



# **Banco Santander Chile Update**

# 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



**COVID19: REGULATORY UPDATE**



SAN CHILE: BALANCE SHEET

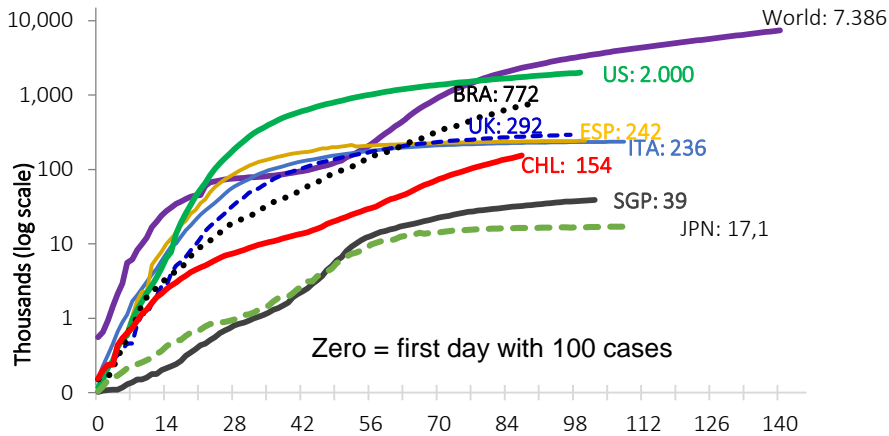


SAN CHILE: BUSINESS GROWTH AND RESULTS

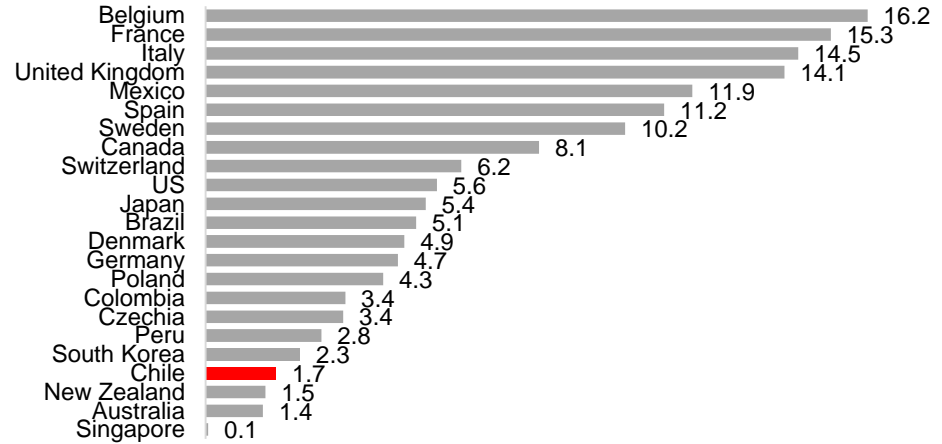
# Macroeconomic environment

**So far mortality has been low in Chile**

## Number of cases

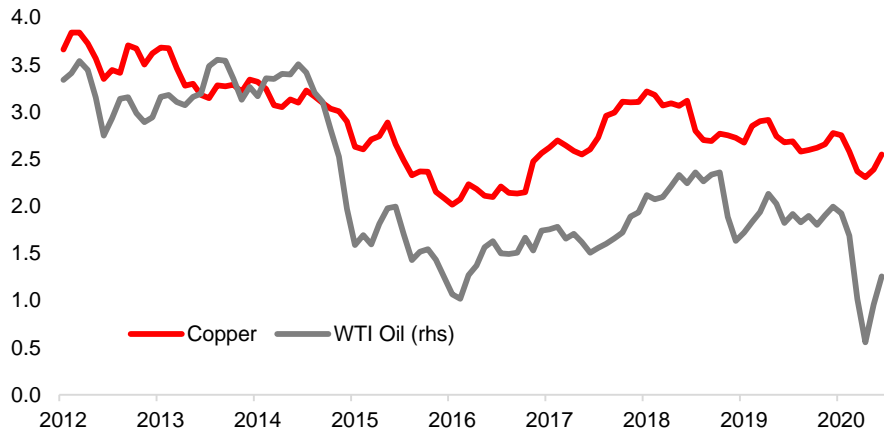


## Fatality rate



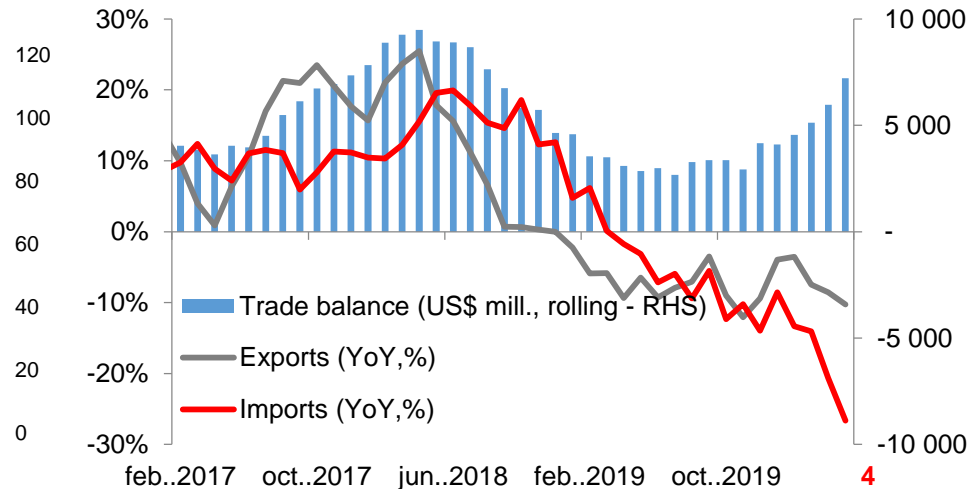
## Commodities

(US\$/lb and US\$/bbl)



Source: John Hopkins University, CBCh and Santander

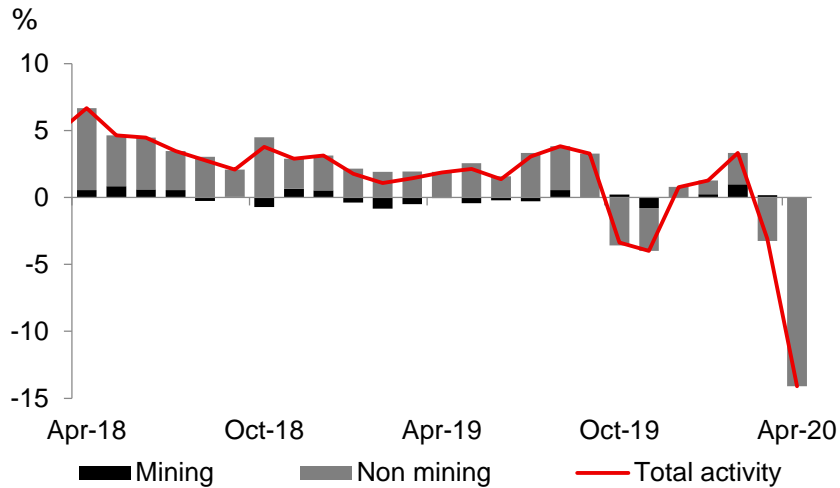
## Balance of trade



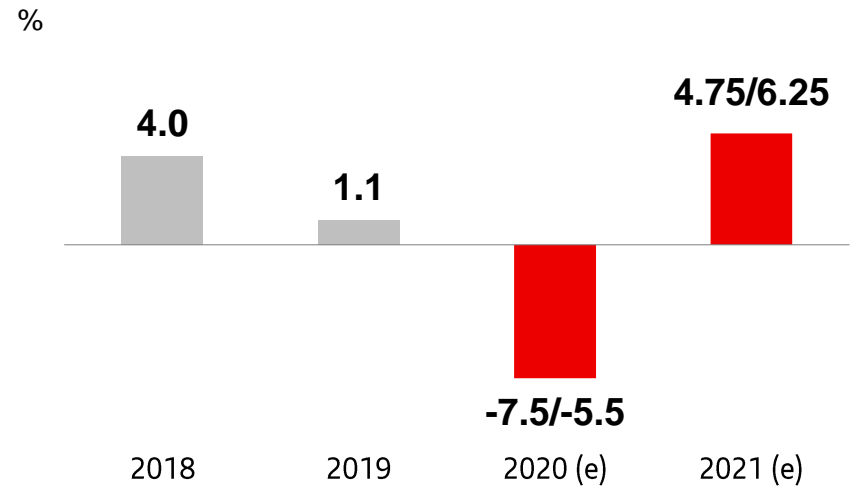
# Macroeconomic environment

## Economy affected by global uncertainty arising from Covid-19

### Monthly economic activity (IMACEC)

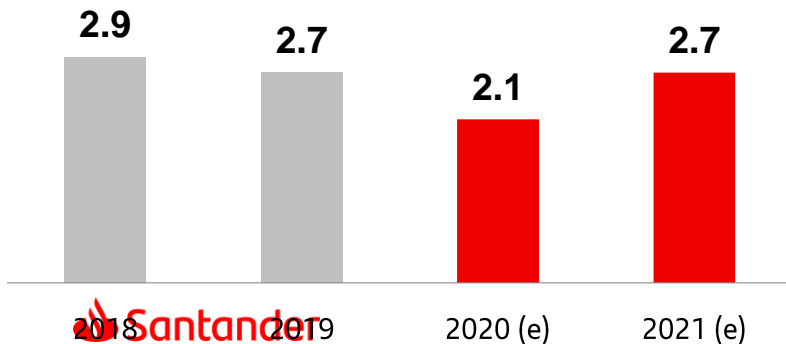


### GDP (Central Bank estimates)



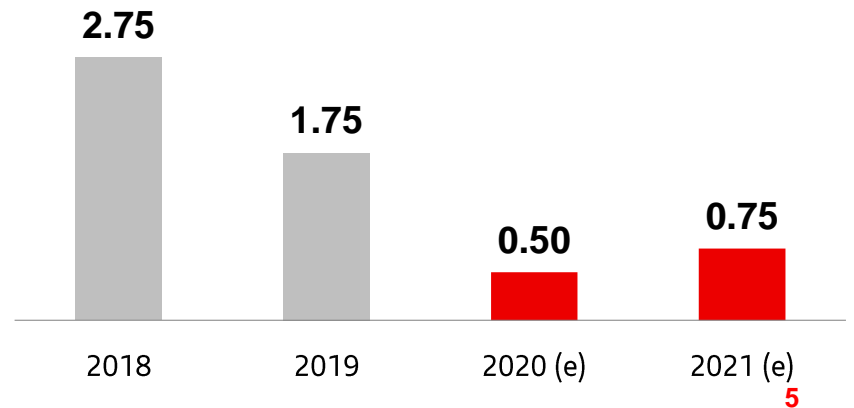
### Inflation

Annual change in UF inflation, %



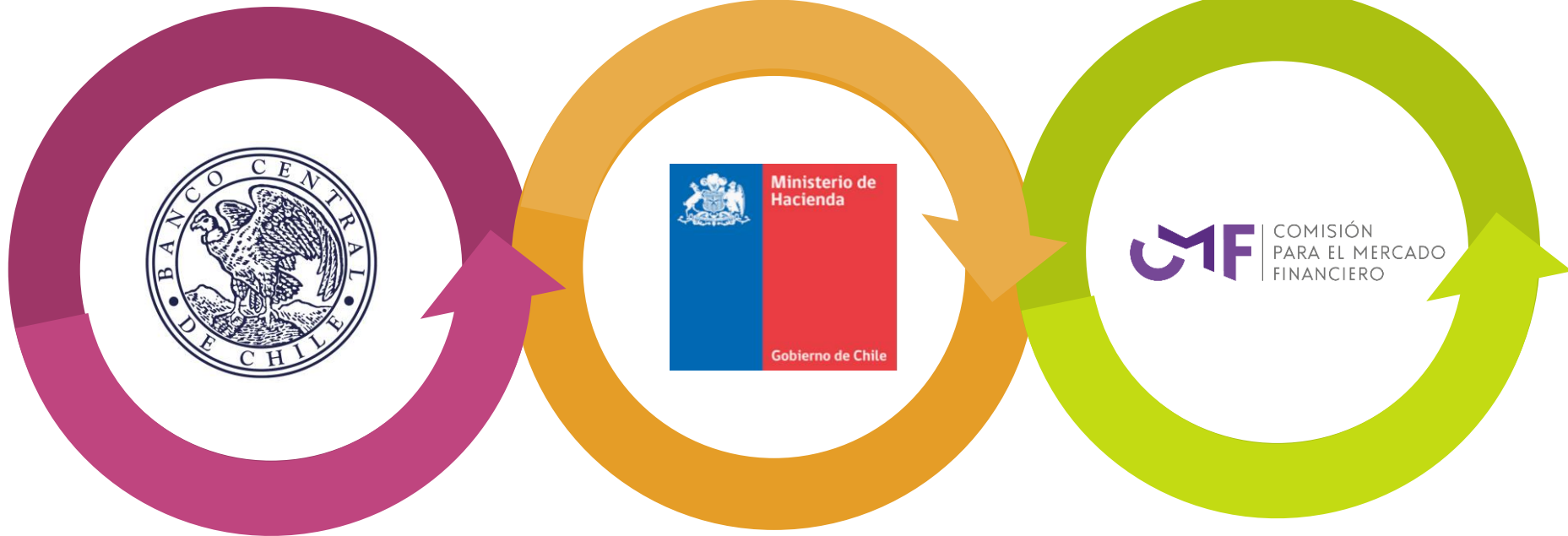
### Central Bank interest rate

%, eof



## Regulatory update

# Central Bank, Government and CMF have launched different measures to ensure companies have access to financing



Central Bank is providing liquidity to banks

Fiscal measures including an expanded public guarantee scheme for working capital

Local regulation has been adapted to address treatment of credit deferrals and guarantees

- **Expenditure increase:**
  - Health's budget increased by USD 1.5bn (2% GDP)
  - Cash transfers per family for the poorest segments, and allowance per family during three months for those without formal jobs
- **Tax cuts and liquidity measures:**
  - Transitory reduction of the stamp tax
  - Corporate tax provision, VAT and local taxes delayed 3 months
- **Job protection**
  - Injection of USD 2 bn to the unemployment insurance fund. Salaries paid for by the unemployment insurance for those companies that retain workers.
  - New unemployment insurance for those with independent formal jobs (fiscal cost: USD 300 mn).

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Necessary measures to help households and firms

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# The Central Bank is providing liquidity to banks



- Two liquidity programs for banks during 6 months at MPR (0.5%) for up to USD 24bn in total, conditional on credit growth.
  - **FCIC line:** For up to 4 years. Eligible collateral: Standard collaterals, corporate bonds, and high ratings commercial loans
  - **LCL line:** For up to 2 years. Constraint: Banks reserves at the Central Bank
  - As of May 2020 Banco Santander Chile has requested a total of USD 3.8 bn from the LCL/FCIC, the maximum available.
- Extension of liquidity program (FCIC2) for USD 16 bn with a limit of USD 4 bn per bank conditional on Covid-19 commercial loan growth. The characteristics are similar to the FCIC line and this line will be available from July 1, 2020 for 8 months.
- Constitutional reform underway to permit the Central Bank to purchase and sell government bonds in the secondary market, in exceptional circumstances.
- Bank bond purchase program already underway for USD 8 billion for bank bonds and Central Bank bonds, with USD 4.7 bn outstanding.
- Suspension of local liquidity requirements for maturity mismatch of 30 and 90 days. LCR limit continues at 70% for 2020.



# State guarantees for working capital lines



- **COVID-19 guarantee line:** State guarantees for 60-85% of working capital loans to companies with annual sales of up to UF 1 mn (USD 35 mn). This is an extension of the current FOGAPE scheme.<sup>1</sup>
  - FOGAPE´s capital increase by USD3 bn
  - Maximum loan amount = 3 months of sales
  - To be paid in 24 -48 months with 6 month grace period
  - For clients not more than 30 days overdue as of March 2020 or for SMEs as of October 2019
  - Rate set at 3% plus MPR. Amortizations of existing loans with the same bank will be postponed for 6 months
  - Working capital line cannot be used to increase investments or pay other debts or dividends
  - Allows 15% of FOGAPE guarantees to be treated as voluntary provision for TIER II calculations

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More than 100,000 Fogape operations approved in the system

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# CMF announcements to support loan growth during this period

- Possibility of deferring payments without being considered a renegotiation
  - ✓ Mortgages and commercial loans: up to 6 months
  - ✓ Consumer: up to 3 months
- Increasing period for writing-off of repossessed assets by 18 months
- Mortgage guarantee surpluses can be used to guarantee loans to SMEs
- Modification to the treatment of derivatives (capital charge reduction)
- Phase in of Basel III postponed to December 2021

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900,000 requests to defer payments so far

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## SAN Chile: Covid-19 measures

Reprogramming and Fogape <sup>1</sup>	Amount (Ch\$ million)	% of loan book <sup>2</sup>
Retail	6,365,523	37.2% (consumer+mortgage)
Commercial <sup>3</sup>	2,045,327	11.8% (commercial)
<b>Total</b>	<b>8,410,850</b>	<b>24.4%</b>

Fogape Loans	Amount (Ch\$ million)	% of commercial loan book <sup>2</sup>
Total approved	1,038,762	5.8%

# AGENDA

COVID19: REGULATORY UPDATE

**SAN CHILE: BALANCE SHEET**

SAN CHILE: BUSINESS GROWTH AND RESULTS

## Santander Chile is one of the nation's leading banks

Figures in US\$



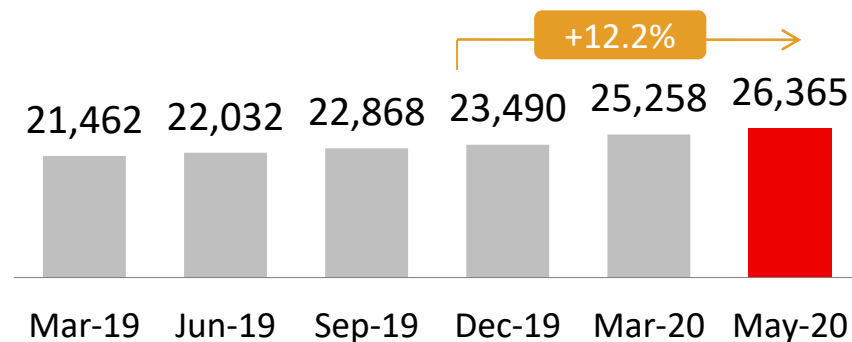
Business and Results	05M20 (US\$)	% Change <sup>1</sup>
Gross Loans	41.9 bn	11.6%
Deposits	30.9 bn	17.5%
Equity	4.3 bn	12.8%
Net income LTM <sup>2</sup>	614 mn	-8.3%
Network and Customers	05M20	Market Share
Clients	3.4 mn	21.9% <sup>3</sup>
Digital Clients	1.3mn	33.0% <sup>4</sup>
Offices	368	18.9% <sup>5</sup>
Market Share	05M20	Rank <sup>5</sup>
Loans <sup>6</sup>	18.3%	1
Deposits <sup>6</sup>	18.2%	1
Checking accounts <sup>3</sup>	21.9%	1
Bank credit cards <sup>7</sup>	25.6%	1

1. Percentage change corresponds to the variation with the same period in 2019. 2. Net income attributable to shareholders, last twelve months. 3. Market share based on number of clients with checking accounts. Source: FMC. As of February 2020, latest available information. 4. Average yearly market share based on number of clients which access their online account. Excludes Banco Estado. Source: FMC. As of February 2020, latest available information. 5. Latest information available Source: FMC. 6. Excludes loans and deposits of Chilean banks held abroad. 7. Market share in terms of monetary amount of credit card purchases. Source: FMC. As of February 2020, latest available information.

## Positive evolution of funding mix

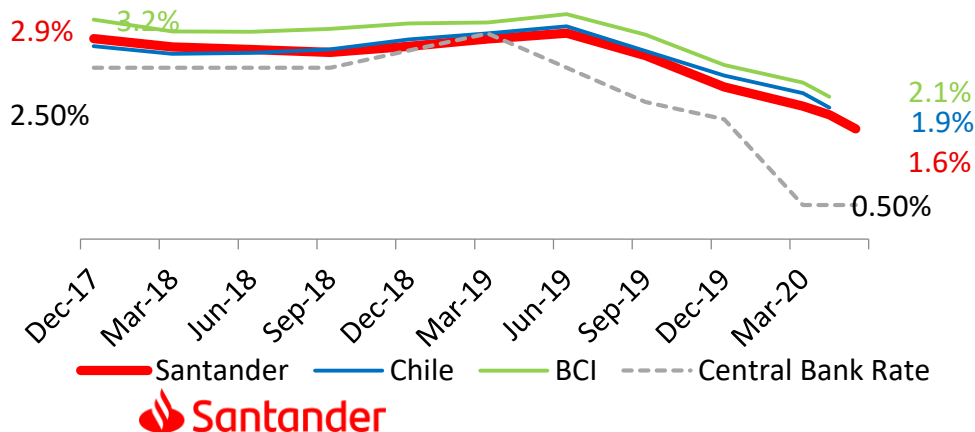
### Total Deposits

Ch\$bn



Ch\$ bnS	5M20	YoY	YTD
<b>Demand deposits</b>	<b>12,001</b>	<b>35.3%</b>	<b>16.5%</b>
Time deposits	14,364	5.9%	8.9%
<b>Total Deposits</b>	<b>26,365</b>	<b>17.5%</b>	<b>12.2%</b>
Mutual funds <sup>1</sup>	7,601	16.5%	16.5%
<b>Loans/Deposits<sup>2</sup></b>	<b>92.7%</b>		

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



### Demand deposits by segment

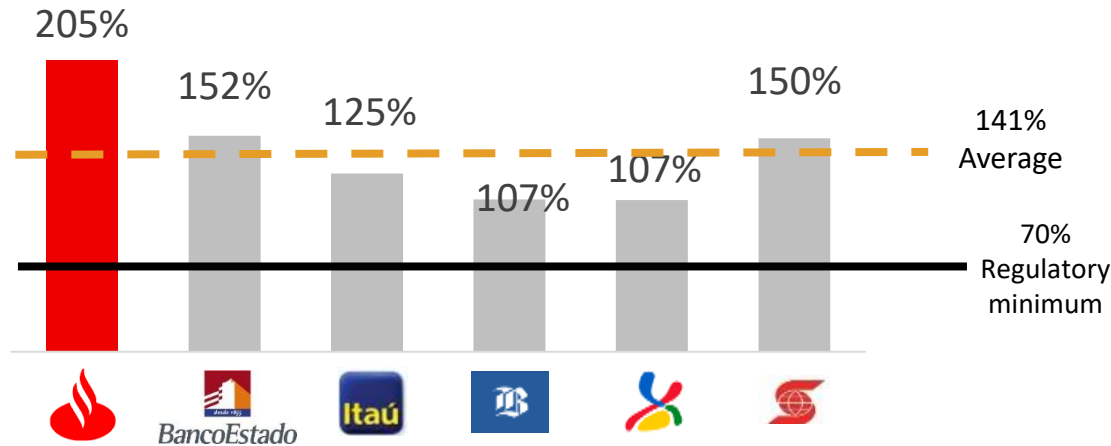
Ch\$ bn	3M20	YoY	YTD
Individuals	3,951	31.0%	8.3%
SMEs	1,794	22.2%	5.7%
<b>Retail</b>	<b>5,745</b>	<b>28.1%</b>	<b>7.5%</b>
<b>Middle Market</b>	<b>3,098</b>	<b>20.6%</b>	<b>3.9%</b>
<b>Corporate (SCIB)</b>	<b>2,040</b>	<b>64.7%</b>	<b>24.3%</b>
<b>Total<sup>6</sup></b>	<b>11,048</b>	<b>29.6%</b>	<b>7.3%</b>



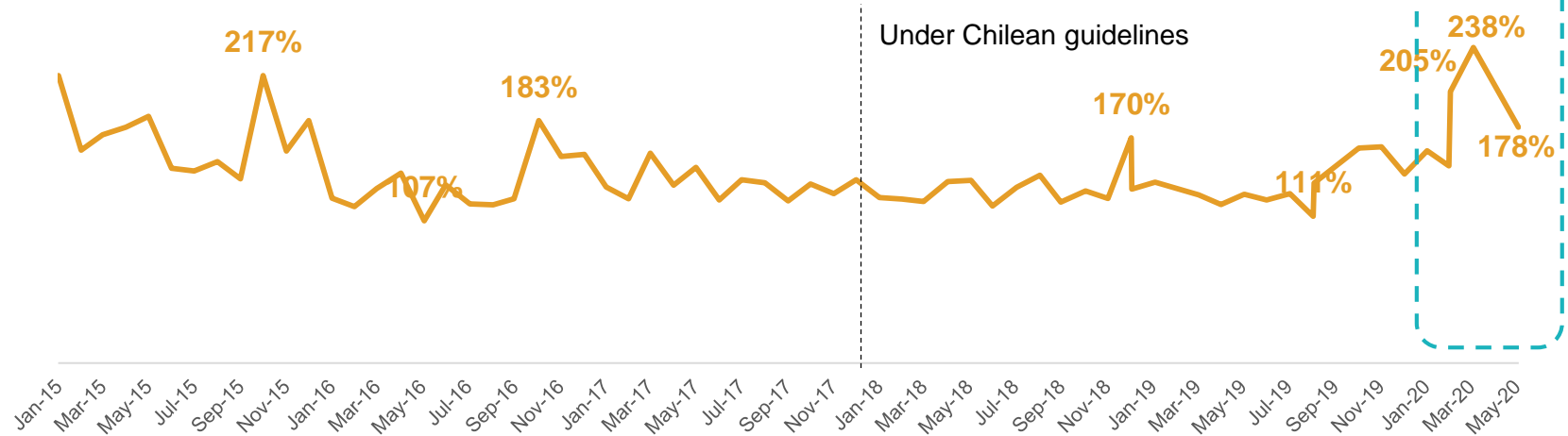
## Solid levels of liquidity in the system

### Liquidity coverage ratio in the system<sup>1</sup>

As of March 31, 2020



### Evolution of Santander's LCR

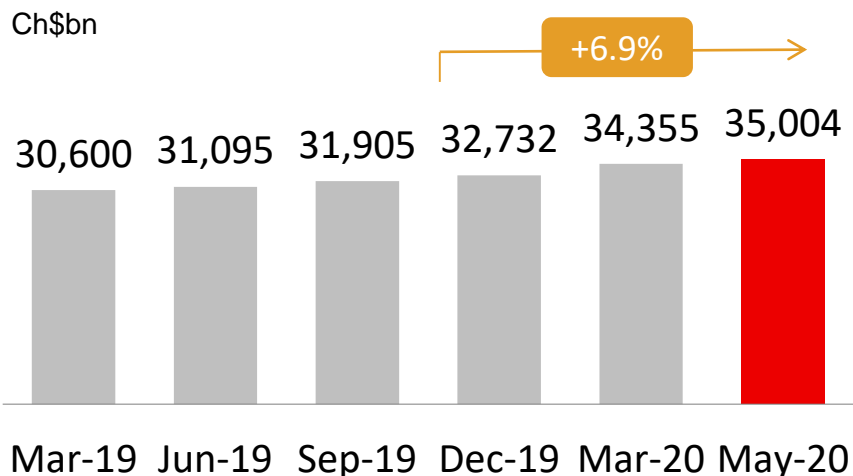


1. LCR calculated following the new local Chilean models Source: public quarterly liquidity reports provided by each company

## Balance sheet

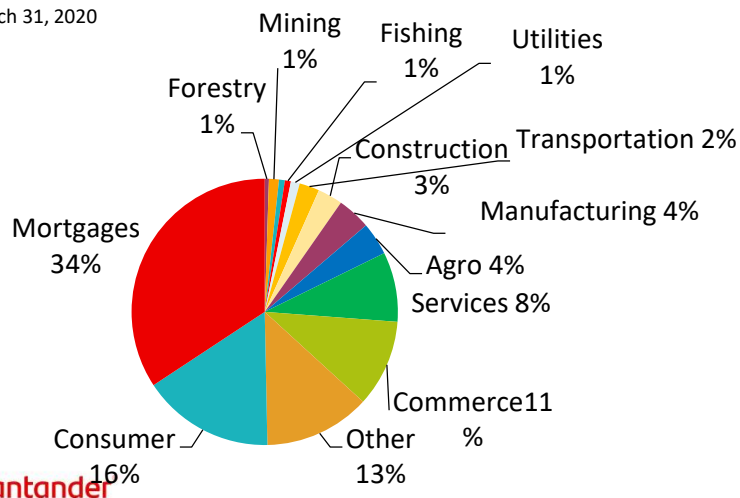
# Loan growth driven by Corporate and Middle-market

### Loans



### Loans by Industry

As of March 31, 2020



### Loans by portfolio

Ch\$ bn	5M20	YoY	YTD
Commercial	17,915	13.4%	12.6%
Mortgages	11,884	12.7%	5.5%
Consumer	5,199	3.5%	(6.1%)
<b>Total<sup>2</sup></b>	<b>35,004</b>	<b>11.6%</b>	<b>6.9%</b>

### Loans by segment

Ch\$ bn	3M20	YoY	YTD
Individuals <sup>1</sup>	19,262	12.3%	2.3%
Consumer	5,451	10.8%	(1.6%)
Mortgages	11,664	12.9%	3.6%
SMEs	4,129	7.7%	1.1%
<b>Retail</b>	<b>23,390</b>	<b>11.5%</b>	<b>2.1%</b>
<b>Middle Market</b>	<b>8,789</b>	<b>11.5%</b>	<b>8.6%</b>
<b>Corporate (SCIB)</b>	<b>2,173</b>	<b>36.6%</b>	<b>30.0%</b>
<b>Total<sup>2</sup></b>	<b>34,355</b>	<b>12.3%</b>	<b>5.0%</b>

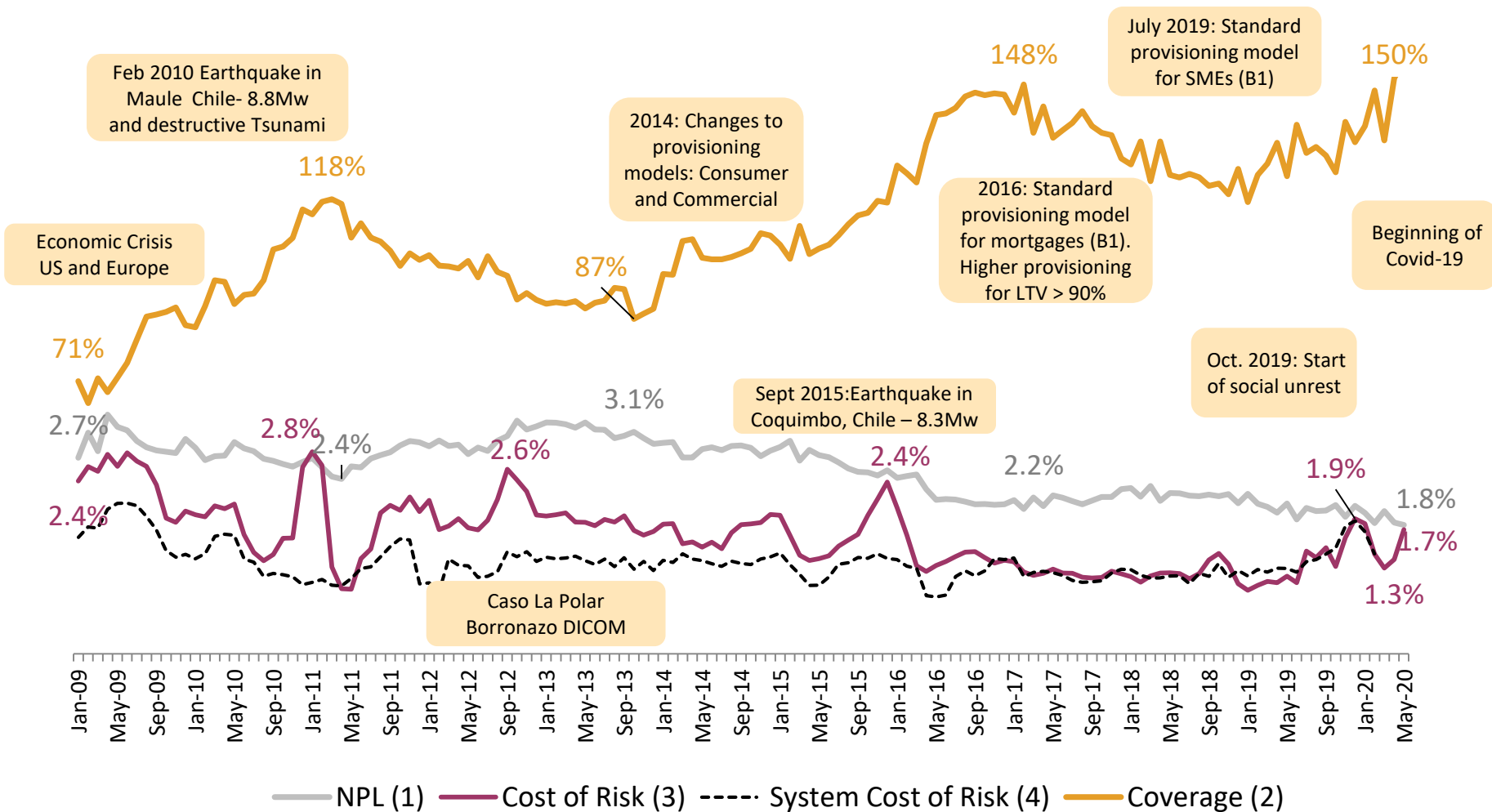


1. Includes other commercial loans to individuals. 2. Includes other non-segmented loans and interbank loans



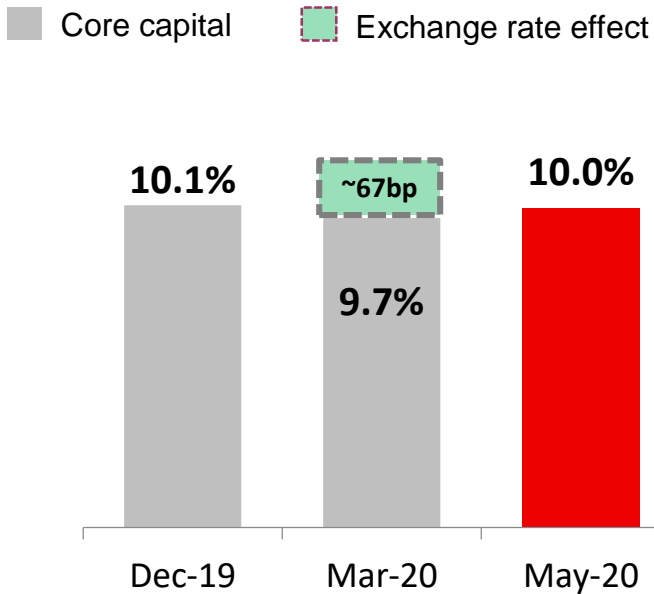
## Improving our cost of risk compared to the system

### Total loans: NPLs, coverage and cost of risk

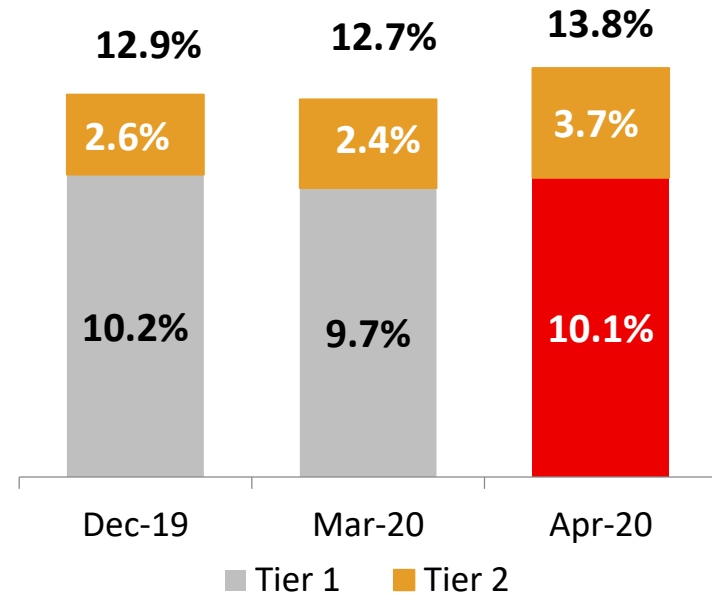


# Healthy capital ratios

## Core capital



## BIS Ratio



**Payout lowered to 30% to face uncertainty and facilitate potential volume growth from Covid-19 measures. US\$405Mn in sub-bonds issued YTD**

# AGENDA

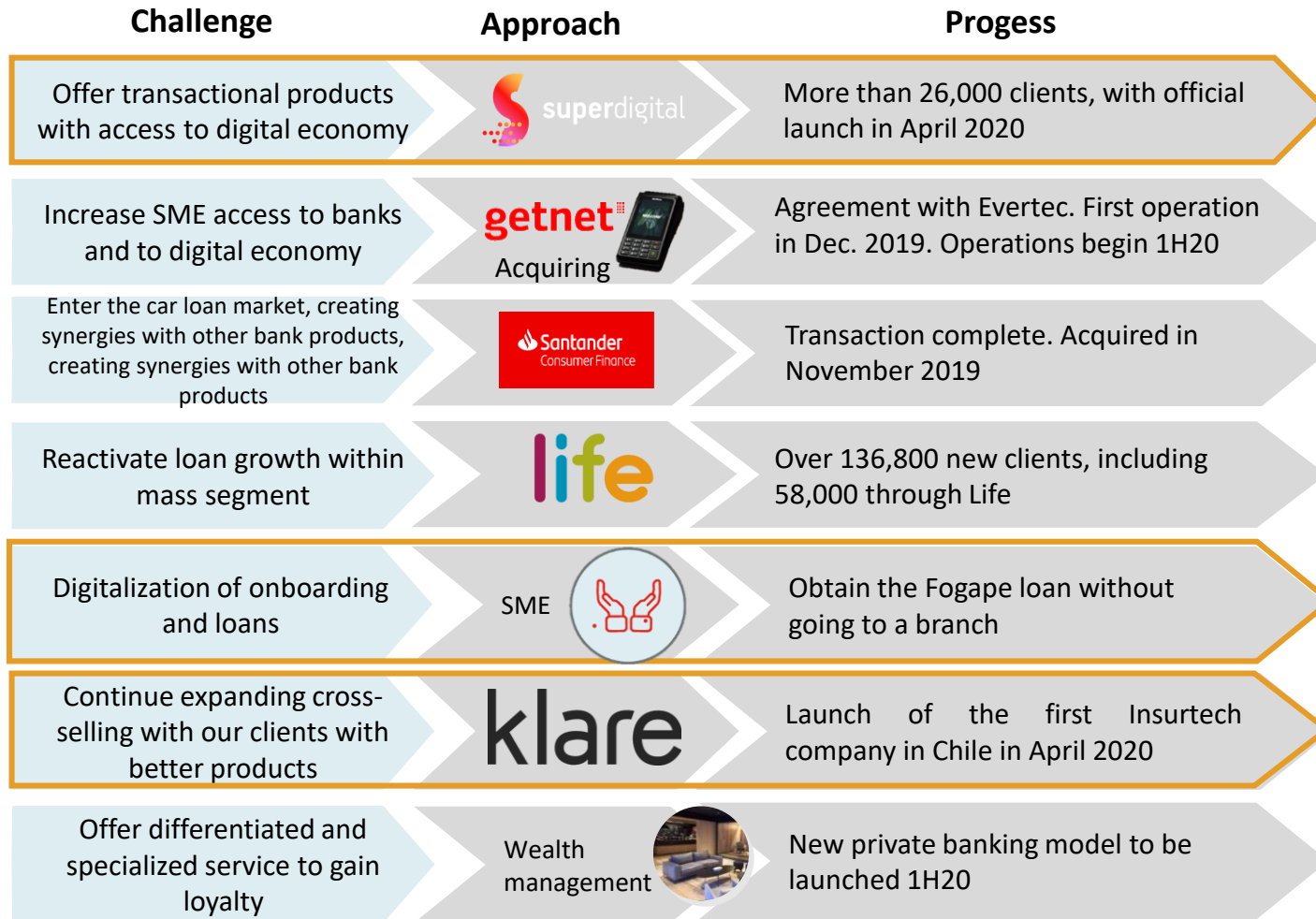
COVID19: REGULATORY UPDATE

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.

## Despite the Covid-19 crisis, the Bank is open for business

### Open for business

#### Branches

Over 80% open 9am – 2pm

**Contact center:** 80% open (including home office)

#### Tele-working

+6,500 employees  
95% of our central offices

### Supported by digital banking<sup>1</sup>

#### N° of transactions

In branches: -13.2%  
Online: +7.4%

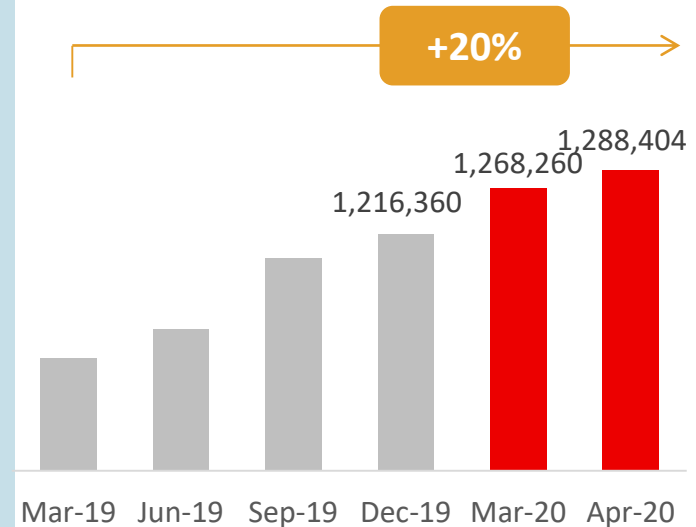
**+22.2%**

N° of digital clients

**+8.7%**

N° of purchases online

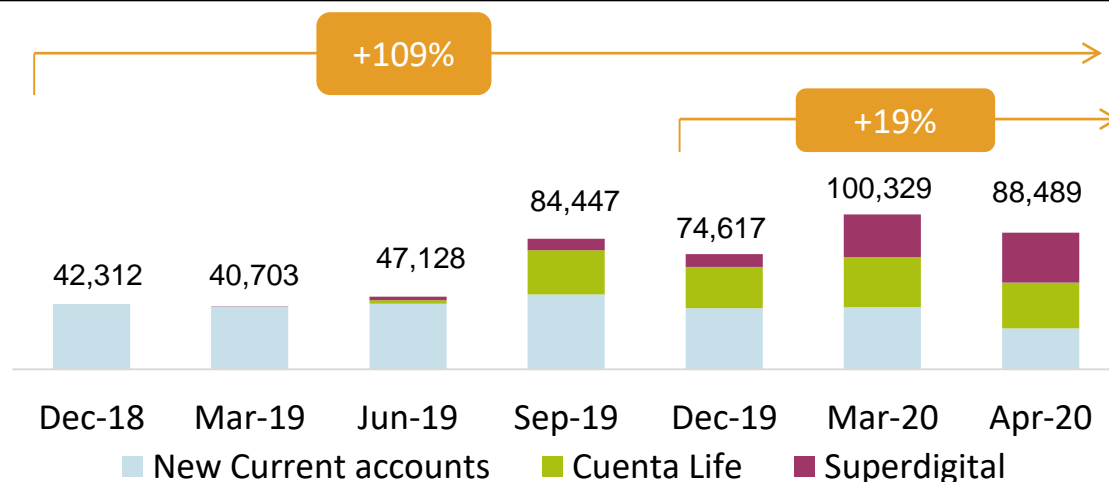
### Digital clients



# Business growth and results

## Record account openings in the quarter

### Quarterly new gross accounts<sup>1</sup>



*During the first four months of the year, our digital account offer has become popular with new gross accounts increasing 19% YTD*

# 22%

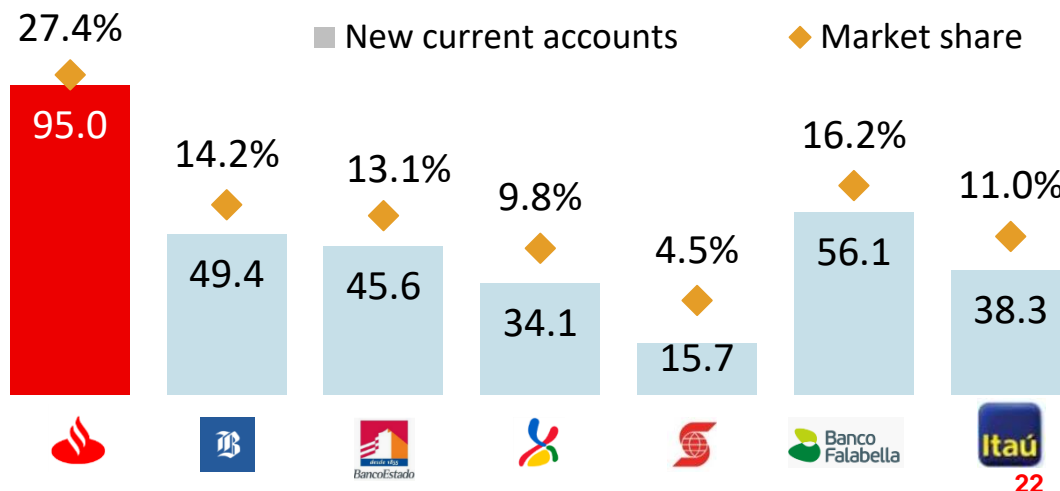
Market share of current accounts<sup>2</sup>

# 27%

Market share of current account openings<sup>2</sup>



### Current account openings 12M19<sup>2</sup>

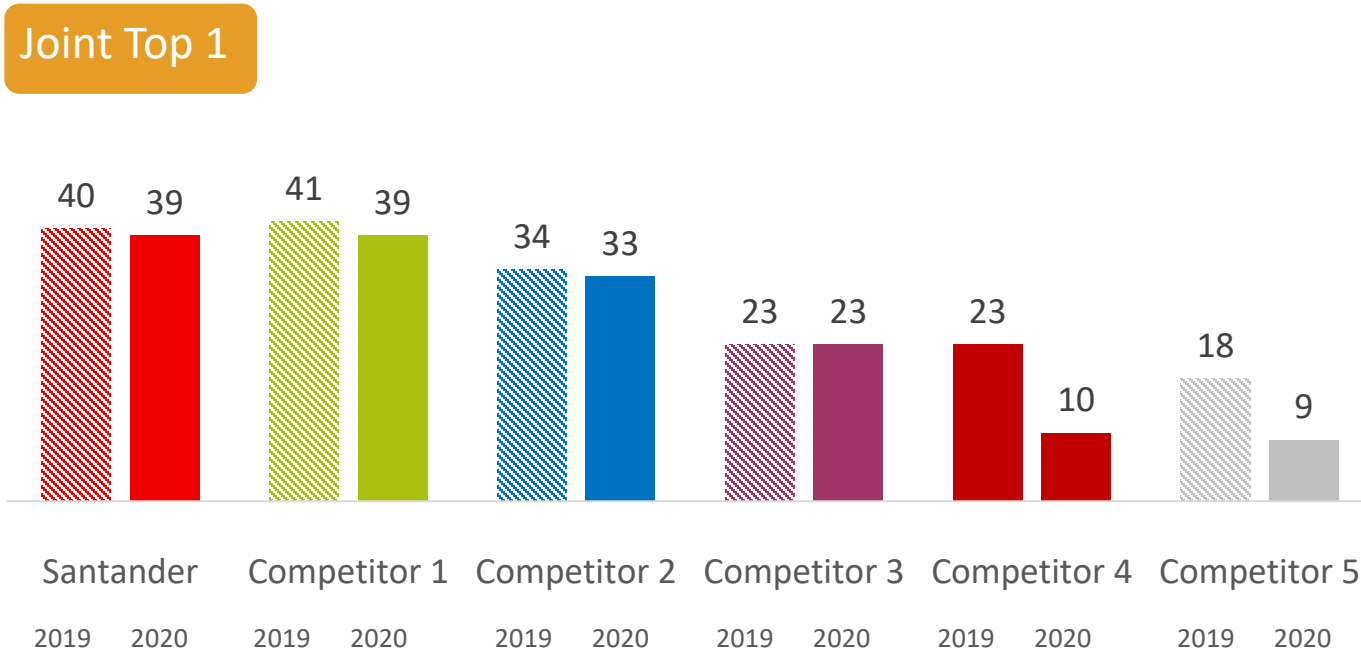


1. Include current accounts, Life and Superdigital. Data for April is a moving quarter data. 2. Market share with information published by the CMF

## Reaching Top 1 in Net Promoter Score

### Net Promoter Score (NPS)

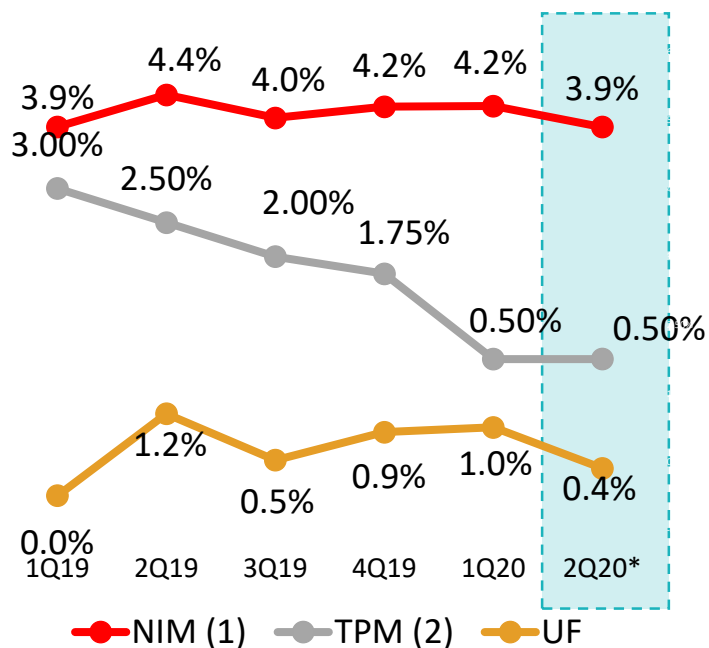
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## Business growth and results

# Lower NIMs due to growth in less risky loans and lower inflation

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



Ch\$ bn	5M20	YoY
<b>Net interest income</b>	648	14.0%
Average interest-earning assets	38,409	14.9%
Average loans	33,960	10.6%
Interest earning asset yield <sup>3</sup>	6.4%	-6bp
Cost of interest bearing liabilities <sup>4</sup>	2.3%	-11bp
<b>NIM YTD</b>	4.1%	-3bp

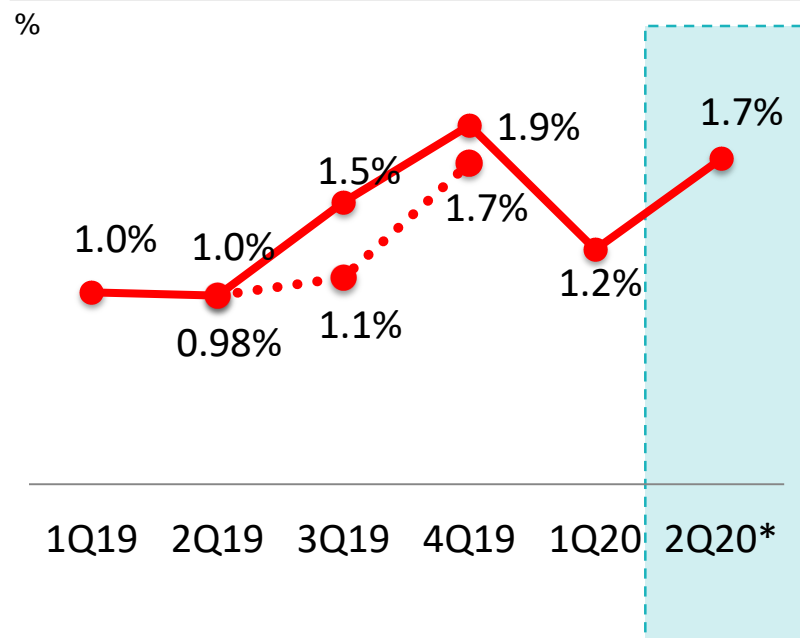
Headwinds in margins partially offset by improved funding mix



## Business growth and results

### Positive evolution of asset quality post social unrest

#### Quarterly Cost of risk<sup>1,2</sup>



#### Provision for loan losses

Ch\$ bn	5M20	YoY
Gross provisions and write-offs	(233,607)	39.4%
Recoveries	31,536	(8.9%)
<b>Provision for loan losses</b>	<b>(202,071)</b>	<b>51.9%</b>
Cost of risk(YTD) <sup>1</sup>	1.43%	

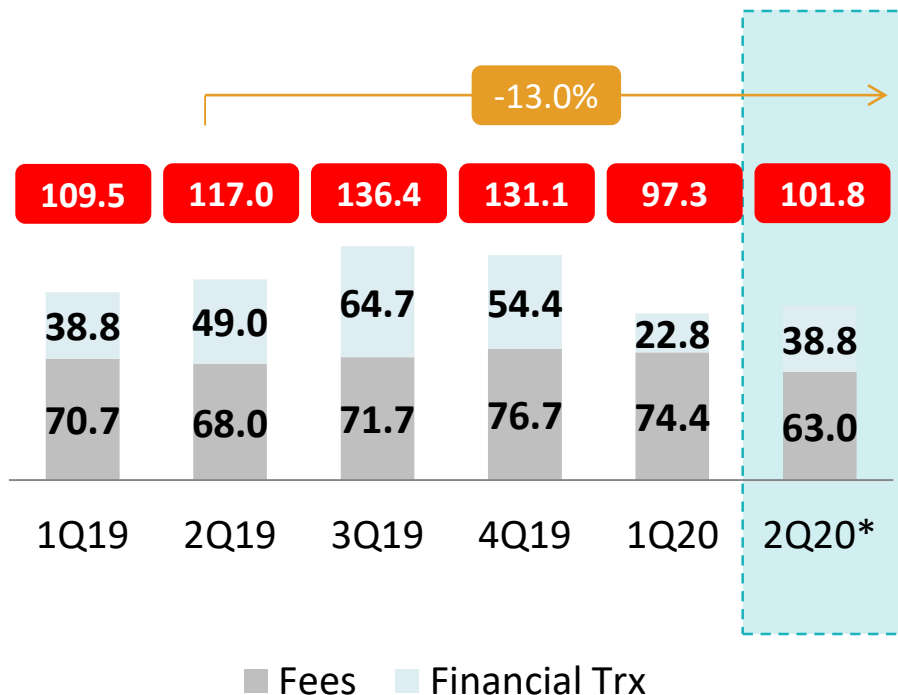
COVID-19 impacts starting to be seen in April and May

# Business growth and results

## Non-interest income: Client driven

### Fees+ Financial Trx

Ch\$bn



### Fees

Ch\$ bn	5M20	YoY
Current accounts	14.9	0.8%
Lines of credit	3.1	8.3%
Cards	24.8	8.0%
Collections	11.2	(14.7%)
Asset management	19.3	3.1%
Guarantees	15.4	4.2%
Insurance	22.5	14.3%
Securities brokerage	4.9	30.1%
Others	0.5	(91.7%)
<b>Total Fees</b>	<b>116.4</b>	<b>0.1%</b>

### Financial transactions

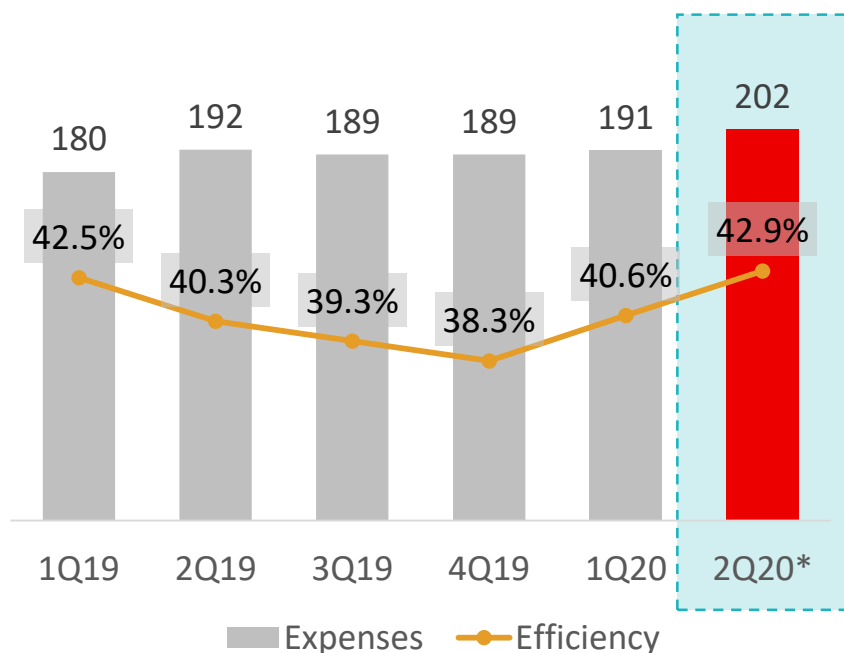
Ch\$ bn	5M20	YoY
Client	62.0	(2.1%)
Non-client	(13.0)	(197.0%)
<b>Total Financial trx</b>	<b>49.0</b>	<b>(41.2%)</b>

# Business growth and results

## Investing to improve productivity and efficiency

### Operating expenses

Ch\$bn



Ch\$ bn	5M20	YoY
Personnel expenses	172.9	4.9%
Administrative expenses	107.1	6.1%
Depreciation	46.1	7.0%
<b>Operational expenses<sup>1</sup></b>	<b>326.1</b>	<b>5.6%</b>
<b>Efficiency ratio<sup>2</sup></b>	<b>41.5%</b>	<b>-22bp</b>
<b>Costs/assets</b>	<b>1.4%</b>	<b>-46bp</b>



1. Operational expenses exclude impairment and other operating expenses. 2. Efficiency ratio: operating expenses excluding impairment / financial margin + fees+ financial transactions and net other operating income \*2Q20 information is April and May converted to quarterly

# Conclusions

## Results reflect strong core banking franchise

- ✓ 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
- ✓ Strong deposit growth. High liquidity levels.
- ✓ Capital ratios are healthy. Payout lowered to 30% to assure good core capital levels and to support loan growth
- ✓ Loan growth centered on medium and larger corporates with renegotiation program for individuals and SMEs
- ✓ Client growth has remained strong through digital channels driving fees and client treasury income
- ✓ Rise in cost of risk due to COVID-19 effects in April and May
- ✓ Solid efficiency levels

# 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

