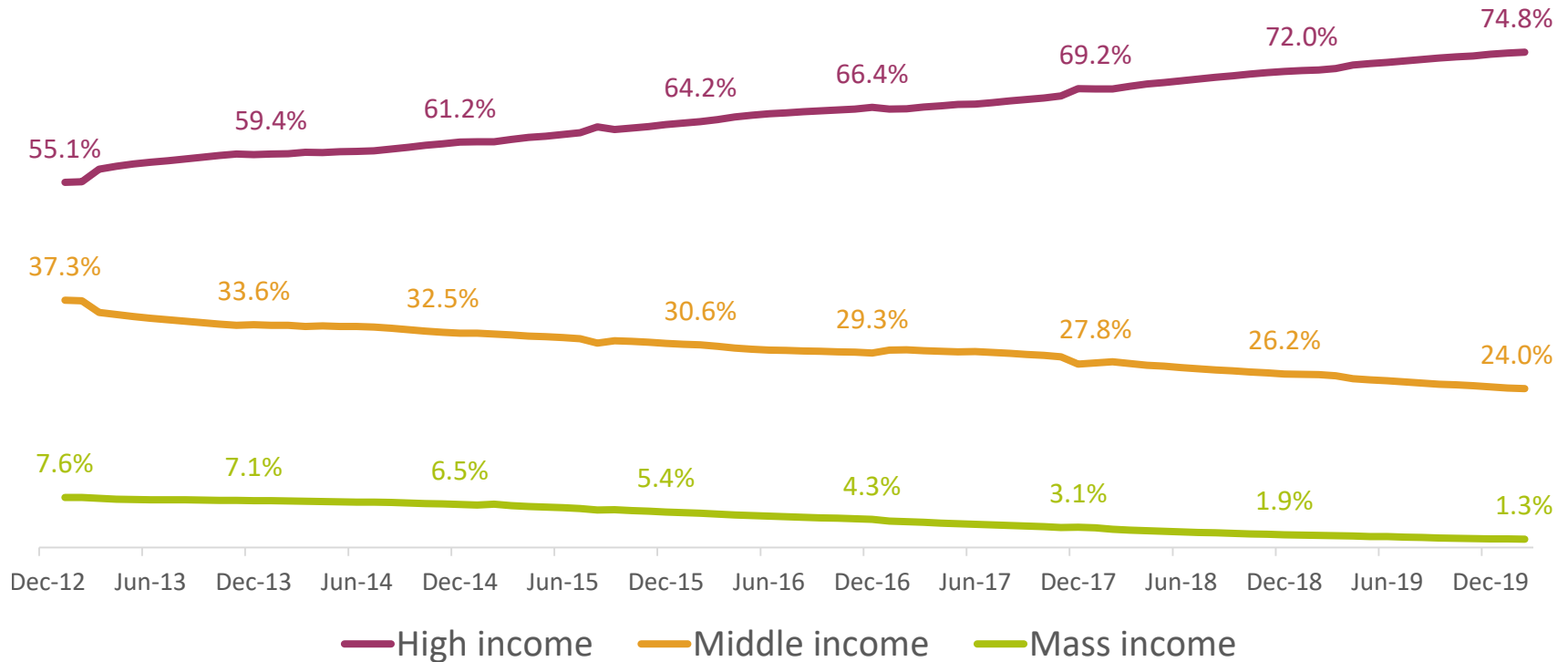
Mortgage loans

% of loans



A better client mix through derisking

Composition of loans to individuals

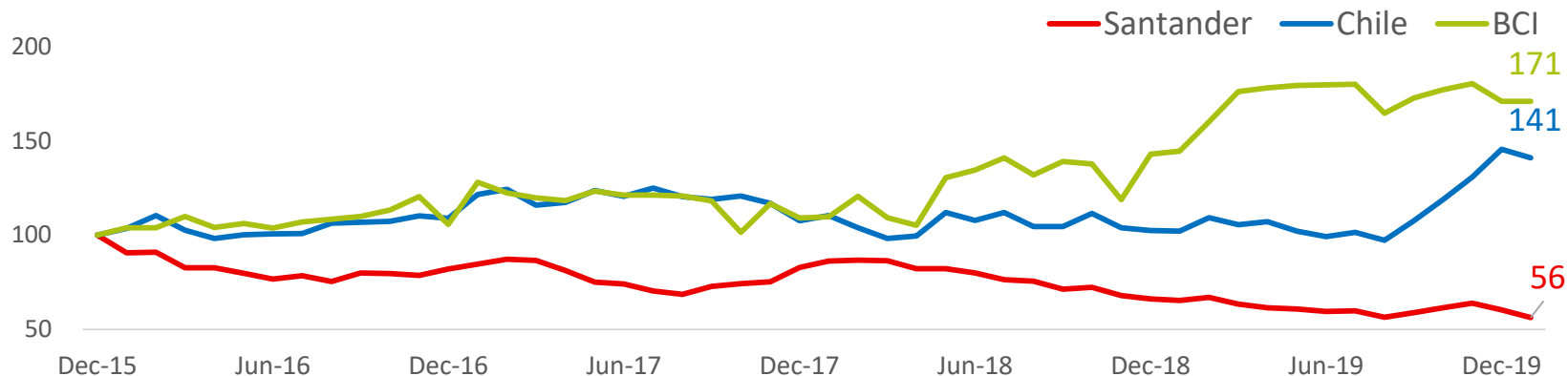


Balance sheet

Consistently improving our asset quality

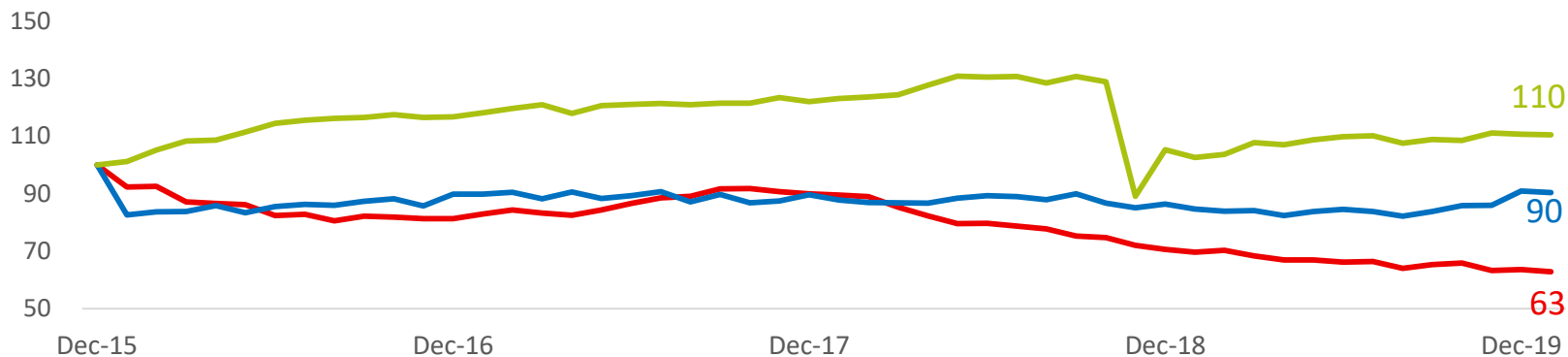
Consumer NPLs¹

% of loans; base = 100 as of Dec. 2015



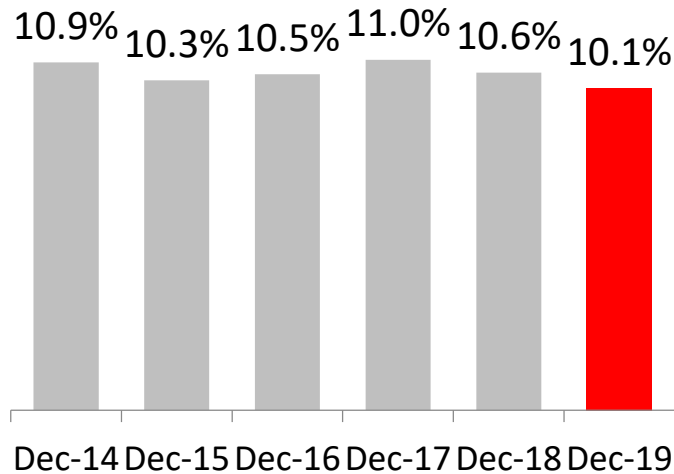
Consumer Impaired loans²

% of loans; base = 100 as of Dec. 2015

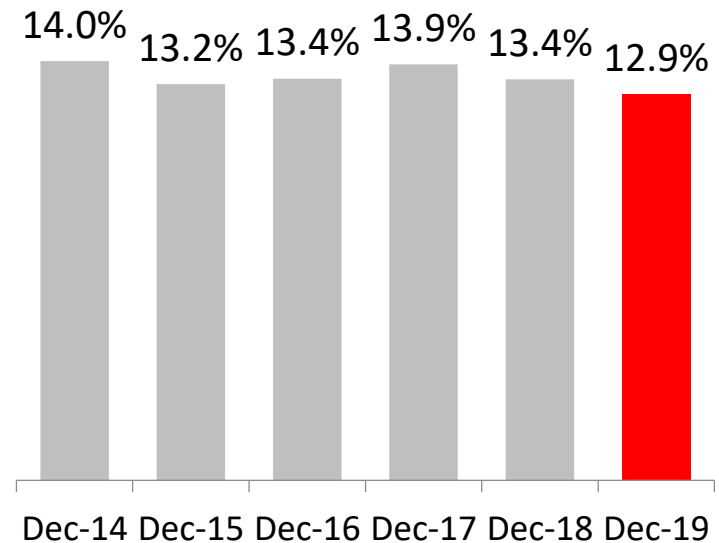


Sustainable capital ratios

Core capital



BIS Ratio



We recently decided to adjust our payout this year to 30% from 60% originally. This in order to maintain our internal limit of reaching a core capital ratio above 10%.

AGENDA

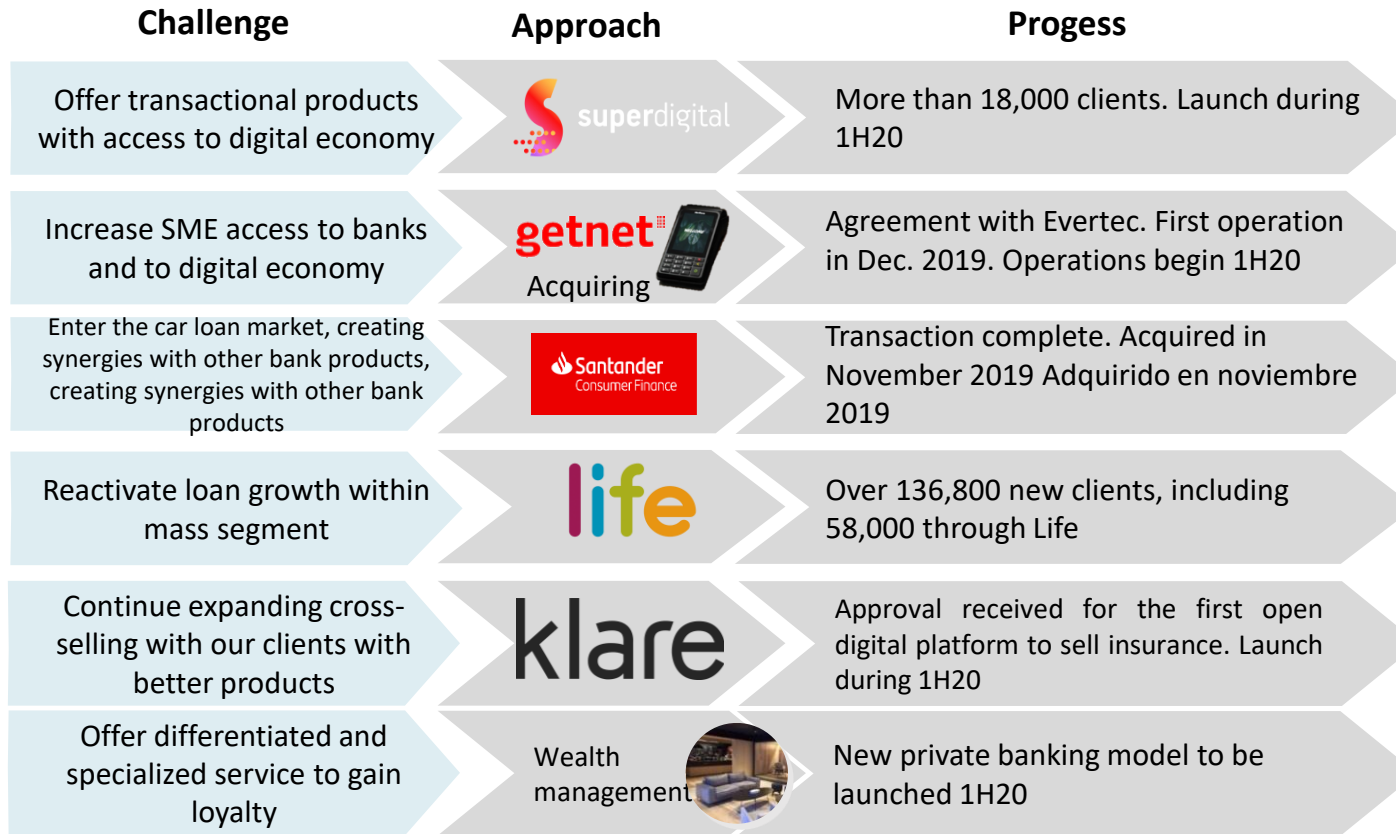
CHILE AN UPDATE

SAN CHILE: BALANCE SHEET

SAN CHILE: BUSINESS GROWTH AND RESULTS

Business growth and results

Clients: moving forward in our innovations



We have announced an investment plan of US\$380 million for the period of 2019-2021 in technology, branch upgrading and new products and services.

Business growth and results

Clients: moving forward in our innovations



Con la nueva **Pulsera Chip Santander** paga rápido, fácil, cómodo y seguro. Además podrás hacer tus actividades sin la necesidad de tener a mano tu cartera o billetera.

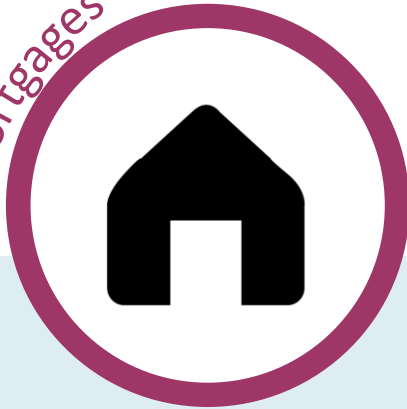


Conoce los beneficios de la nueva Pulsera Chip Santander:

-))) Puedes pagar presencialmente en toda la red de comercios nacionales e internacionales con tecnología CONTACTLESS.
-))) Llévala contigo donde quieras para que estés más cómodo.
-))) Resistente al agua e ideal para usarla en deportes al aire libre.
-))) Con la Nueva Pulsera usas el cupo actual de tu Tarjeta y mantienes el programa de lealtad. (Millas LATAM Pass o Mérito LIFE).

Santander: Measures to confront coronavirus

Mortgages



Consumer



SMEs



US\$6.000mm

Delay your installment

- Product available since October 2019 after social unrest
- Geared towards clients in default or up to 89 days late in their payments
- List of eligible clients selected and approved by risk department
- Enables to delay up to 6 installments
- Installments are capitalized in new payment schedule
- Insurance will cover the whole life of the loan

Delay consumer installments

- New product
- For all clients that want to reprogram their debts
- Can be taken out on the internet, with one click
- Term of up to 60 months
- 3 months grace period

Refinance digitally

- Product available since 2019
- Clients who are complicated or with delay in payments can refinance their consumer loans, card loans, or credit line
- Client refinances all debt into one

One-on-one financial assistance and refinancing

- There is no one-size-fits-all solution for all SMEs
- Personalized solution for each client

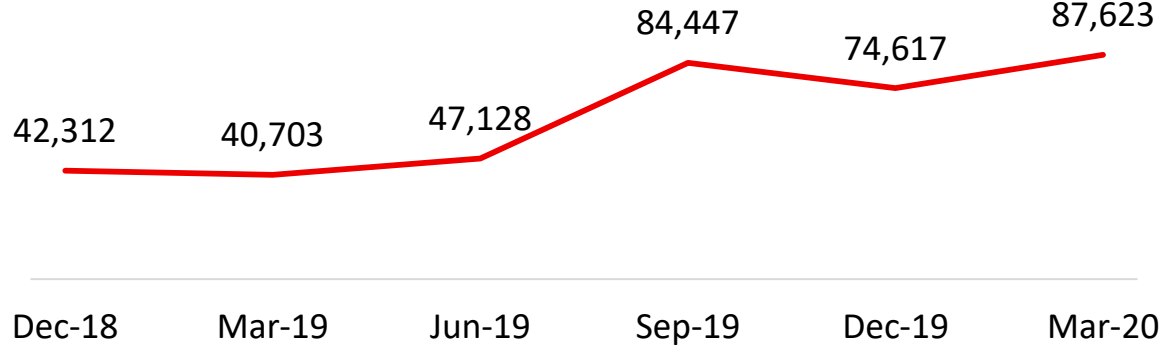
Results as of February 2020

Ch\$ mn	2M20	YoY
Net interest income	247,698	18.5%
<i>NIM¹</i>	4.0%	+24bp
Fees	52,356	13.0%
Financial transactions	20,795	31.8%
Provisions	(61,288)	22.6%
<i>Cost of credit²</i>	1.1%	+12bp
Operational expenses	(123,008)	4.7%
<i>Efficiency ratio³</i>	38.7%	-479bp
Net income attributable to shareholders	106,896	39.1%
ROE	18.9%	+480bp

Business growth and results

Strong growth in new clients

Quarterly new gross accounts¹



During the 1Q20 we opened 115% more accounts than in 1Q19 despite the social conflict and coronavirus, reflecting the strength of our brand and digital channels

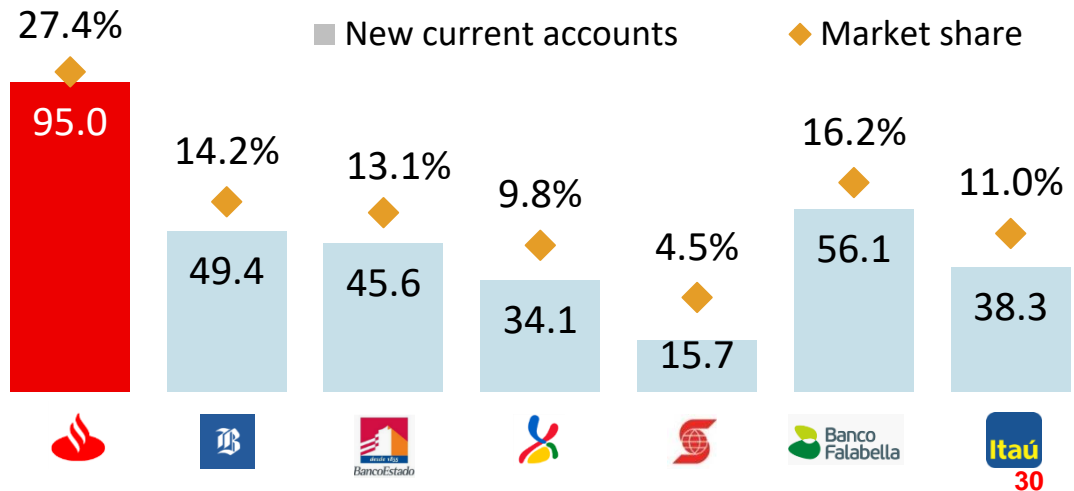
22%

Market share of current accounts²

27%

Market share of current account openings²

Current account openings 12M19²



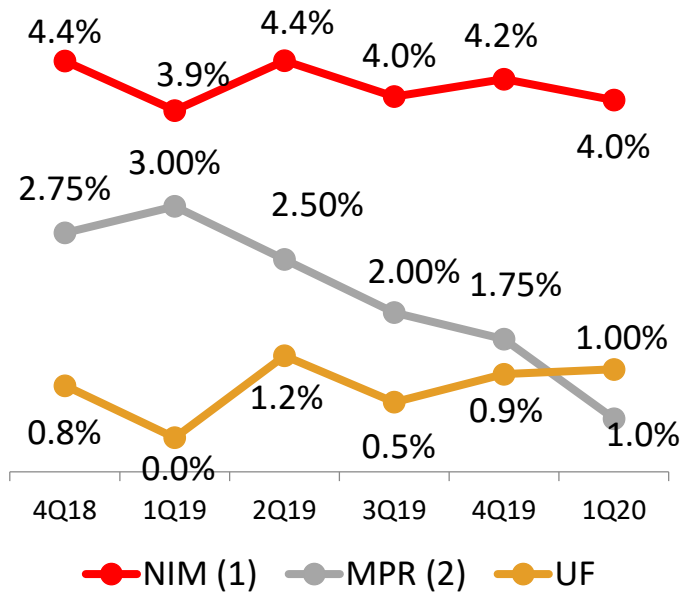
30

1. Include current accounts, Life and Superdigital. First quarter of 2020 is data from January and February 2020 quartered. 2. Market share with information published by the CMF

Business growth and results

Higher inflation and lower cost of funds drives recovery in NIMs

NIM¹ & Inflation

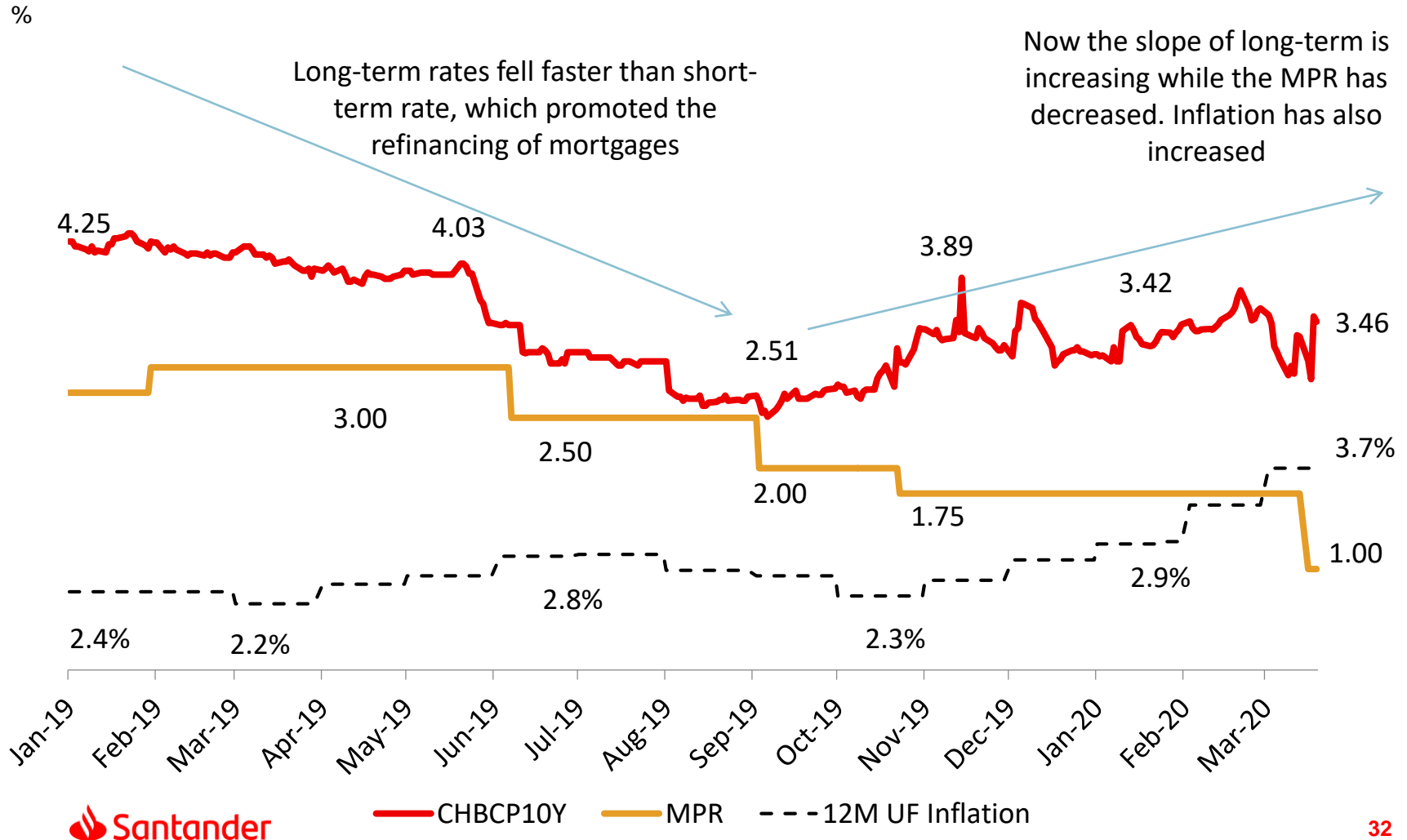


Net interest income

Ch\$ bn	2M20	YoY
Net interest income	247.7	18.5%
Average interest-earning assets	36,758	11.5%
Average loans	33,315	9.5%
Interest earning asset yield ³	6.5%	+112bp
Cost of interest bearing liabilities ⁴	2.5%	+84bp
NIM YTD	4.0%	+24bp

Inflation picking up and yield curve increasing slope

Central Bank nominal 10-year notes, Monetary Policy Rate and UF Inflation¹

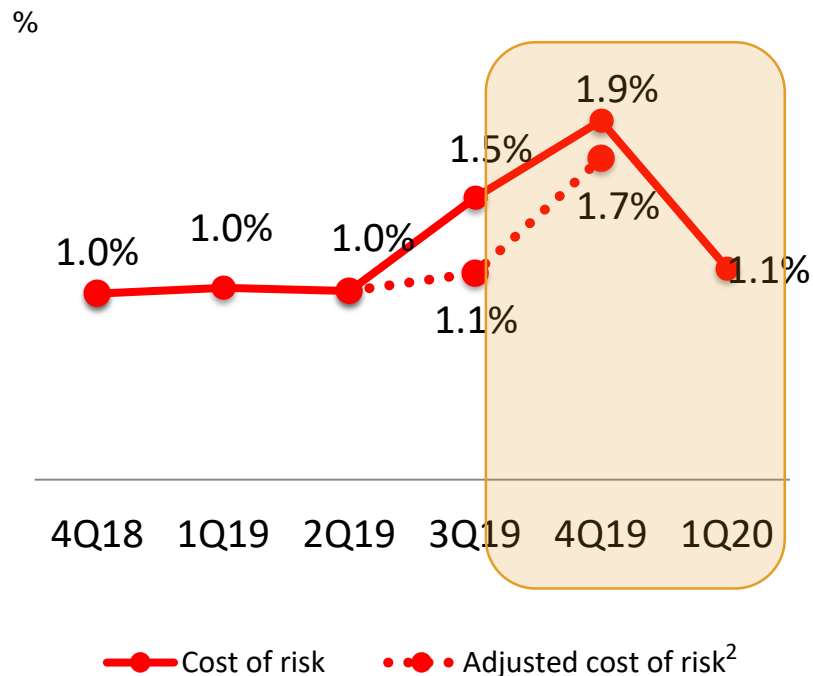


1. Source: Bloomberg

Business growth and results

Larger provisions for robust coverage

Cost of risk¹



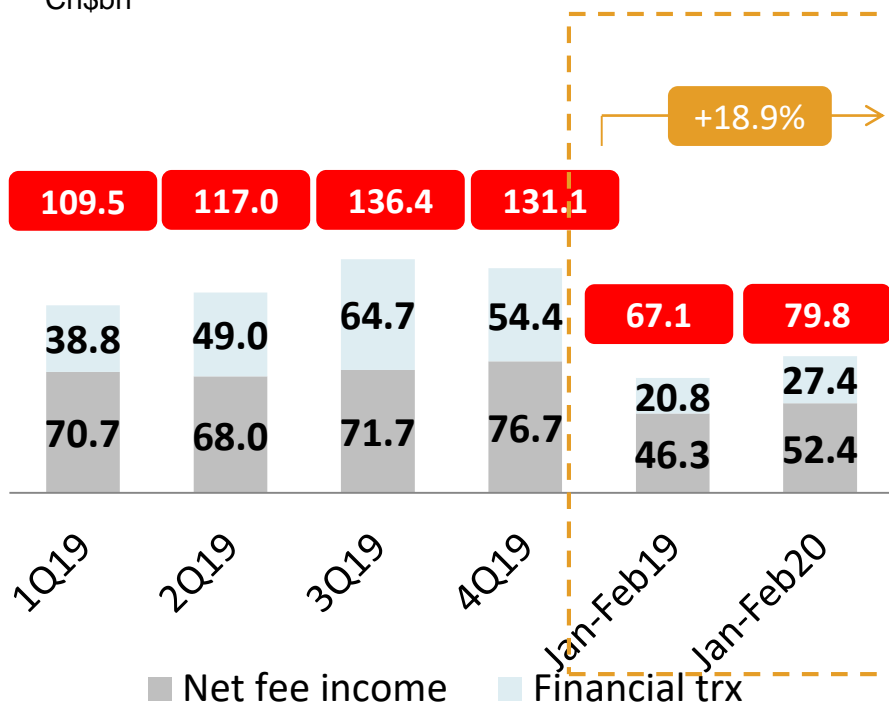
Provision for loan losses

Ch\$ bn	2M20	YoY
Gross provisions and write-offs	(77,855)	22.4%
Recoveries	16,567	21.9%
Provision for loan losses	(61,288)	22.6%
Cost of risk(YTD)¹	1.10%	+12bp

Non-interest income: Client driven

Fees & financial transaction

Ch\$bn



Fees

Ch\$ mn	2M20	YoY
Checking accounts	5,856	(0.7%)
Lines of credit	1,106	5.3%
Credit, debit & ATM card fees	12,220	27.4%
Collection fees	7,356	34.7%
Asset management	7,931	10.4%
Guarantees, pledges and other contingent operations	5,954	2.3%
Insurance brokerage	7,521	4.7%
Fees from brokerage and custody of securities	2,128	49.1%
Other Fees	2,284	(15.4%)
Total	52,356	13.0%

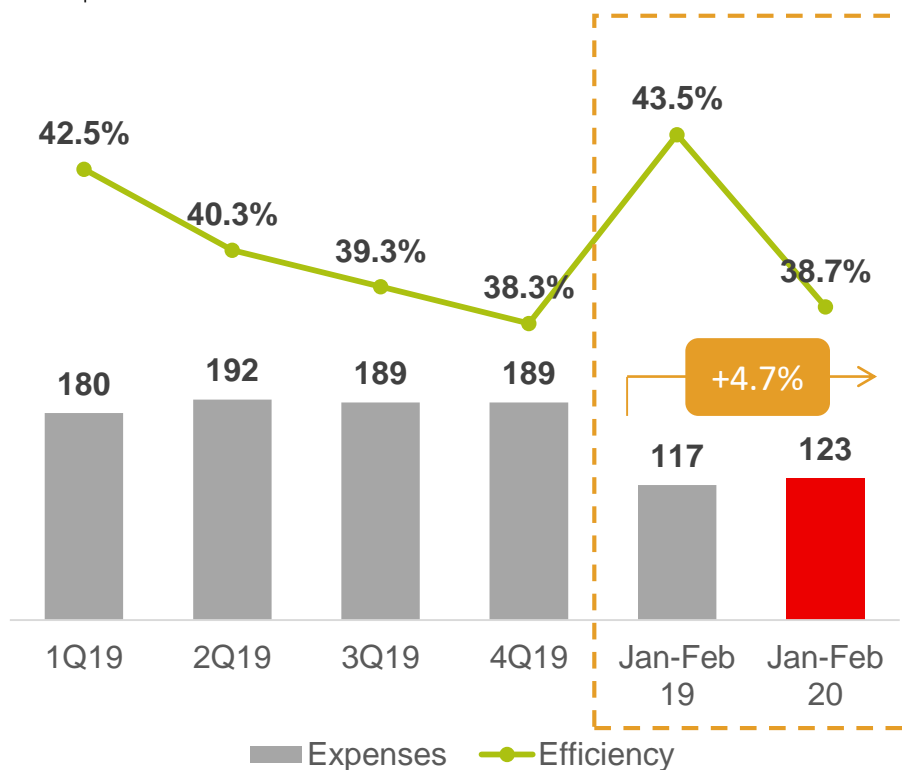
Financial transactions, net

Ch\$ mn	2M20	YoY
Client	26,436	17.0%
Non-Client	936	--%
Total	27,372	31.6%

Investing to improve productivity and efficiency

Operational expenses

Ch\$bn



Ch\$ bn	2M20	YoY
Personnel expenses	63.3	5.8%
Administrative expenses	41.2	2.3%
Depreciation	18.5	6.4%
Operational expenses	123.0	4.7%
Efficiency ratio	38.7%	-480bp
Costs/assets	1.4%	-40bp

Conclusions

A difficult outlook but well positioned

- ✓ The Central Bank and CMF have launched a series of initiatives that will help to maintain liquidity and capital levels. Measures are also coming to give people relief, which will help asset quality
- ✓ The Bank has worked profoundly on its asset quality metrics in the last decade which can help to absorb the expected impacts to asset quality
- ✓ Liquidity levels are sound and deposit growth has been high
- ✓ Loan growth should decelerate with a focus on medium and larger corporates with renegotiation program for individuals and SMEs
- ✓ Client growth has remained strong through digital channels
- ✓ Capital ratios are healthy. Payout lowered to 30% proactively
- ✓ Results as of February were strong. Higher inflation, lower rates, client growth and cost control should help to offset higher cost of credit in the rest of the year

Thank you.

Our purpose is to help people
and business prosper.

Our culture is based on believing
that everything we do should be:

Simple Personal Fair



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

