

# Banco Santander Chile

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Morningstar conference

November, 2019



## 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 2018 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



**Macro-economic environment**



**Strategy update**



**Results**



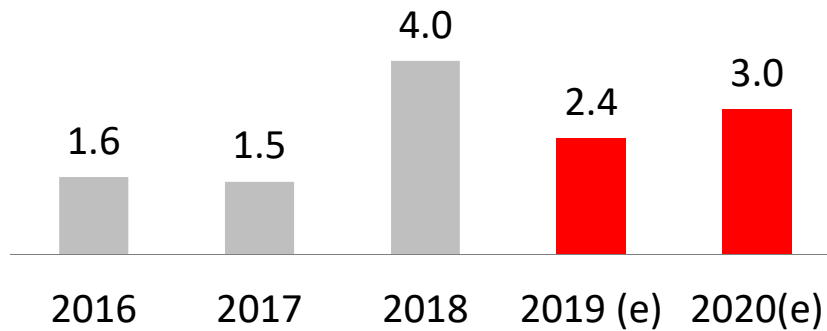
**Outlook**

## Macroeconomic environment

### GDP growth in 2019 driven by investment

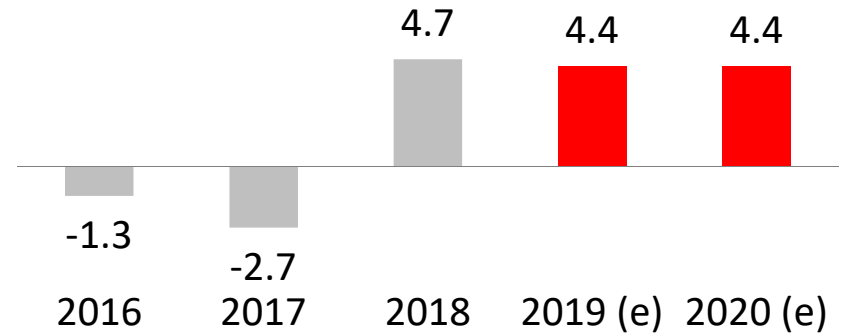
#### GDP

YoY real growth, %



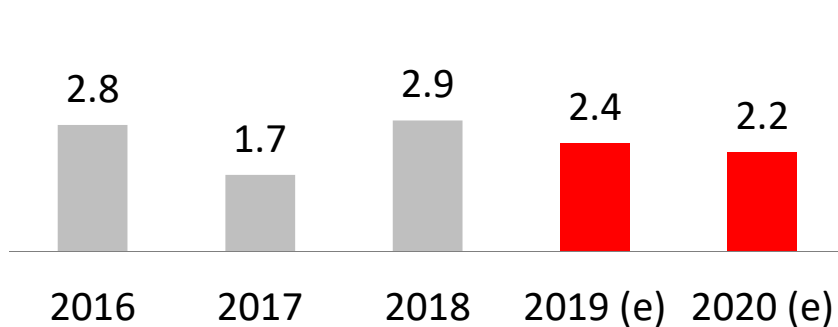
#### Investment

YoY real growth of fixed capital formation, %



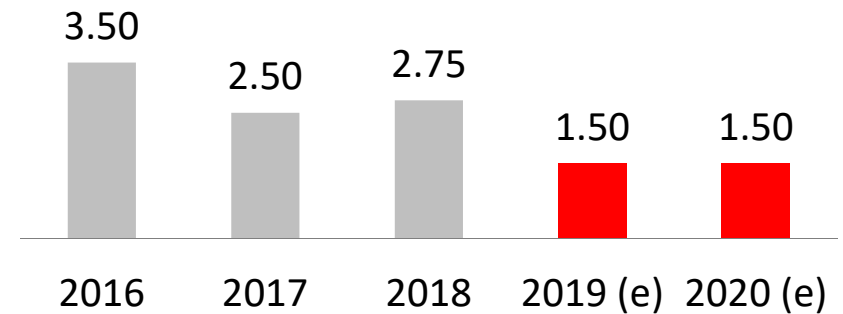
#### Inflation

Annual change in UF inflation, %



#### Central Bank ST Reference Rate

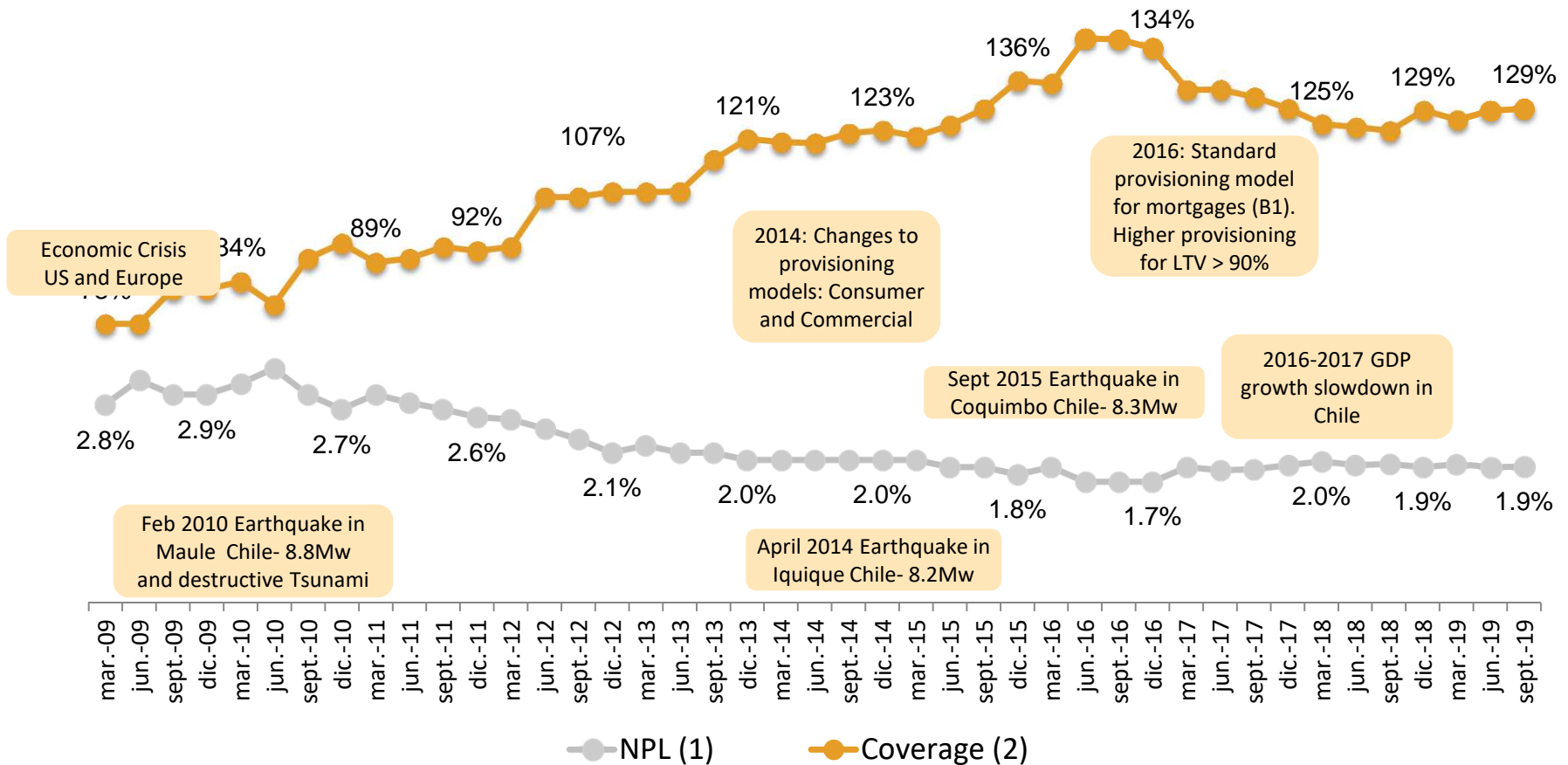
%



Source: Banco Central de Chile and estimates Santander Chile

# Asset quality has been stable despite increasing regulation and market shocks in the region

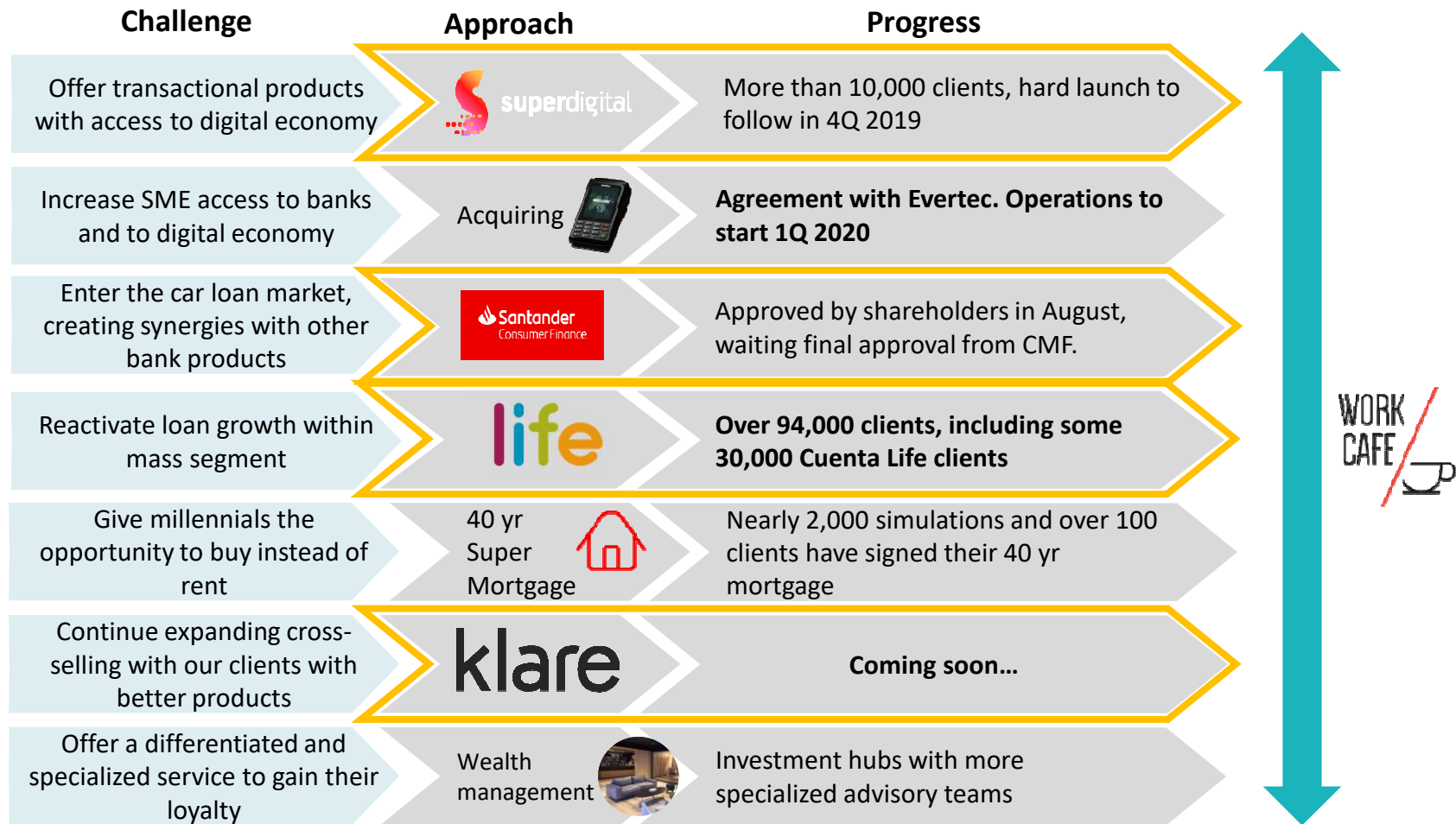
**Total loans: Non-performing loans (NPL) and coverage (%)**



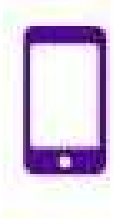
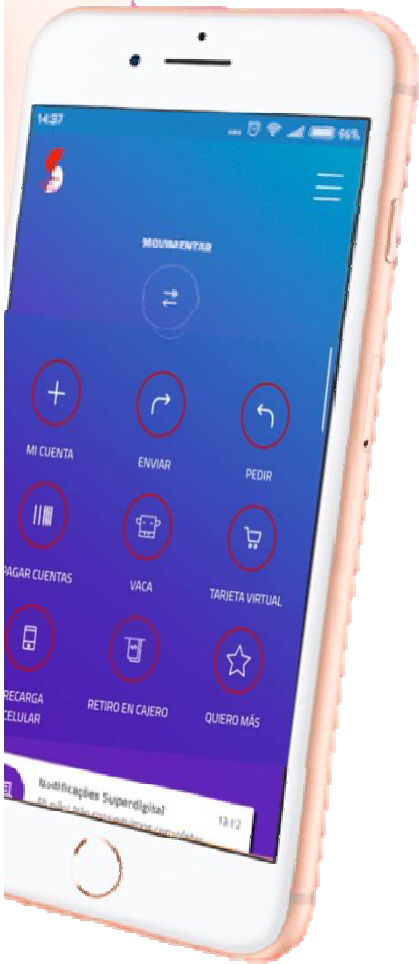
1. Loans with 90 days or more overdue. 2. Stock of provisions divided by NPLs. Source: SBIF

## Strategy update

# Offering innovative proposals for each market segment



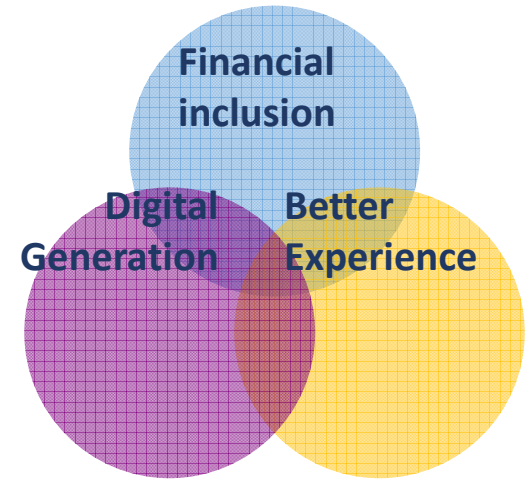
We have announced an investment plan of US\$380 million for the period of 2019-2021 in technology, branch upgrading and new products and services.



**+17,000**  
Downloads



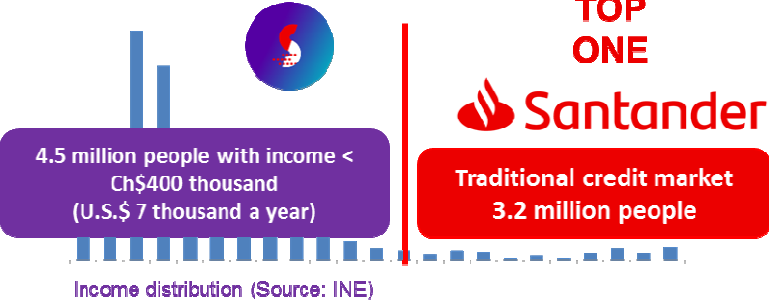
**+10,000**  
Clients



Aimed at younger generation, immigrants and people who have little or no access to Banks

Provides access to the digital economy such as Uber and Spotify

Clients have a separate assistance channel



Nov '18

Prelaunch Testteam

May '19

Employees-fully functional including physical card

Jun '19

Employees' families

Jul '19

Public soft launch

Coming soon

Media ramp-up

Strategic alliances, integrating new services

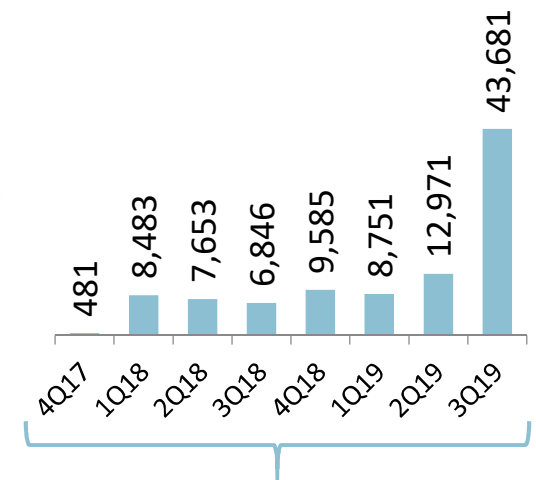


## Strategy update

Through our Life offer we aim to educate and incentivize our clients, offering greater financial inclusion in the future

Focus	<b>01</b> Responsible Banking	<b>02</b> Financial Education	<b>03</b> Financial Inclusion
Proposition	 Unbanked	 First approach to credit	 Merits + Benefits
Principles	Merits 	Simple Products 	Technology 

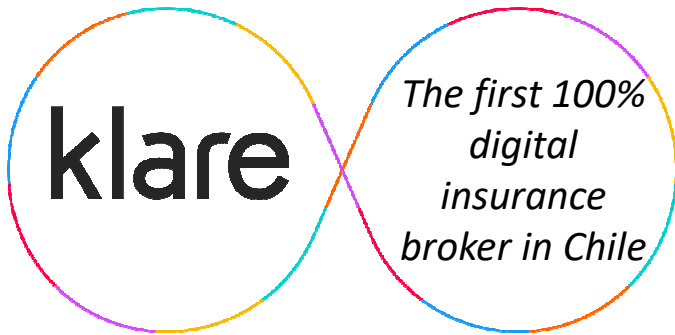
### Quarterly new Life clients



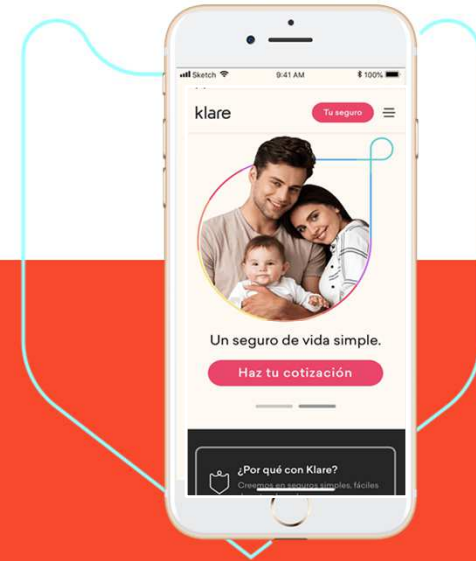
**+98,000**  
Total Life clients

Average score of 9 out of 10 when asked if they recommend Life, our happiest clients





- Open insurance market
- Digital distribution model
- Alliance with Zurich
- Open and flexible platform
- Recommended offer in just four steps
- 100% customized offer by customer (amount, coverage, other assistance)



The idea is that insurance suits your life and not the other way around



### SIMPLE

You can hire insurance quickly and 24/7, avoiding paperwork and long hours of meetings. We know what you want: Simple, clear and quick explanations.

### PERSONALIZED

We offer you the best option of protection, according to the needs you have.

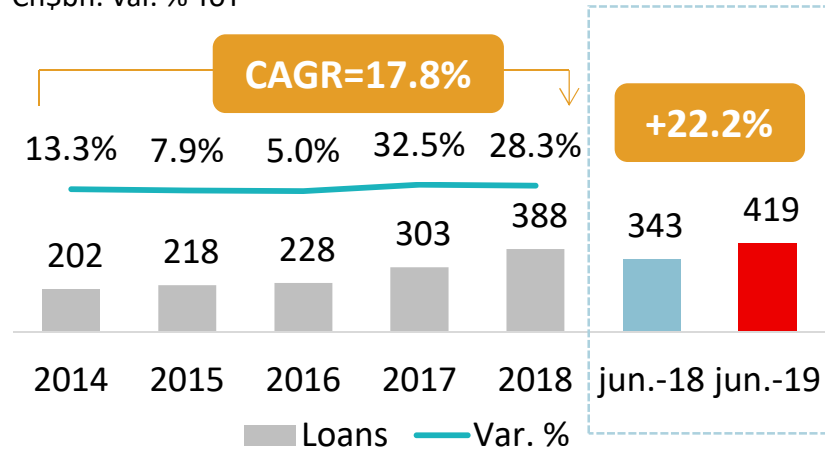
### TRANSPARENT

Hiring an insurance will be fast and without detours, that's why we eliminate the fine print and we explain everything you need to know so that you hire informed.

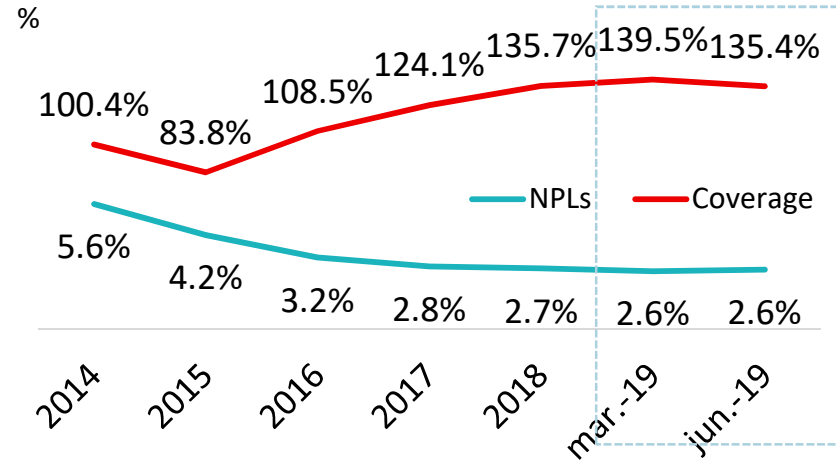
# Entering a new profitable market with a large potential for growth

## Total loans

Ch\$bn. Var. % YoY

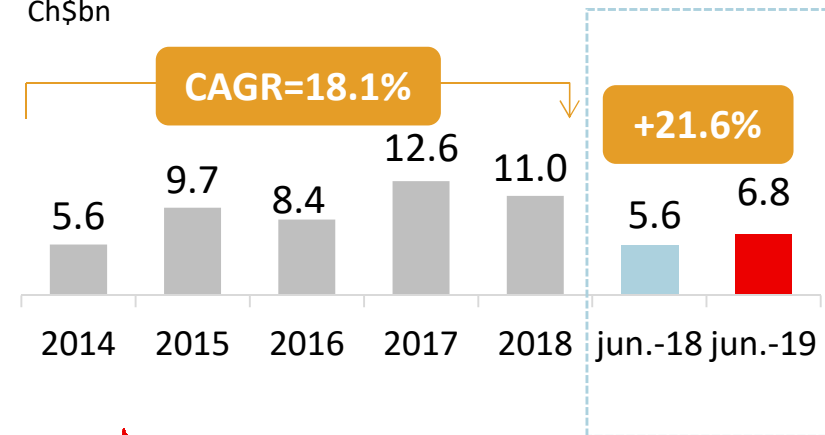


## NPLs and coverage

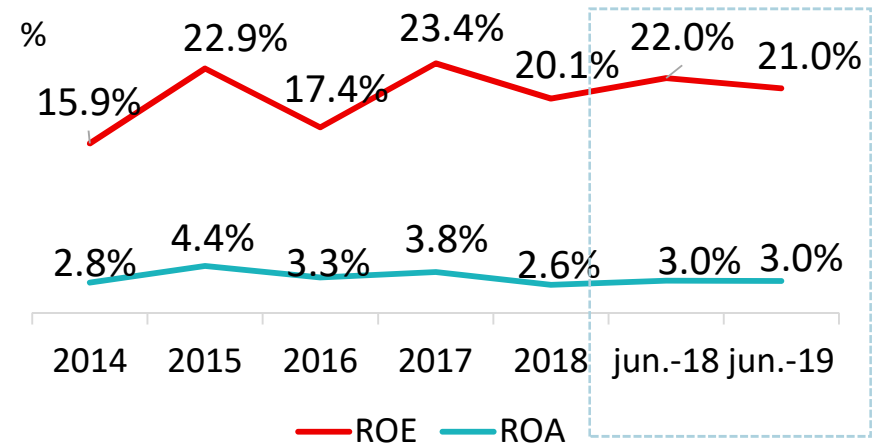


## Net income

Ch\$bn



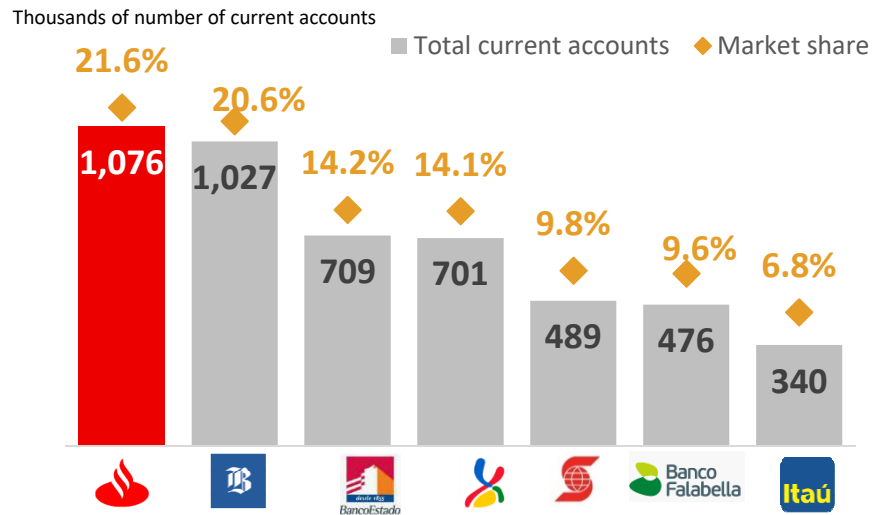
## ROE & ROA



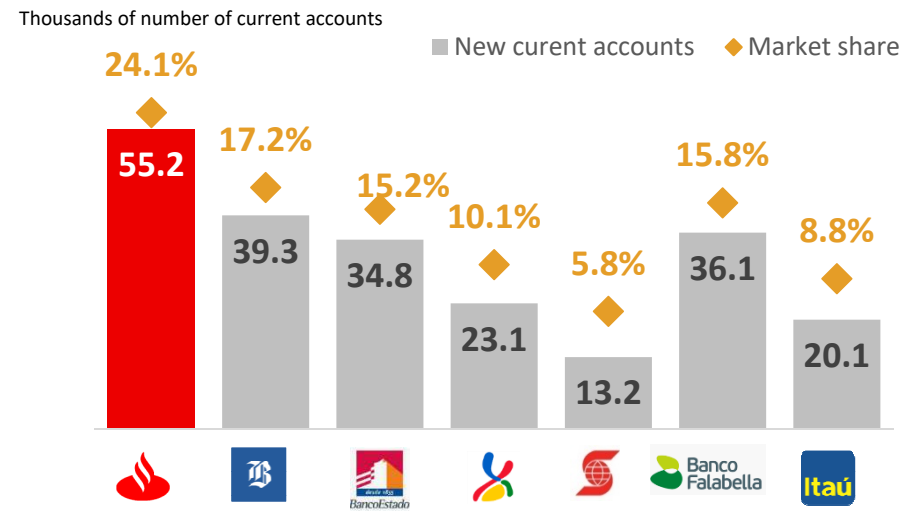
## Strategy update

# We are gaining market share in current accounts

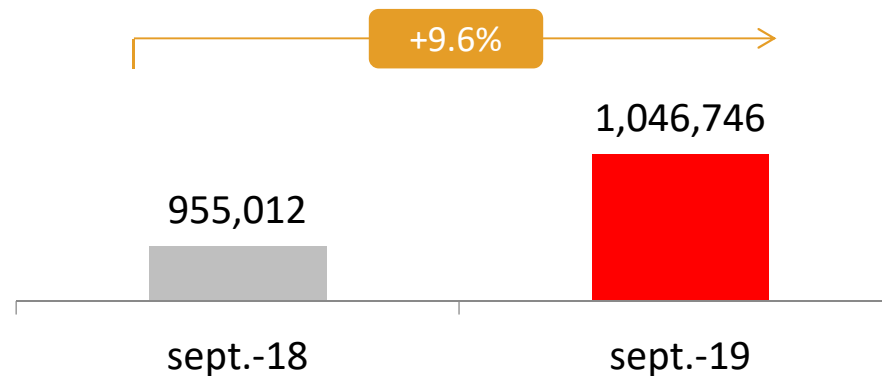
### Total current accounts <sup>1</sup>



### Net increase in current accounts 7M19<sup>1</sup>



### Total current accounts

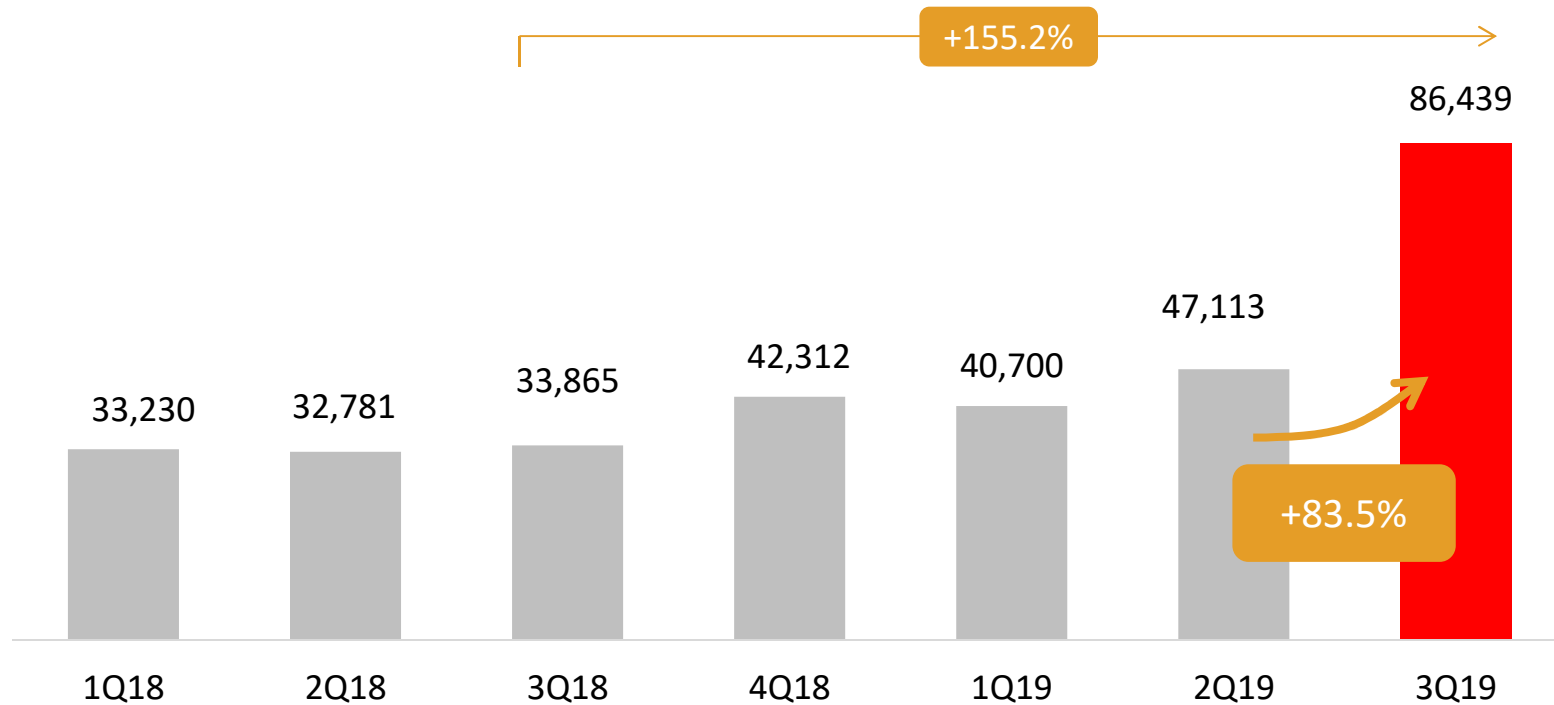


1. Source: CMF, Current accounts include in local and foreign currency. Net increase is the variation of total accounts between December 2018 and July 2019, latest information available

## Strategy update

### Accelerating account take up through Superdigital and Life

#### Total gross new accounts (checking+ Life+ Superdigital)



## Strategy update



### Our purpose

Contribute to the progress of businesses and people



### Our mission

To be the best bank, **acting responsibly** and gaining the confidence and fidelity of our employees, clients, shareholders and the society



### Our how

Simple,  
Personal, Fair



### Our seal

Excellence  
in  
execution

## Responsible banking



FTSE4Good

We are one of the 19 companies in Chile included in the FTSE4Good **Emerging Markets** and **Latin America**. We are highly ranked compared to other banks in **Environmental and Social**



Dow Jones  
Sustainability Indexes

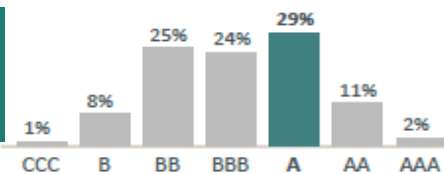
We are included in **DJSI Chile** and **DJSI MILA** (Chile, Colombia, Mexico and Peru).

MSCI 

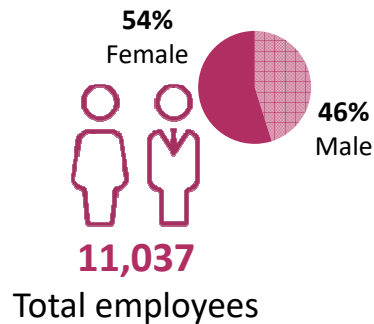
ESG RATING **A**

LAST UPDATE: September 19, 2019

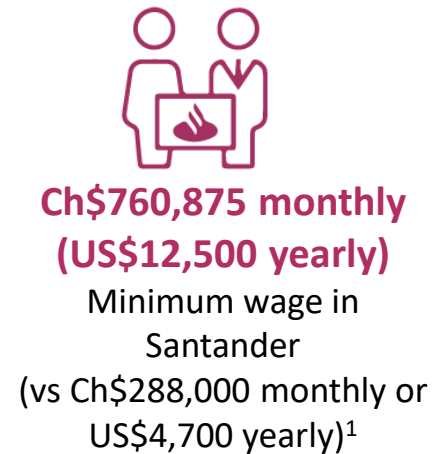
INDUSTRY RATING DISTRIBUTION



## Strategy update

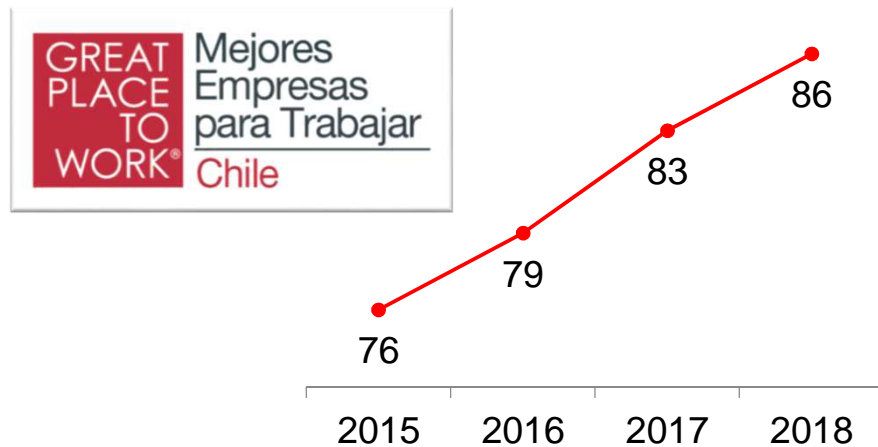


## Responsible banking



## GPtW result

Average area and corporate result



## Gender equality

Santander signed an agreement with the Ministry of Women and Gender Equality, which promotes equality and personal and work life balance. The agreement is an invaluable tool to deepen gender equality policies.



1. As of Dec. 2018. Excludes collections and VOX employees who are subject to a different collective bargaining agreement.

# Agenda

**Macro-economic environment**

**Strategy update**

**Results**

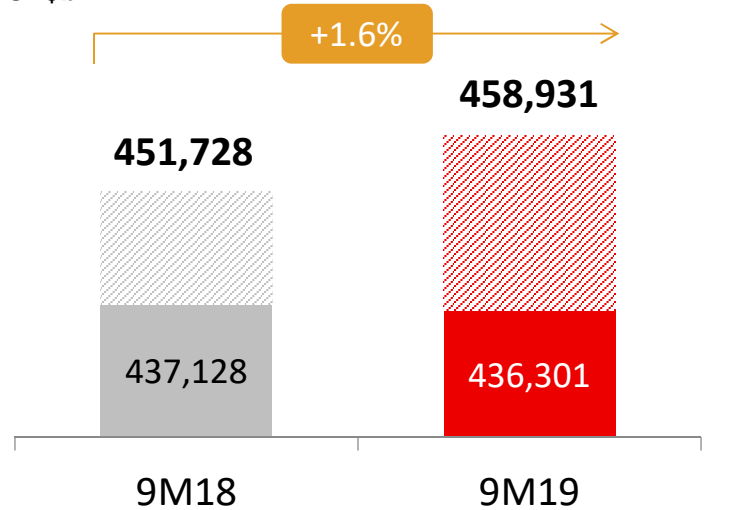
**Outlook**

## Results

# Recurring ROAE of 18.6% for September 2019

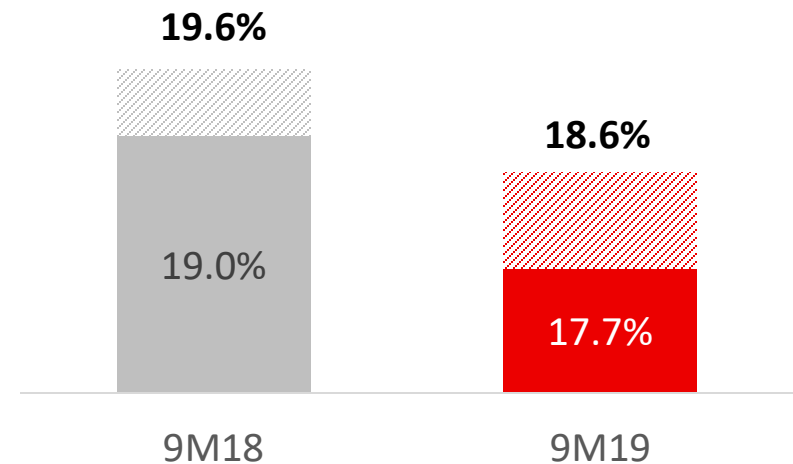
### Net income to shareholders

Ch\$bn



### ROAE<sup>1</sup>

%



Excluding one-off \$20 billion additional provisions for consumer



Excluding one-off \$30 billion provisions for SMEs



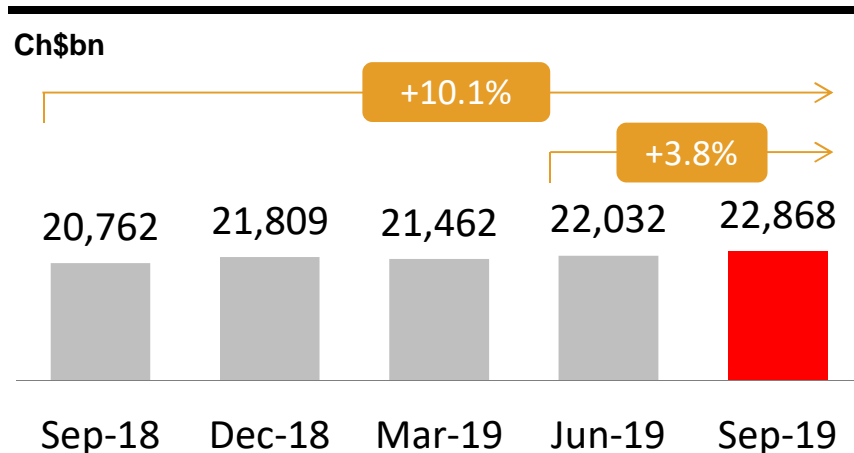
1. Net income attributable to shareholders for the year annualized divided by the average equity attributable to shareholders.



## Results

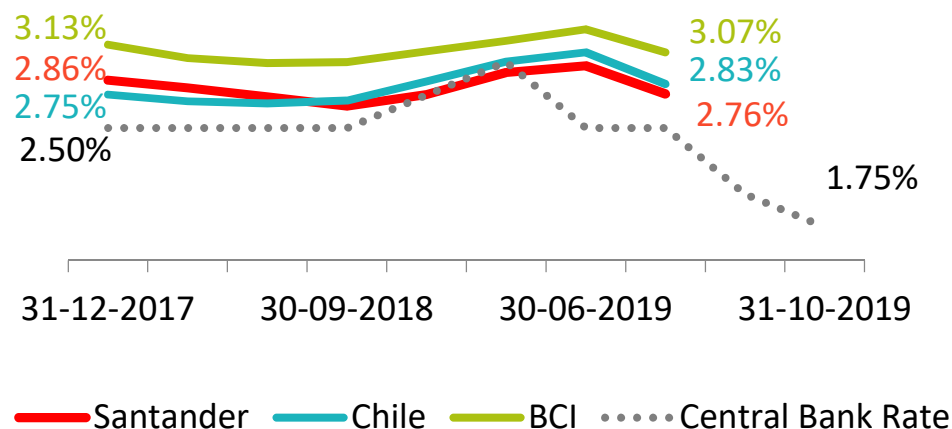
### Positive evolution of funding mix

#### Total Deposits



Ch\$ bn	9M19	YoY	QoQ
Demand	9,463	18.5%	6.2%
Time	13,405	4.9%	2.2%
<b>Total Deposits</b>	<b>22,868</b>	<b>10.1%</b>	<b>3.8%</b>
Mutual funds <sup>1</sup>	6,688	20.6%	6.7%
<b>Loans to deposits<sup>2</sup></b>	<b>95.4%</b>		
<b>LCR<sup>3</sup></b>	<b>135%</b>		
<b>NSFR<sup>4</sup></b>	<b>108.5%</b>		

#### CLP Time Deposit Cost Evolution<sup>5</sup>



#### Demand deposits by segment

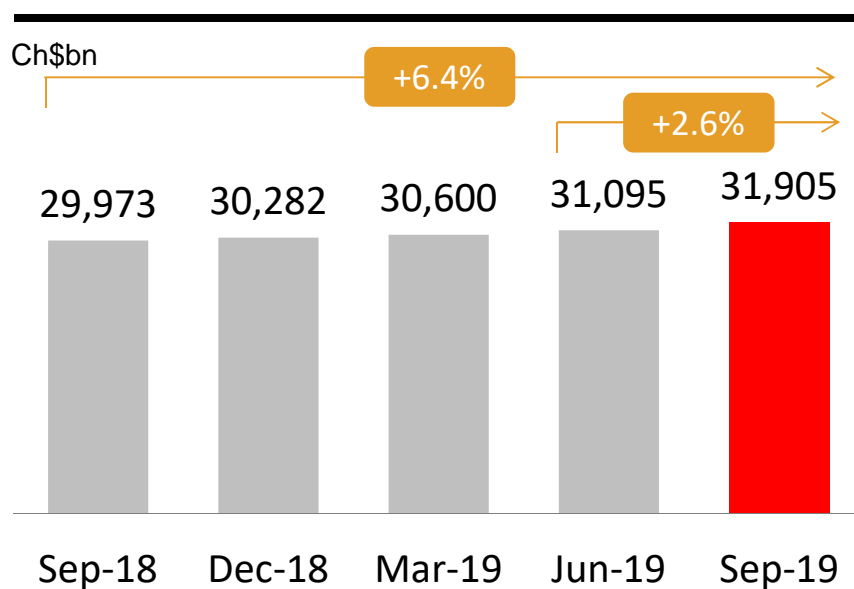
Ch\$ bn	9M19	YoY	QoQ
Individuals	3,118	8.5%	0.5%
SMEs	1,540	15.3%	0.5%
<b>Retail</b>	<b>4,658</b>	<b>10.7%</b>	<b>0.5%</b>
<b>Middle Market</b>	<b>2,738</b>	<b>14.4%</b>	<b>2.7%</b>
<b>Corporate (SCIB)</b>	<b>1,733</b>	<b>60.8%</b>	<b>27.8%</b>
<b>Total<sup>2</sup></b>	<b>9,463</b>	<b>18.5%</b>	<b>6.2%</b>



## Results

### Loan growth driven by Retail banking

#### Total Loans



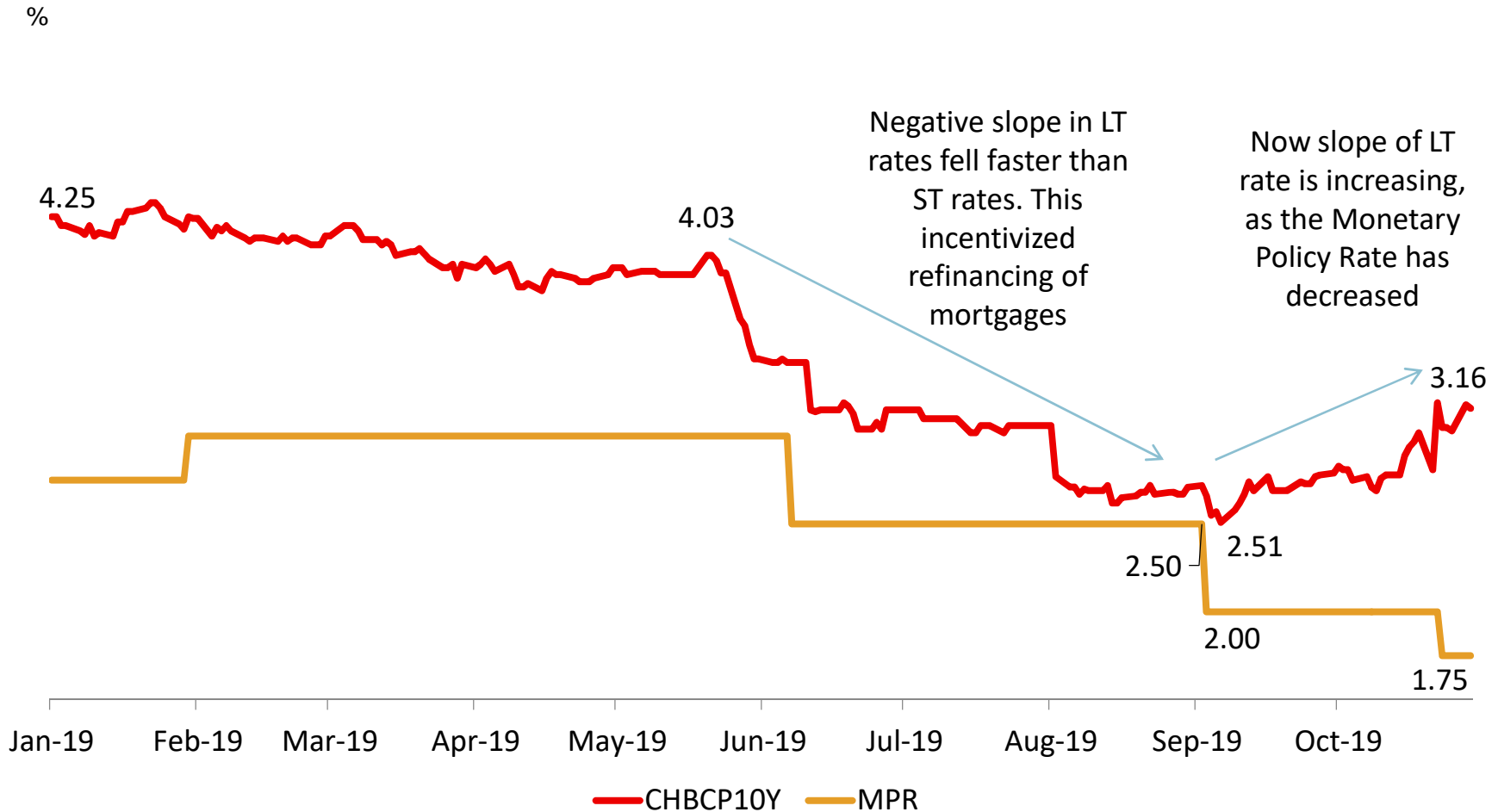
Ch\$ bn	9M19	YoY	QoQ
Individuals <sup>1</sup>	17,925	9.6%	1.9%
Consumer	5,062	8.1%	1.5%
Mortgages	10,900	11.0%	2.3%
SMEs	4,040	5.3%	3.1%
<b>Retail</b>	<b>21,965</b>	<b>8.8%</b>	<b>2.1%</b>
<b>Middle Market</b>	8,004	5.1%	1.6%
<b>Corporate (SCIB)</b>	1,776	(12.4%)	13.6%
<b>Total<sup>2</sup></b>	<b>31,905</b>	<b>6.4%</b>	<b>2.6%</b>

2019: Loan growth forecast 8-10% driven by retail loans

## Results

### Slope of LT interest rates negative during the quarter

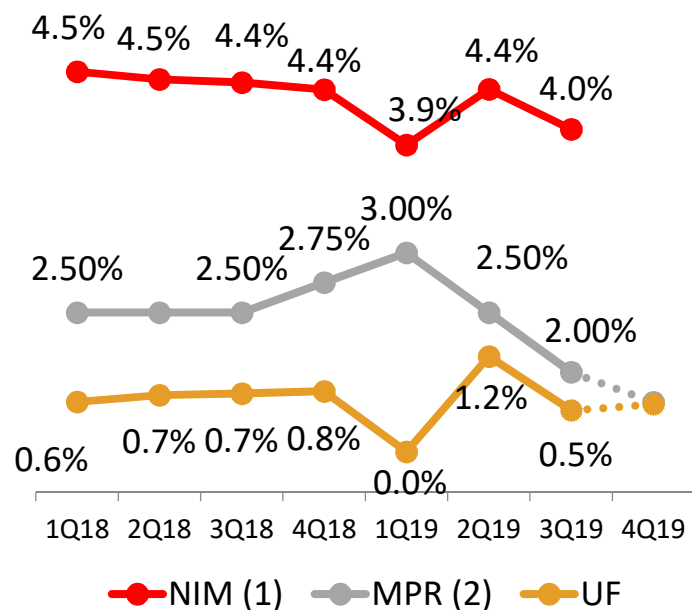
#### 10Y Nominal Central Bank Notes Rate vs Monetary Policy Rate<sup>1</sup>



## Results

### Higher inflation in 2Q19 drives recovery in NIMs

#### NIM<sup>1</sup> & Inflation



#### Net Interest Income

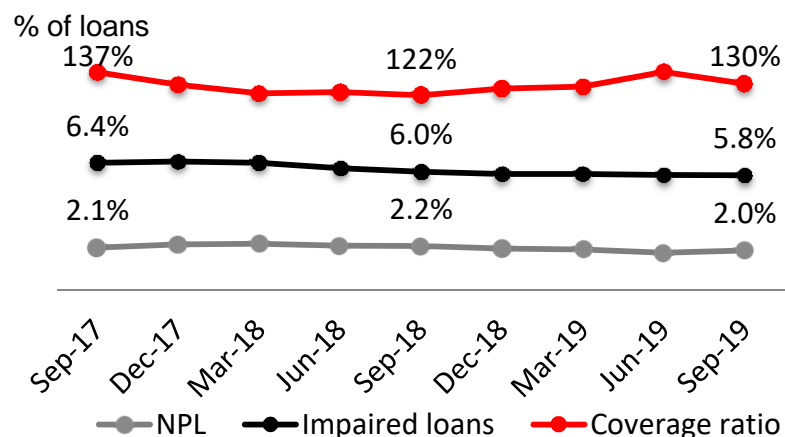
Ch\$ bn	9M19	YoY	QoQ
<b>Net interest income</b>	1,041	(1.5%)	(6.1%)
Average interest-earning assets	31,836	1.0%	1.7%
Average loans	29,145	1.2%	2.3%
Interest earning asset yield <sup>3</sup>	6.7%	-33bp	-151bp
Cost of funds <sup>4</sup>	2.64%	-2bp	-122bp
<b>NIM YTD</b>	<b>4.1%</b>	<b>-37bp</b>	

Stable NIM outlook for the rest of the year

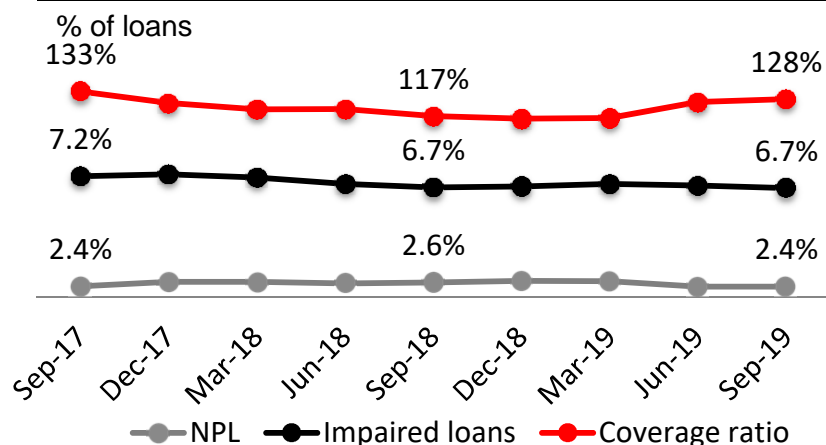
# Results

## Positive evolution of asset quality

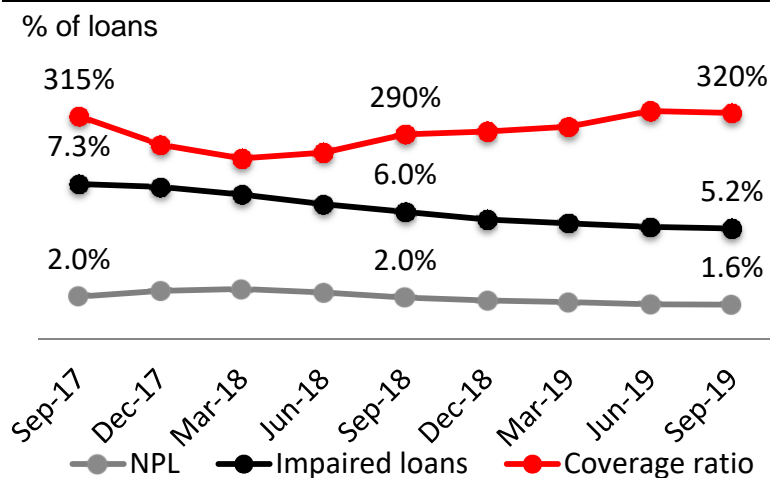
### Total loans



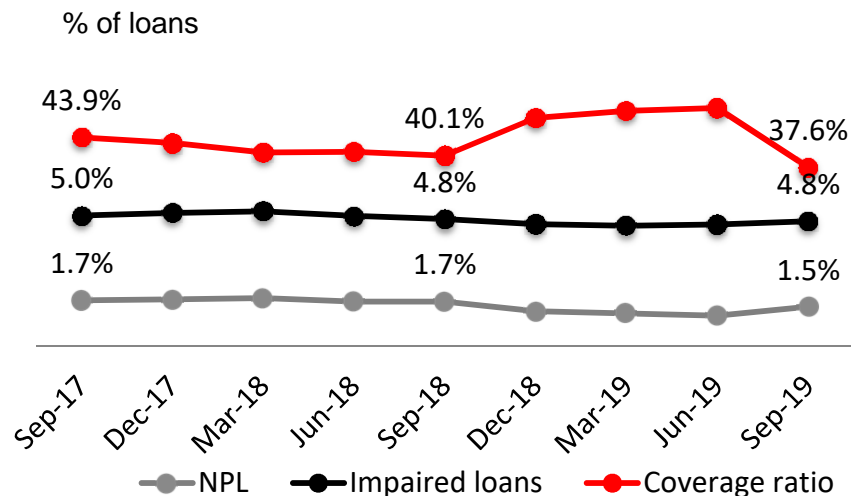
### Commercial loans



### Consumer loans



### Mortgage loans



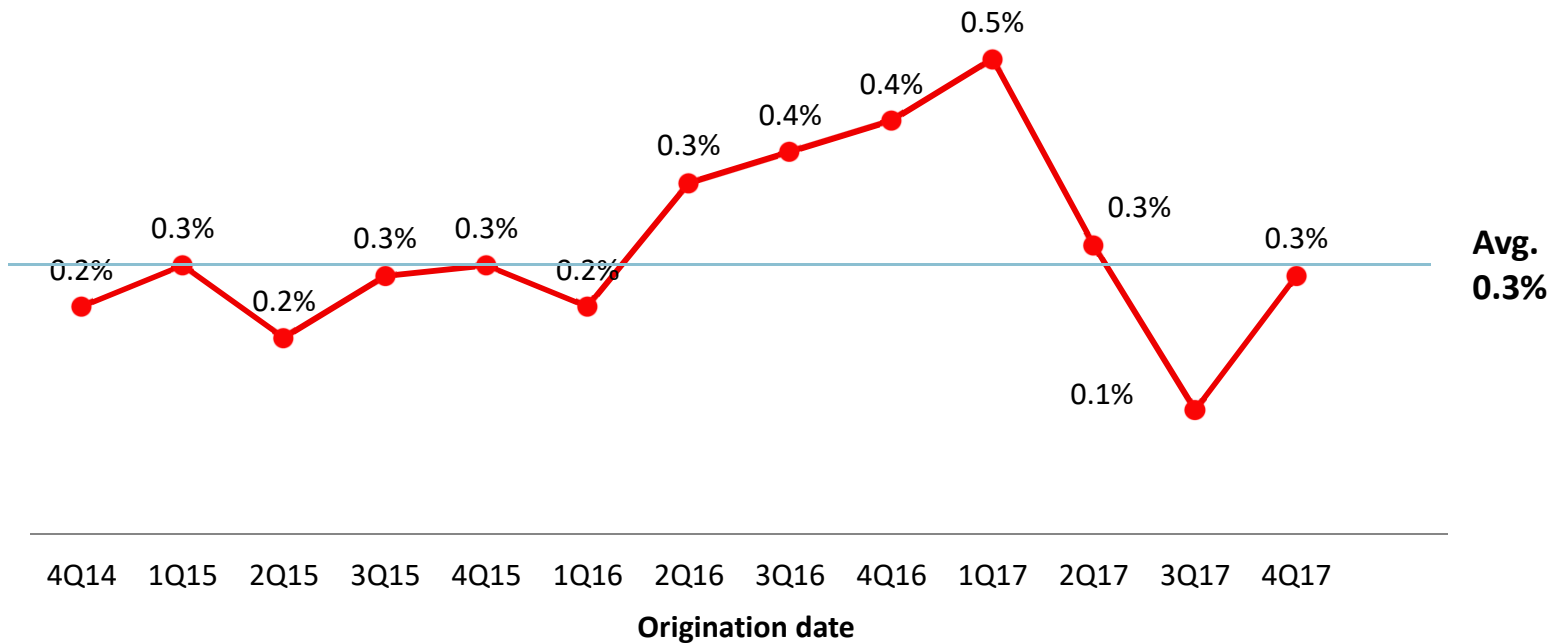
1. 90 days or more NPLs. 2. Impaired NPLs + restructured loans 3. Loan loss reserves over NPLs. Includes the additional provisions for Consumer recognized in 3Q18 for Ch\$ 20,000 million and provisions for the new standardized model for commercial loans analyzed on a group basis for Ch\$ 31,000 million in 3Q19.

## Results

# Asset quality of mortgage loans

### 18th month 90 day NPL vintage<sup>1</sup>

% of loans

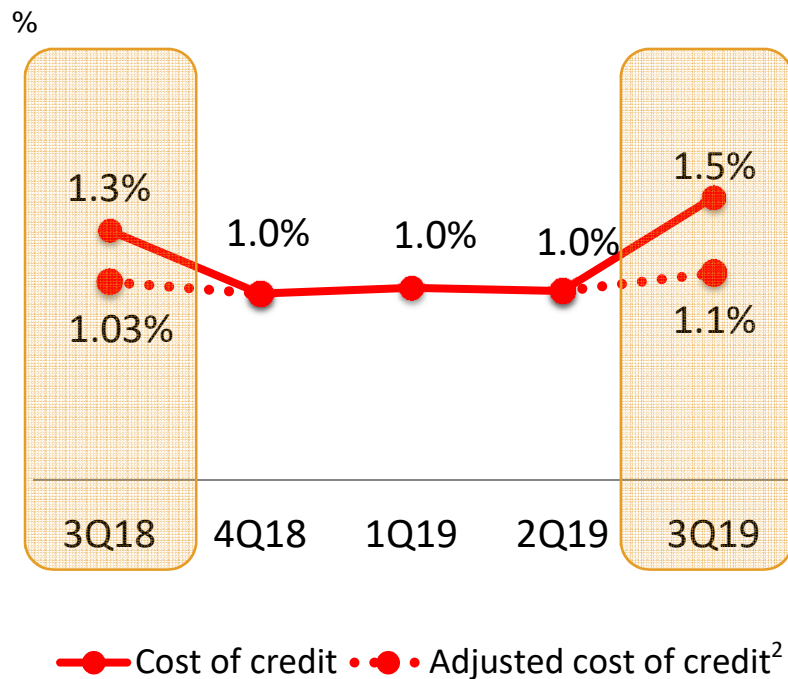


1. NPL ratio 18 months after origination

## Results

### One time provision expense of Ch\$31 billion in the quarter

#### Cost of credit<sup>1</sup>



#### Provision for loan losses

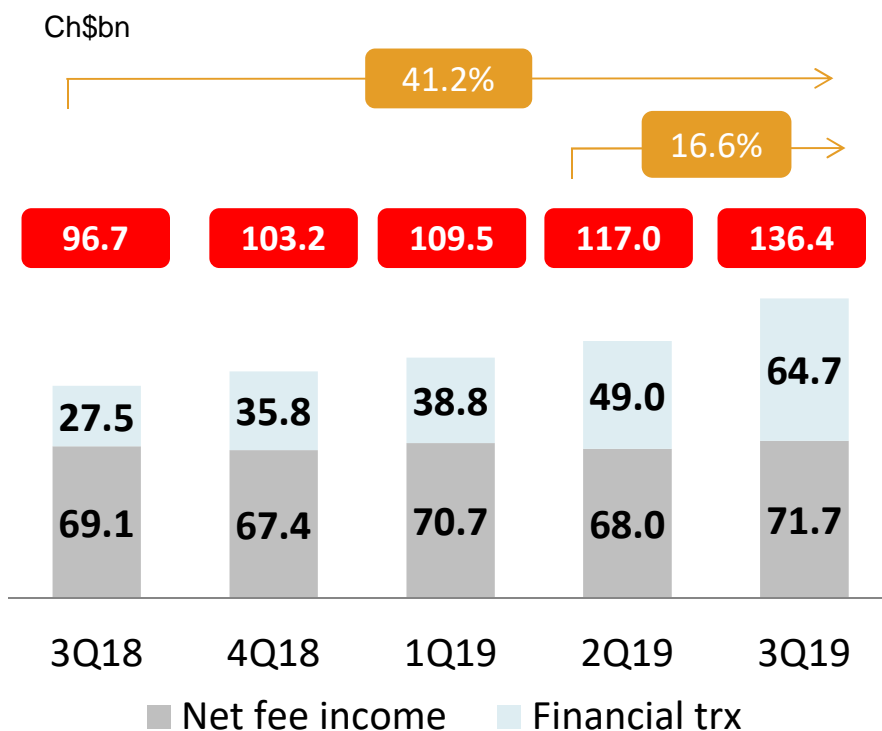
Ch\$ bn	9M19	YoY	QoQ
Gross provisions & charge-offs	(332,5)	4.0%	43.1%
Loan loss recoveries	64,1	(5.7%)	10.6%
<b>Provision for loan losses</b>	<b>(268,4)</b>	<b>6.6%</b>	<b>51.7%</b>
Cost of credit (YTD) <sup>1</sup>	1.15%	-1bp	
Adjusted cost of credit(YTD) <sup>2</sup>	1.07%	0bp	

One-time provision expense for new standardized model for commercial loans analyzed on a group basis was recognized in July 2019: Ch\$31bn

## Results

### Non-NII: Strong client treasury revenues offset lower fee income

#### Non-interest income (fee + financial trxs)



#### Fee income

Ch\$ bn	09M19	YoY	QoQ
Retail	170.2	2.9%	5.1%
Middle Market	28.4	3.6%	(5.9%)
Corporate	20.8	(25.0%)	(2.5%)
<b>Subtotal</b>	<b>219.4</b>	<b>(0.5%)</b>	<b>2.9%</b>
Others	(9.0)	(407.5%)	(50.5%)
<b>Total Fees</b>	<b>210.4</b>	<b>(5.8%)</b>	<b>5.5%</b>

#### Financial transactions, net

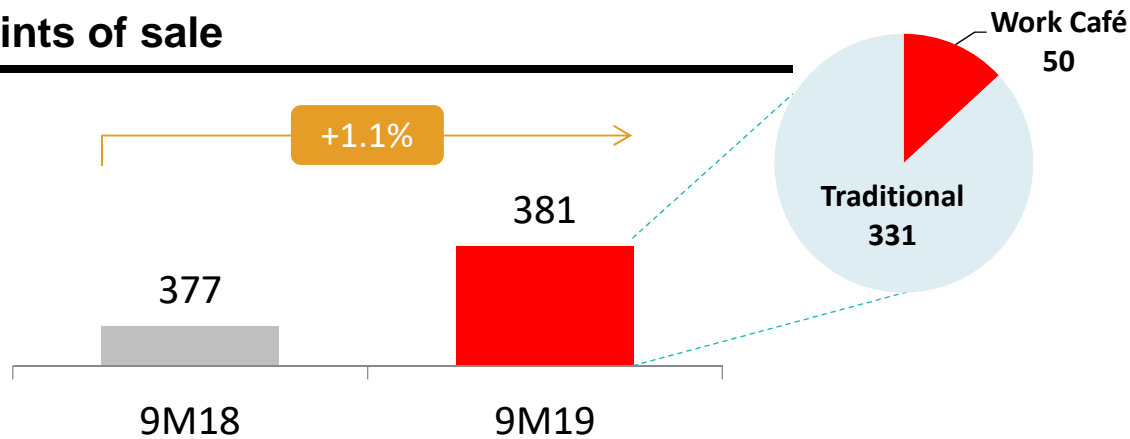
Ch\$ bn	9M19	YoY	QoQ
Client	104,0	67.4%	5.1%
Non Client	48,6	575.4%	106.2%
<b>Total Financial trx</b>	<b>152,6</b>	<b>120.1%</b>	<b>32.0%</b>



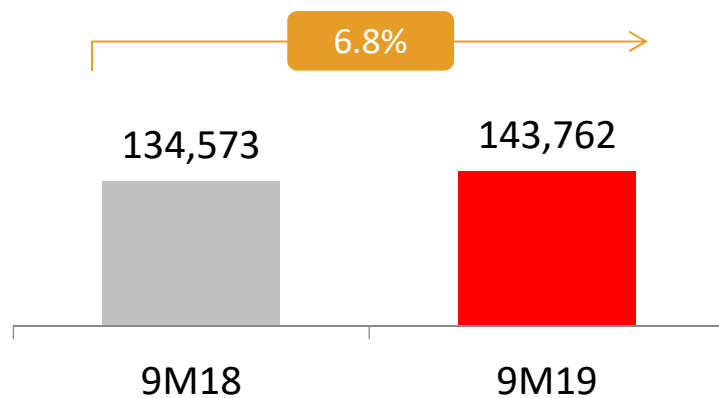
# Results

## Restructuring our physical distribution network

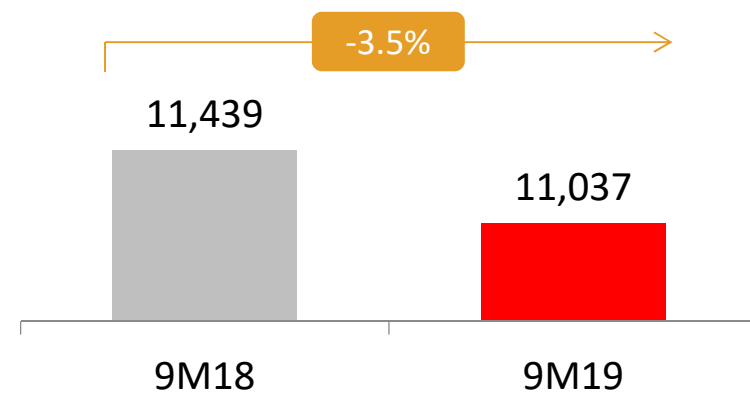
### Points of sale



### Volume per branch<sup>1</sup>



### Employees

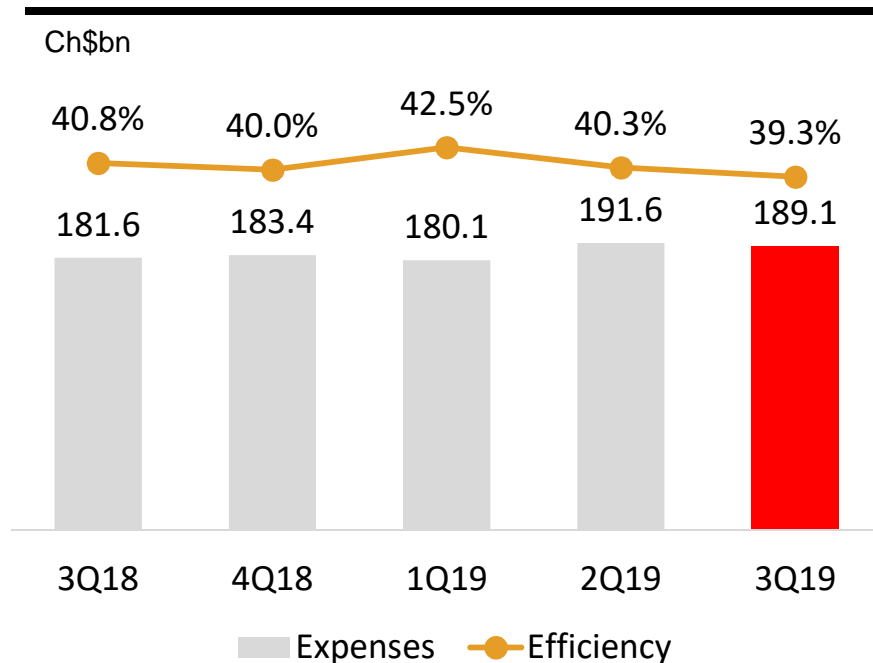


1. Volume per branch calculated as total loans and deposits divided by number of branches.

## Results

### Investing to improve productivity and efficiency

#### Operating Expenses



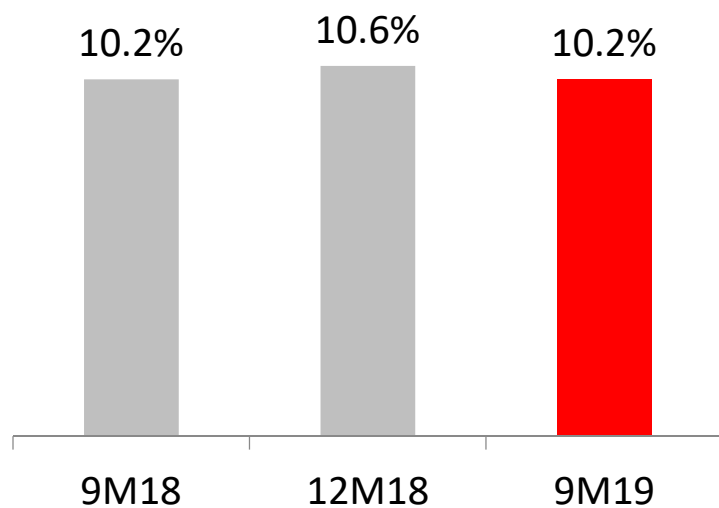
Ch\$ bn	9M19	YoY	QoQ
Personnel expenses	304.3	2.2%	0.2%
Administrative expenses	178.0	(2.7%)	(6.4%)
Depreciation	78.4	35.9%	4.9%
<b>Operating expenses</b>	<b>560.8</b>	<b>4.1%</b>	<b>(1.3%)</b>
<b>Efficiency ratio</b>	<b>40.6%</b>	<b>+62bp</b>	<b>-102bp</b>
<b>Cost/Assets</b>	<b>1.8%</b>	<b>-14.9bp</b>	<b>-15bp</b>



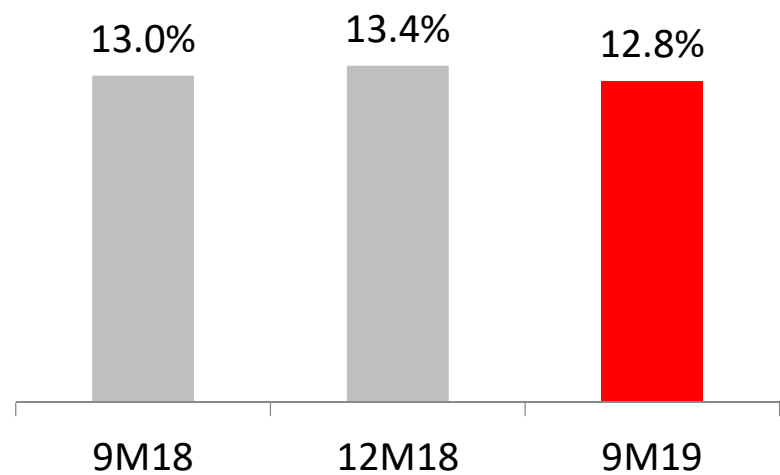
## Results

### Solid capital ratios

#### Core capital



#### BIS ratio



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Next payout and yield stable

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## Results

### Regulation in consultation phase: Systemic banks & operational risk

#### Systemic charge

##### Core capital additional charge

Systemic level	Range (bp)	Core capital additional charge (% RWA)
I	1000-1300	1.0%-1.25%
II	1300-1800	1.25%-1.75%
III	1800-2000	1.75%-2.5%
IV	>=2000	2.5%-3.5%

##### Factors

- Size (30%):** Total assets consolidated in the domestic market
- Domestic interconnection (30%):** assets and liabilities with financial institutions (banks and non-banks) and assets in circulation in the Chilean financial market
- Domestic substitution (20%):** share in local payments, deposits and loans
- Complexity (20%):** Factors that lead to greater difficulties regarding costs and/or time for the orderly resolution of the bank

#### Operational risk

Operational risk coefficient

=

Business Indicator Component (BIC)

x

Internal Loss Multiplier (ILM)

Depends on interest income, dividend income, financial transactions, and commissions; all multiplied by a marginal coefficient

Based on historical operational losses

*According to CMF calculations, the bank system will not require additional capital to comply with operational risk. The increase in risk weightings for operational risk will also be compensated by the decrease in risk weightings for credit risk.*

# Agenda

**Macro-economic environment**

**Strategy update**

**Results**

**Outlook**

# Outlook

## Outlook for 2019

- ✓ We will continue with ambitious investment plan focusing on technology and new businesses
- ✓ Estimated loan growth of 8% in 2019 with higher growth in retail loans
- ✓ NIMs of 4.1% for 2019, depending on inflation and velocity of rate cuts
- ✓ Greater client loyalty should drive non-interest income
- ✓ Recurring\* cost of credit of 1.0% (1.2% all-in) in 2019.
- ✓ Efficiency ratio ~40.5% led by improved productivity through digitalization
- ✓ Effective tax rate of ~22%
- ✓ Dividend payout and yield stable

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**Recurring ROAE\* of 18% in 2019**

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\* Excluding the effect of the change in provisioning models for commercial loans analyzed on a group basis.

# Annex

# Annexes

Unaudited Balance Sheet	Sep-19	Sep-19	Sep-18	Sep-19/Sep-18
	US\$ Ths <sup>1</sup>	Ch\$ Million		% Chg.
Cash and deposits in banks	2,894,186	2,108,704	1,780,079	18.5%
Cash items in process of collection	666,582	485,672	564,245	(13.9%)
Trading investments	156,145	113,767	392,013	(71.0%)
Investments under resale agreements	-	-	-	--%
Financial derivative contracts	10,024,886	7,304,132	2,230,448	227.5%
Interbank loans, net	5,668	4,130	14,307	(71.1%)
Loans and account receivables from customers, net	42,658,260	31,080,808	29,153,327	6.6%
Available for sale investments	4,186,578	3,050,341	2,495,623	22.2%
Held-to-maturity investments	-	-	-	--%
Investments in associates and other companies	13,987	10,191	32,498	(68.6%)
Intangible assets	87,628	63,846	59,748	6.9%
Property, plant and equipment	254,128	185,158	240,002	(22.9%)
Right of use assets	287,984	209,825	-	--%
Current taxes	39,005	28,419	18,149	56.6%
Deferred taxes	591,337	430,848	388,289	11.0%
Other assets	2,063,681	1,503,598	656,928	128.9%
<b>Total Assets</b>	<b>63,930,056</b>	<b>46,579,439</b>	<b>38,025,656</b>	<b>22.5%</b>
Deposits and other demand liabilities	12,988,552	9,463,459	7,984,243	18.5%
Cash items in process of being cleared	341,093	248,520	455,368	(45.4%)
Obligations under repurchase agreements	392,314	285,840	180,001	58.8%
Time deposits and other time liabilities	18,398,046	13,404,816	12,777,365	4.9%
Financial derivatives contracts	9,067,260	6,606,406	2,086,532	216.6%
Interbank borrowings	2,801,217	2,040,967	1,793,188	13.8%
Issued debt instruments	12,718,369	9,266,604	8,186,718	13.2%
Other financial liabilities	257,545	187,647	240,902	(22.1%)
Leasing contract obligations	208,761	152,103	-	--%
Current taxes	-	-	-	--%
Deferred taxes	135,025	98,379	33,037	197.8%
Provisions	367,604	267,836	275,750	(2.9%)
Other liabilities	1,580,461	1,151,524	883,071	30.4%
<b>Total Liabilities</b>	<b>59,256,246</b>	<b>43,174,101</b>	<b>34,896,175</b>	<b>23.7%</b>
<b>Equity</b>				
Capital	1,223,309	891,303	891,303	0.0%
Reserves	2,964,292	2,159,783	1,923,022	12.3%
Valuation adjustments	3,494	2,546	(33,231)	(107.7%)
<b>Retained Earnings:</b>				
Retained earnings from prior years	-	-	-	--%
Income for the period	597,565	435,386	435,258	0.0%
Minus: Provision for mandatory dividends	(179,270)	(130,616)	(130,577)	0.0%
<b>Total Shareholders' Equity</b>	<b>4,609,391</b>	<b>3,358,402</b>	<b>3,085,775</b>	<b>8.8%</b>
Non-controlling interest	64,419	46,936	43,706	7.4%
<b>Total Equity</b>	<b>4,673,810</b>	<b>3,405,338</b>	<b>3,129,481</b>	<b>8.8%</b>
<b>Total Liabilities and Equity</b>	<b>63,930,056</b>	<b>46,579,439</b>	<b>38,025,656</b>	<b>22.5%</b>

1. The exchange rate used to calculate the figures in dollars was Ch\$728.60 / US\$1



## Annexes

	Sep-19	Sep-19	Sep-18	Sep-19/Sep-18
	US\$ Ths <sup>1</sup>	Ch\$ Million		% Chg.
Interest income	2,325,789	1,694,570	1,656,904	2.3%
Interest expense	(896,981)	(653,540)	(600,137)	8.9%
<b>Net interest income</b>	<b>1,428,809</b>	<b>1,041,030</b>	<b>1,056,767</b>	<b>(1.5%)</b>
Fee and commission income	509,159	370,973	365,154	1.6%
Fee and commission expense	(220,408)	(160,589)	(141,707)	13.3%
<b>Net fee and commission income</b>	<b>288,751</b>	<b>210,384</b>	<b>223,447</b>	<b>(5.8%)</b>
Net income (expense) from financial operations	39,266	28,609	15,370	86.1%
Net foreign exchange gain	170,143	123,966	53,942	129.8%
<b>Total financial transactions, net</b>	<b>209,408</b>	<b>152,575</b>	<b>69,312</b>	<b>120.1%</b>
Other operating income	21,850	15,920	28,757	(44.6%)
<b>Net operating profit before provisions for loan losses</b>	<b>1,948,818</b>	<b>1,419,909</b>	<b>1,378,283</b>	<b>3.0%</b>
<b>Provision for loan losses</b>	<b>(368,437)</b>	<b>(268,443)</b>	<b>(251,802)</b>	<b>6.6%</b>
<b>Net operating profit</b>	<b>1,580,382</b>	<b>1,151,466</b>	<b>1,126,481</b>	<b>2.2%</b>
Personnel salaries and expenses	(417,641)	(304,293)	(297,692)	2.2%
Administrative expenses	(244,367)	(178,046)	(183,080)	(2.7%)
Depreciation and amortization	(107,660)	(78,441)	(57,738)	35.9%
<b>Op. expenses excl. Impairment and Other operating expenses</b>	<b>(769,668)</b>	<b>(560,780)</b>	<b>(538,510)</b>	<b>4.1%</b>
Impairment of property, plant and equipment	-	-	(39)	(100.0%)
Other operating expenses	(54,406)	(39,640)	(32,266)	22.9%
<b>Total operating expenses</b>	<b>(824,074)</b>	<b>(600,420)</b>	<b>(570,815)</b>	<b>5.2%</b>
<b>Operating income</b>	<b>756,308</b>	<b>551,046</b>	<b>555,666</b>	<b>(0.8%)</b>
Income from investments in associates and other companies	1,127	821	1,068	(23.1%)
<b>Income before tax</b>	<b>757,435</b>	<b>551,867</b>	<b>556,734</b>	<b>(0.9%)</b>
Income tax expense	(160,946)	(117,265)	(123,761)	(5.2%)
<b>Net income from ordinary activities</b>	<b>596,489</b>	<b>434,602</b>	<b>432,973</b>	<b>0.4%</b>
Net income discontinued operations <sup>2</sup>	2,332	1,699	4,155	(59.1%)
<b>Net consolidated income</b>	<b>598,821</b>	<b>436,301</b>	<b>437,128</b>	<b>(0.2%)</b>
Net income attributable to:				
Non-controlling interest	1,256	915	1,870	(51.1%)
<b>Net income attributable to equity holders of the Bank</b>	<b>597,565</b>	<b>435,386</b>	<b>435,258</b>	<b>0.0%</b>

1. The exchange rate used to calculate the figures in dollars was Ch\$728.60 / US\$1

2. Corresponds to the discontinued operations of Redbanc S.A., Transbank S.A. and Nexus S.A. Jun-2018 has been included for comparison purposes, reclassifying from Income from investments in associates and other companies

## Annexes

	3Q19	3Q19	2Q19	3Q18	3Q19/3Q18	3Q19/2Q19
	US\$ Ths <sup>1</sup>	Ch\$ Million	Ch\$ Million		% Chg.	
Interest income	765,452	557,708	676,111	568,132	(1.8%)	(17.5%)
Interest expense	(287,886)	(209,754)	(305,736)	(211,410)	(0.8%)	(31.4%)
<b>Net interest income</b>	<b>477,565</b>	<b>347,954</b>	<b>370,375</b>	<b>356,722</b>	<b>(2.5%)</b>	<b>(6.1%)</b>
Fee and commission income	173,272	126,246	123,361	118,606	6.4%	2.3%
Fee and commission expense	(74,816)	(54,511)	(55,387)	(49,477)	10.2%	(1.6%)
<b>Net fee and commission income</b>	<b>98,456</b>	<b>71,735</b>	<b>67,974</b>	<b>69,129</b>	<b>3.8%</b>	<b>5.5%</b>
Net income (expense) from financial operations	7,820	5,698	191,421	24,223	(76.5%)	(97.0%)
Net foreign exchange gain	80,999	59,016	(142,405)	3,308	1684.0%	(141.4%)
<b>Total financial transactions, net</b>	<b>88,820</b>	<b>64,714</b>	<b>49,016</b>	<b>27,531</b>	<b>135.1%</b>	<b>32.0%</b>
Other operating income	8,198	5,973	4,791	4,193	42.5%	24.7%
<b>Net operating profit before provisions for loan losses</b>	<b>673,039</b>	<b>490,376</b>	<b>492,156</b>	<b>457,575</b>	<b>7.2%</b>	<b>(0.4%)</b>
<b>Provision for loan losses</b>	<b>(158,964)</b>	<b>(115,821)</b>	<b>(76,348)</b>	<b>(96,396)</b>	<b>20.2%</b>	<b>51.7%</b>
<b>Net operating profit</b>	<b>514,075</b>	<b>374,555</b>	<b>415,808</b>	<b>361,179</b>	<b>3.7%</b>	<b>(9.9%)</b>
Personnel salaries and expenses	(144,091)	(104,985)	(104,751)	(104,115)	0.8%	0.2%
Administrative expenses	(78,755)	(57,381)	(61,329)	(58,215)	(1.4%)	(6.4%)
Depreciation and amortization	(36,731)	(26,762)	(25,516)	(19,298)	38.7%	4.9%
<b>Op. expenses excl. Impairment and Other operating expenses</b>	<b>(259,577)</b>	<b>(189,128)</b>	<b>(191,596)</b>	<b>(181,628)</b>	<b>4.1%</b>	<b>(1.3%)</b>
Impairment of property, plant and equipment	-	-	-	-	--%	--%
Other operating expenses	(12,090)	(8,809)	(16,666)	(12,414)	(29.0%)	(47.1%)
<b>Total operating expenses</b>	<b>(271,668)</b>	<b>(197,937)</b>	<b>(208,262)</b>	<b>(194,042)</b>	<b>2.0%</b>	<b>(5.0%)</b>
<b>Operating income</b>	<b>242,407</b>	<b>176,618</b>	<b>207,546</b>	<b>167,137</b>	<b>5.7%</b>	<b>(14.9%)</b>
Income from investments in associates and other companies	382	278	(380)	(73)	(480.8%)	(173.2%)
<b>Income before tax</b>	<b>242,789</b>	<b>176,896</b>	<b>207,166</b>	<b>167,064</b>	<b>5.9%</b>	<b>(14.6%)</b>
Income tax expense	(51,915)	(37,825)	(37,294)	(39,177)	(3.5%)	1.4%
<b>Net income from ordinary activities</b>	<b>190,874</b>	<b>139,071</b>	<b>169,872</b>	<b>127,887</b>	<b>8.7%</b>	<b>(18.1%)</b>
Net income discontinued operations <sup>2</sup>	-	-	1,699	2,295	(100.0%)	(100.0%)
<b>Net consolidated income</b>	<b>190,874</b>	<b>139,071</b>	<b>171,571</b>	<b>130,182</b>	<b>6.8%</b>	<b>(18.9%)</b>
<b>Net income attributable to:</b>						
Non-controlling interest	476	347	339	455	(23.7%)	2.4%
<b>Net income attributable to equity holders of the Bank</b>	<b>190,398</b>	<b>138,724</b>	<b>171,232</b>	<b>129,727</b>	<b>6.9%</b>	<b>(19.0%)</b>



<sup>1</sup> The exchange rate used to calculate the figures in dollars was Ch\$728.60 / US\$1.  
<sup>2</sup> Includes the discontinued operations of Redbanc S.A., Transbank S.A. and Nexus S.A. Previous quarters have been included for comparison purposes, reclassifying from Income from investments in associates and other companies.

<b>Profitability and efficiency</b>	<b>09M19</b>	<b>09M18</b>	<b>Change bp</b>
Net interest margin (NIM) <sup>1</sup>	4.1%	4.5%	-37
Efficiency ratio <sup>2</sup>	40.6%	40.0%	62
Return on avg. equity	17.7%	19.0%	-128
Return on avg. assets	1.4%	1.6%	-18
Core Capital ratio	10.2%	10.2%	-2
BIS ratio	12.8%	13.0%	-25
Return on RWA	1.8%	2.0%	-15

<b>Asset quality ratios (%)</b>	<b>Sep-19</b>	<b>Sep-18</b>	<b>Change bp</b>
NPL ratio <sup>3</sup>	2.0%	2.2%	-22
Coverage of NPLs ratio <sup>4</sup>	129.5%	121.7%	783
Cost of credit <sup>5</sup>	1.2%	1.2%	-1

<b>Structure (#)</b>	<b>Sep-19</b>	<b>Sep-18</b>	<b>Change (%)</b>
Branches	381	377	1.1%
ATMs	1,075	845	27.2%
Employees	11,037	11,439	(3.5%)

<b>Market capitalization (YTD)</b>	<b>Sep-19</b>	<b>Sep-18</b>	<b>Change (%)</b>
Net income per share (Ch\$)	2.31	2.31	0.0%
Net income per ADR (US\$)	1.27	1.41	(9.8%)
Stock price (Ch\$/per share)	51.37	52.63	(2.4%)
ADR price (US\$ per share)	28	31.98	(12.4%)
Market capitalization (US\$mn)	13,187	15,066	(12.5%)
Shares outstanding (millions)	188,446.1	188,446.1	0.0%
ADRs (1 ADR = 400 shares) (millions)	471.1	471.1	0.0%

1. NIM = Net interest income annualized divided by interest earning assets.

2. Efficiency ratio: Operating expenses excluding impairment and other operating expenses divided by Operating income. Operating income = Net interest income + Net fee and commission income + Total financial transactions, net + Other operating income minus other operating expenses.

3. Capital + future interest of all loans with one installment 90 days or more overdue divided by total loans.

4. Loan loss allowance divided by Capital + future interest of all loans with one installment 90 days or more overdue.

5. Provision expense annualized divided by average loans.