

Banco Santander Chile

Macro & Strategy Update



December 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. 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

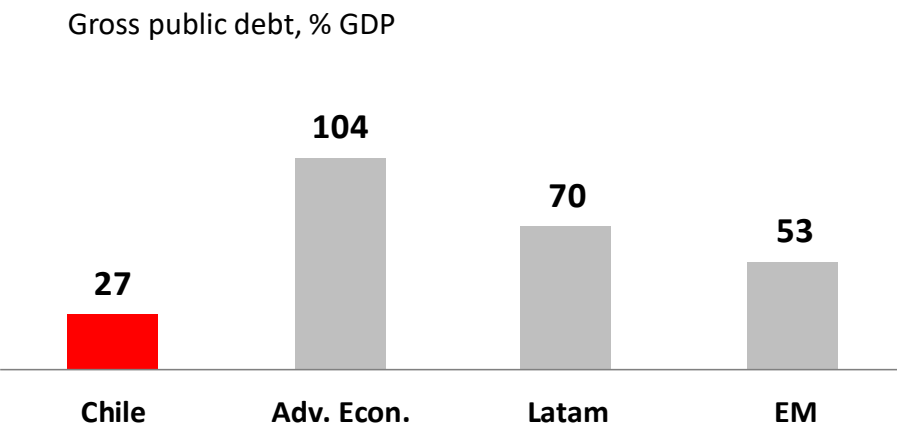


An overview of Chile

Chile: Key economic indicators^{1,2}

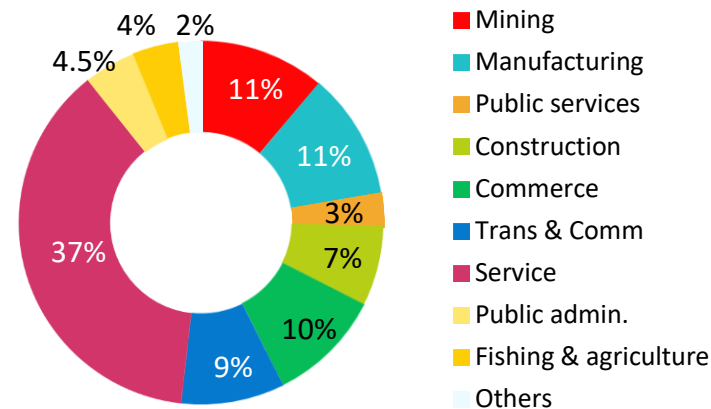
Population:	19.1mn
GDP ³ :	US\$296bn
GDP per capita (PPP):	US\$15,780
Exports / GDP:	25%
Investment / GDP :	23%
Net public debt / GDP:	8%
Sovereign ratings:	JCR: AA- / Mdy: A1/ SP: A+/ Fch: A

Low public debt^{3,4}

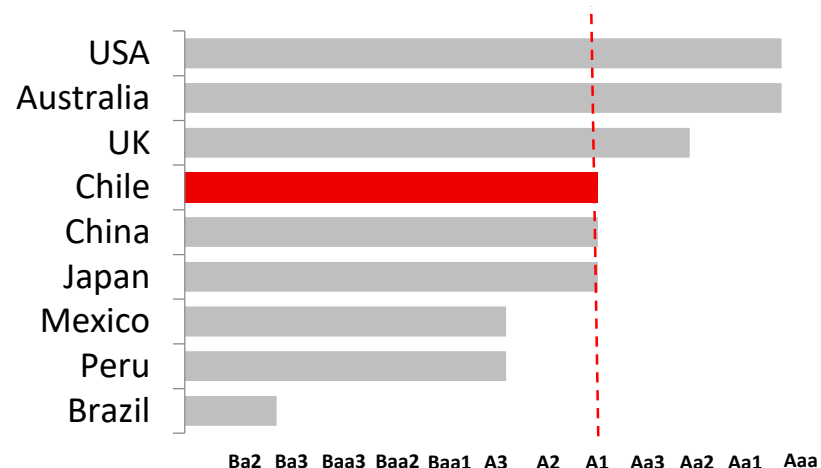


Chile's economy by sector¹

GDP by economic sector, %



High sovereign rating⁵



1. Source: Central Bank of Chile, BCCh, and IMF. 2. Source: International Monetary Fund, 10/2017. 3. Source: Central Bank of Chile, Dec. 2018

4. Source: World Bank, Current international dollar 5. Source: Moody's



A month of social unrest

October 16th



Massive evasion

October 19th



State of emergency

October 25th



The largest demonstration

November 12th



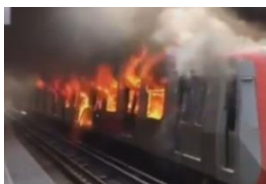
President's call

November 20th



Constitutional accusation

October 18th



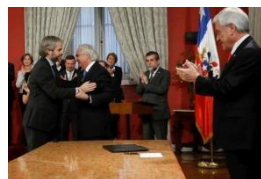
Subway attacks

October 22nd



Social agenda

October 28th



New cabinet

November 15th



Political agreement

November 21th



Social agreement



Some keys to the conflict

Growth slowdown after commodity boom

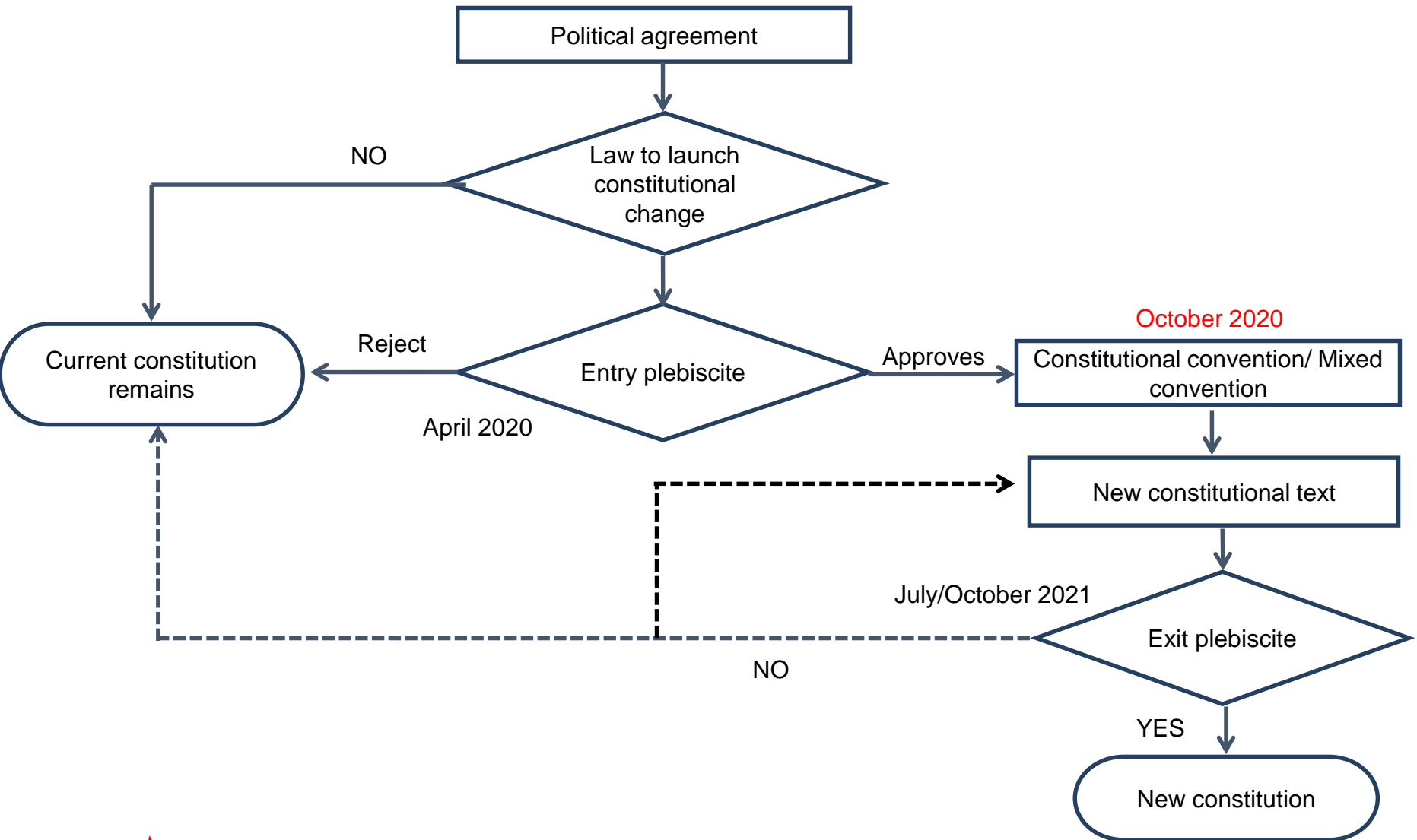
Persistent (although declining) inequality

Lack of safety nets for new middle class

Corruption scandals at different levels (Political parties, church, army, companies)



Road map to a constitutional change





Possible elements of the constitutional debate

Political system

Social rights

Subsidiary role of the state

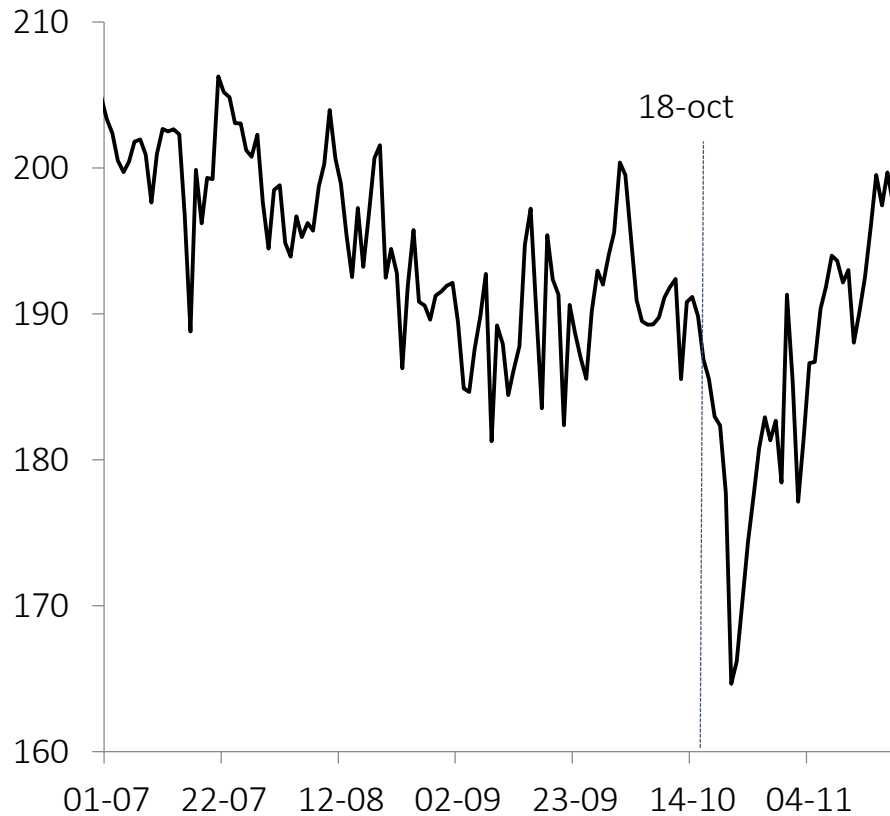
Autonomous bodies of the state



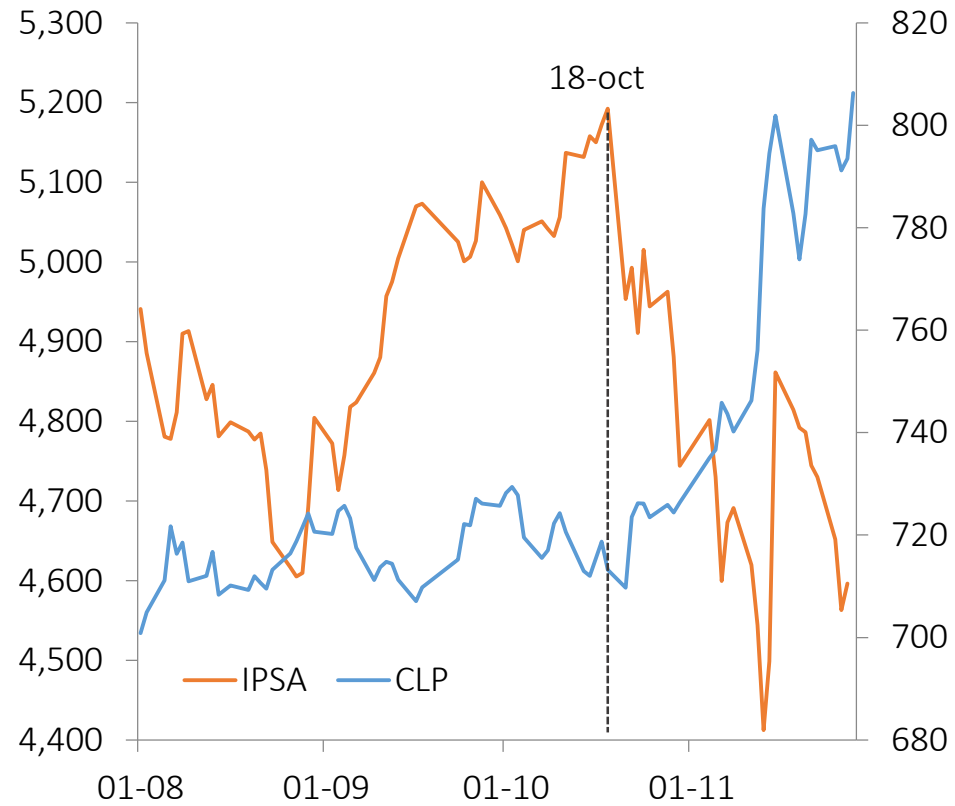
Short-term impact of the social unrest

Electric generation

(GWh, adjusted by holidays and weekends)



Asset prices

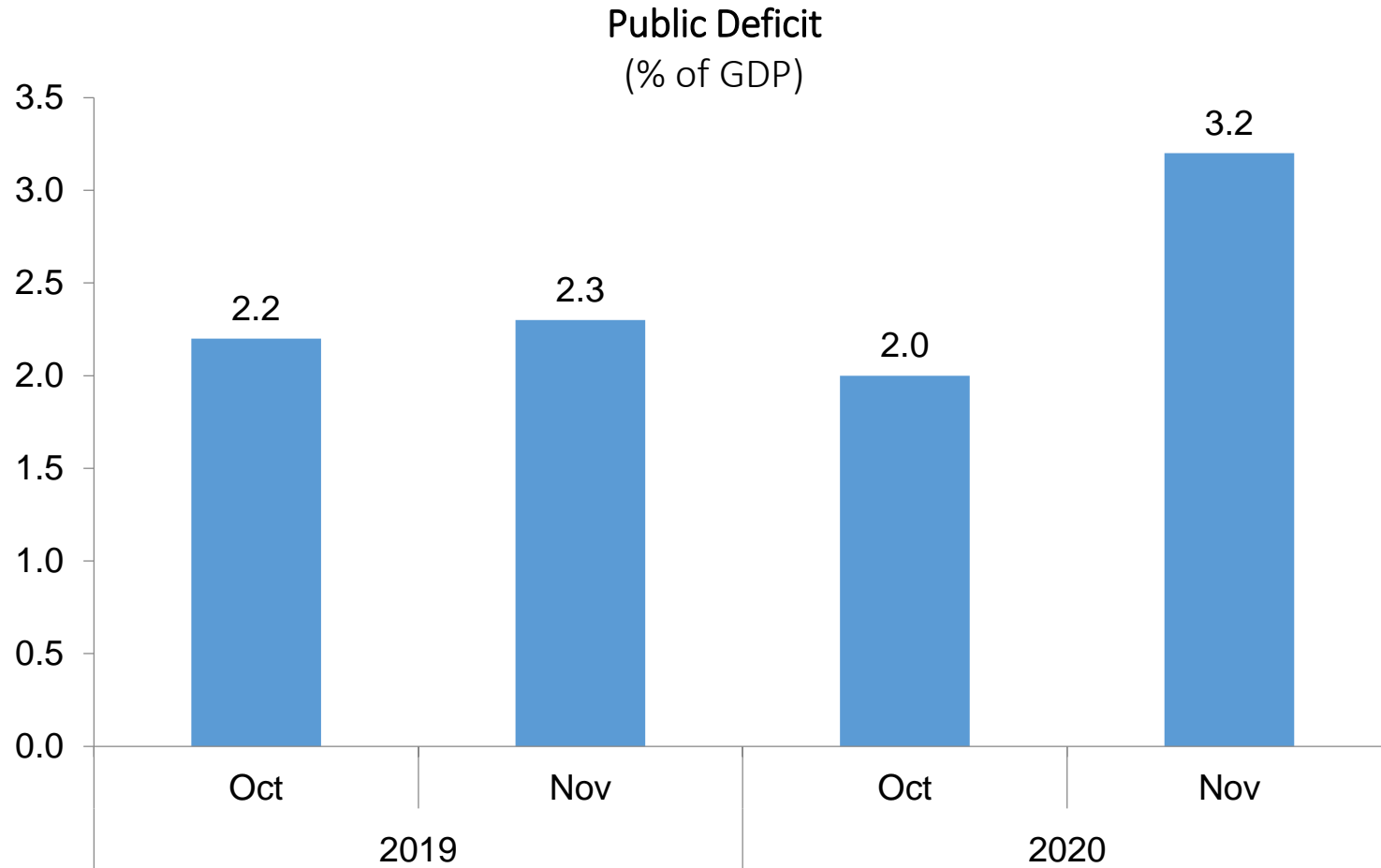


Source: Central Bank of Chile, CNE and Santander





Social Agenda will push up public deficit

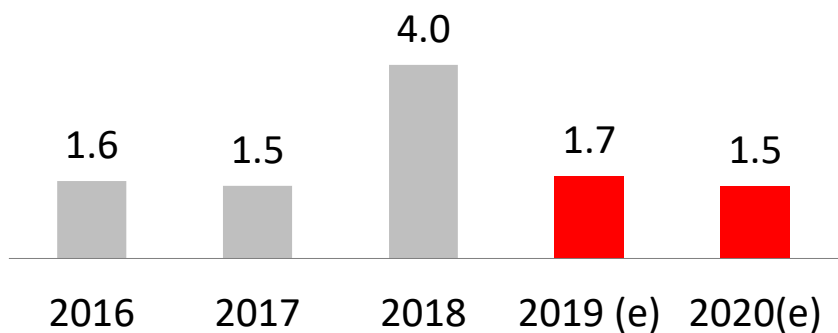




GDP growth Outlook 2019-2020

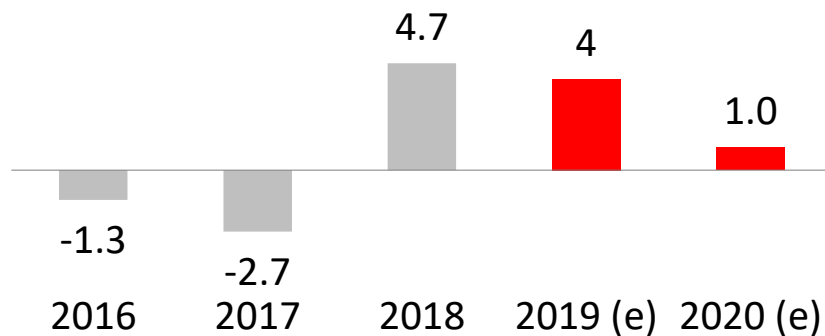
GDP

YoY real growth, %



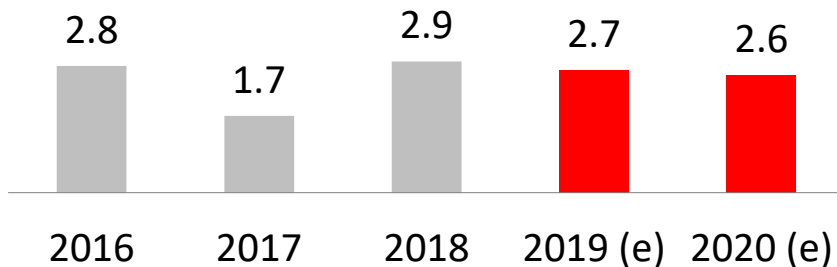
Investment

YoY real growth of fixed capital formation, %



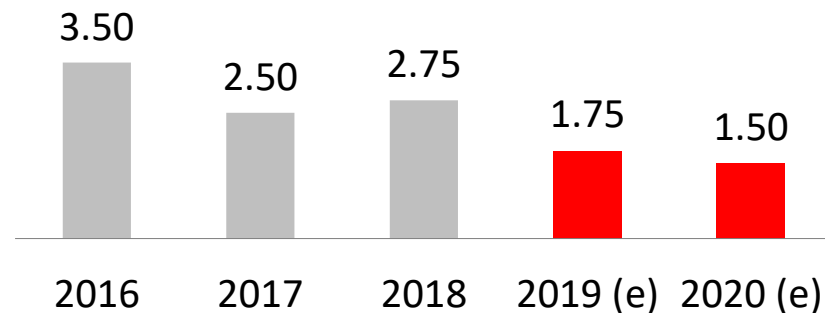
Inflation

Annual change in UF inflation, %



Central Bank ST Reference Rate

%



Agenda

 **Macro-economic environment**

 **Strategy update**

 **Results**

Santander Chile is the nation's leading bank

Figures in US\$



Business and Results	09M19 (US\$)	YoY
Gross Loans	43.8 bn	6.4%
Deposits	31.4 bn	10.1%
Equity	4.7 bn	8.8%
Net income ¹	817 mn	4.9%
Network and Customers	09M19	Market Share
Clients	3.4 mn	21.5% ²
Digital Clients	1.2mn	32.3% ³
Offices	381	17.5%
Market Share²	09M19	Rank
Loans ⁴	18.3%	1
Deposits ⁴	18.2%	2
Checking accounts ²	21.5%	1
Bank credit cards ⁵	26.5%	1

1. Net income attributable to shareholder, last twelve months 2. Market share of clients with checking accounts. Source: CMF. As of August 2019 3. Average yearly market share over clients that enter a website with a passkey. Excludes Banco Estado. Source: CMF. 4. Excludes loans and deposits of Chilean banks held abroad. 5. Market share in terms of monetary amount of credit card purchases.

Advances on our strategic objectives

Strategic priorities



Our purpose

Help people and businesses to prosper



Our way of doing things

Simple, Personal, Fair



Our vision

Be the best Bank acting responsibly and gaining the loyalty of our clients, shareholders, people and communities



Clients



Employees



Community



Shareholders

Declaration

We want to be the best bank for our customers, leading in digital excellence and experience, gaining their loyalty

We want to be the best large company to work in Chile, attracting and developing talent, always committed to our SPF culture







We want to be recognized as a responsible bank that contributes to the community

We want to be the most profitable and sustainable bank, with solid capital levels, attractive dividends and strong risk management

Excellence in execution



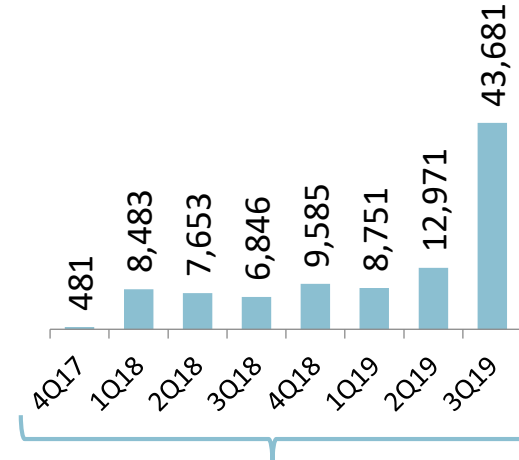
Clients: moving forward in our innovations

Challenge	Approach	Progress
Reactivate loan growth within mass segment		Over 94,000 clients, including some 30,000 Cuenta Life clients
Offer transactional products with access to digital economy		More than 10,000 clients, hard launch in 2020
Improve branch network to re-attract clients in a digital/co-working format		Reached 50 this year
Increase SME access to banks and to digital economy	Acquiring 	Operations to start 1H 2020
Enter the car loan market, creating synergies with other bank products		Approved in Nov. 2019 by CMF.
Continue expanding cross-selling with our clients with better products		New subsidiary approved in Oct. 2019

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.

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

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

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



+17,000
Downloads



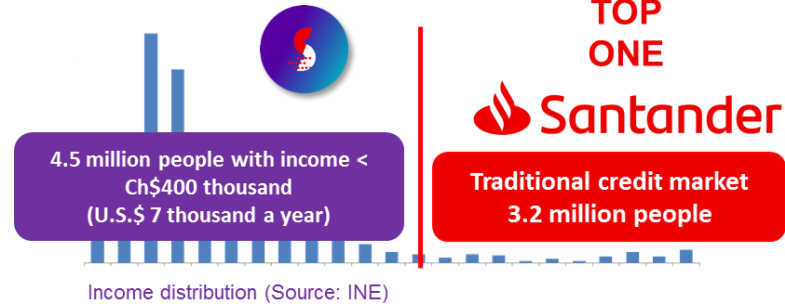
+10,000
Clients



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 Testeam

May '19

Employees-fully functional including physical card

Jun '19

Employees' families

Jul '19

Public soft launch

Coming soon

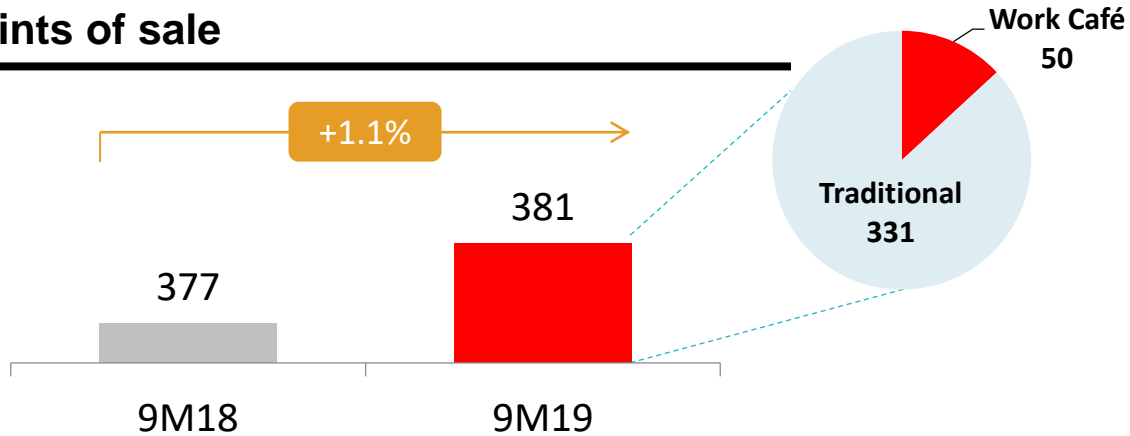
Media ramp-up



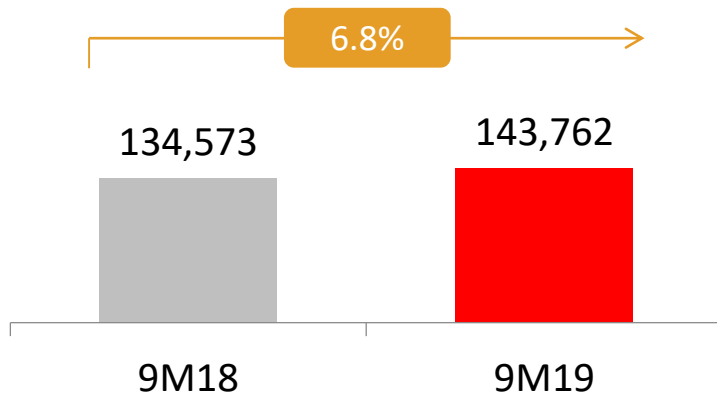
Strategic alliances, integrating new services

WorkCafé: Improving service and productivity

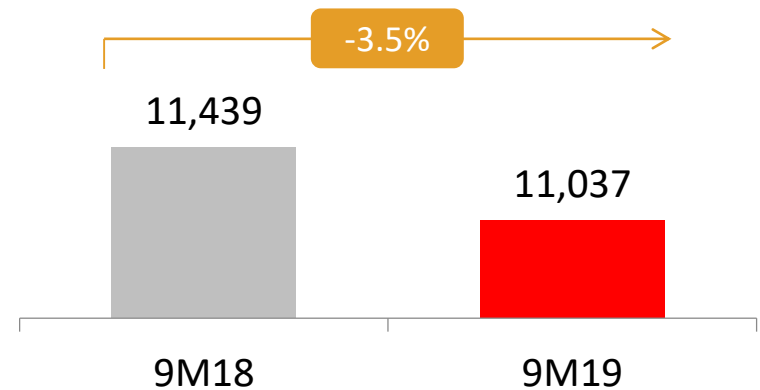
Points of sale



Volume per branch¹



Employees

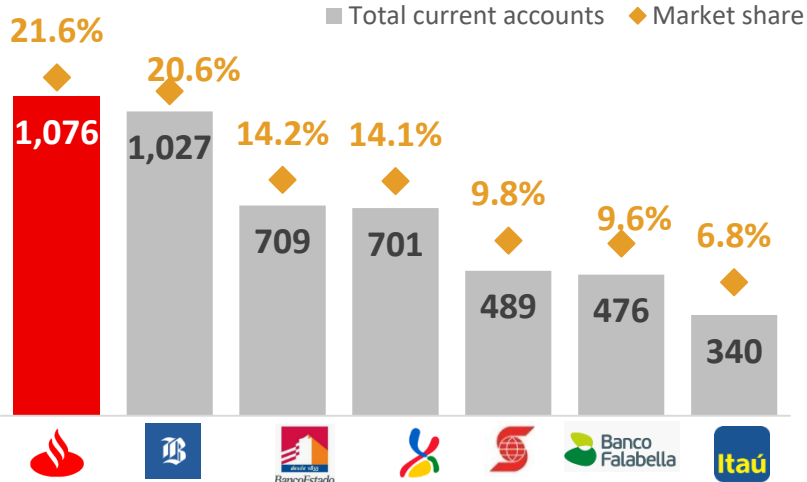


1. Volume per branch calculated as total loans divided by number of branches.

We are gaining market share in current accounts

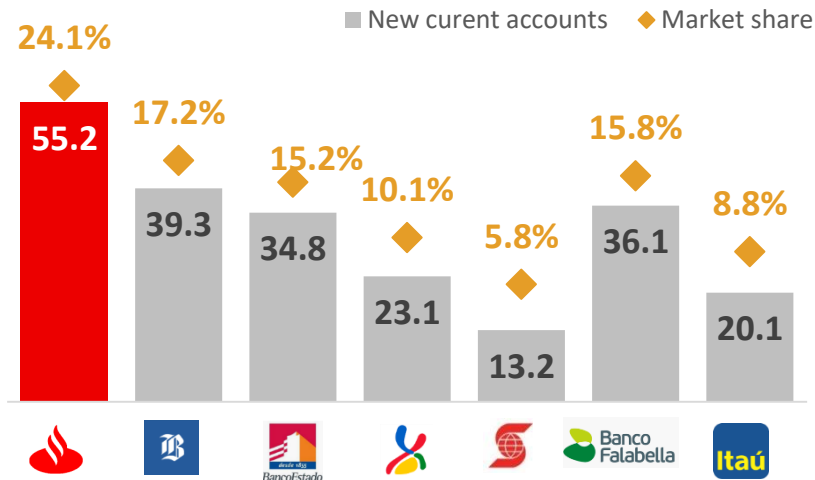
Total current accounts ¹

Thousands of number of current accounts

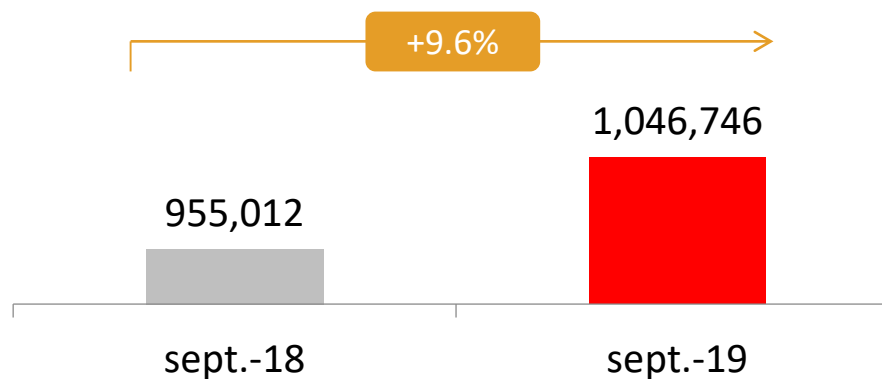


Net increase in current accounts 7M19¹

Thousands of number of current accounts

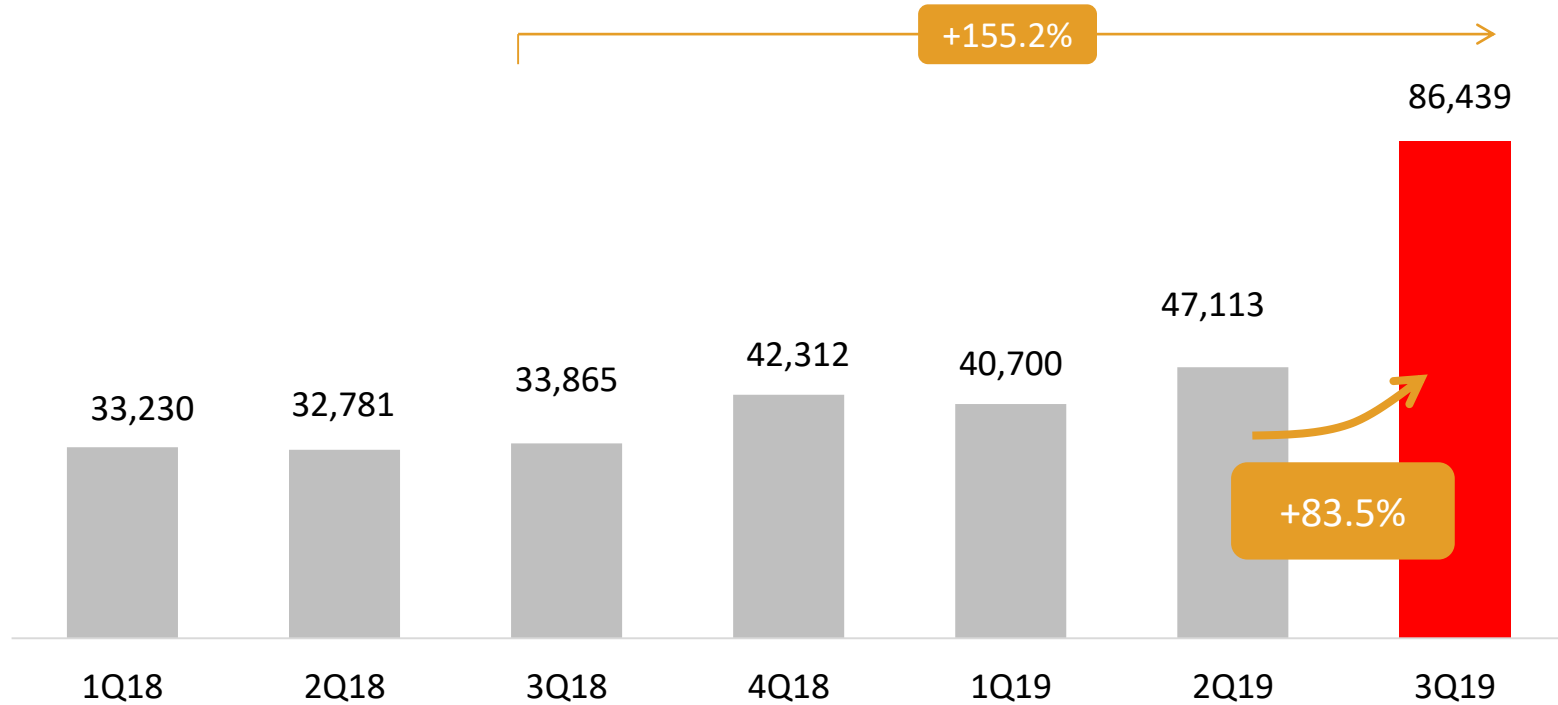


Total retail current accounts



Accelerating account openings through Superdigital, Life and traditional bank accounts

Total gross new accounts (checking+ Life+ Superdigital)

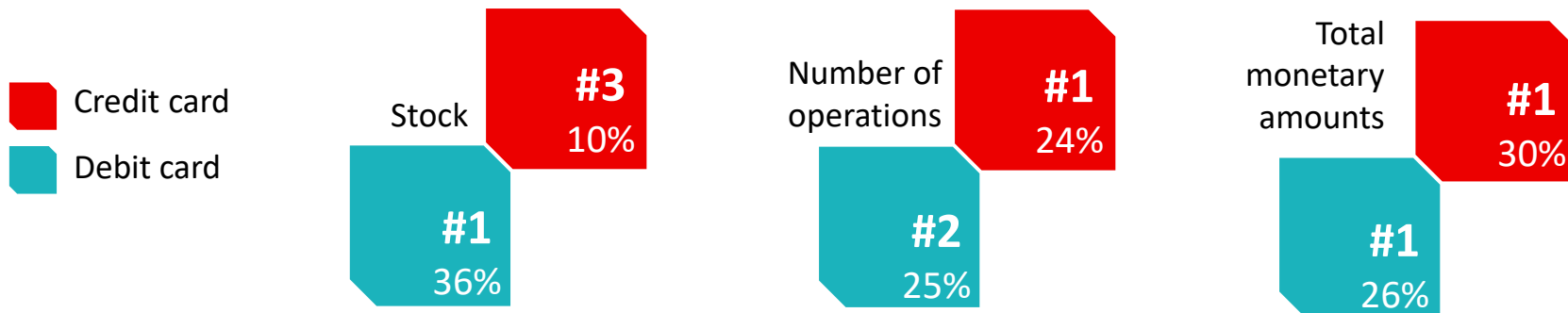


Acquiring



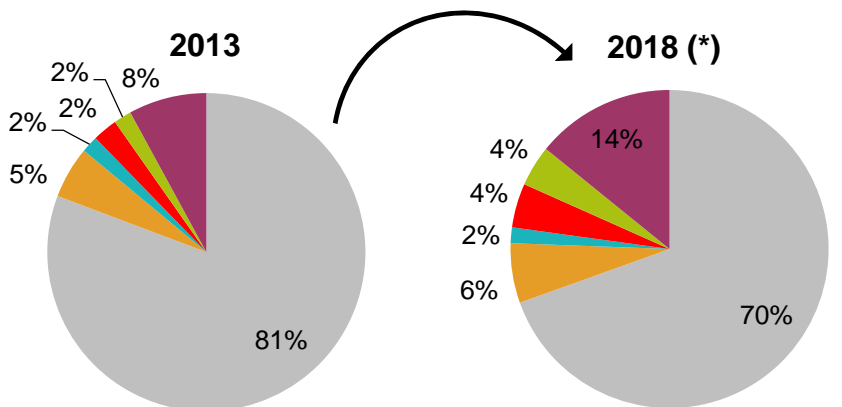
Entering the acquiring business in 2020

Position and market share¹



Composition of retail payments in Chile²

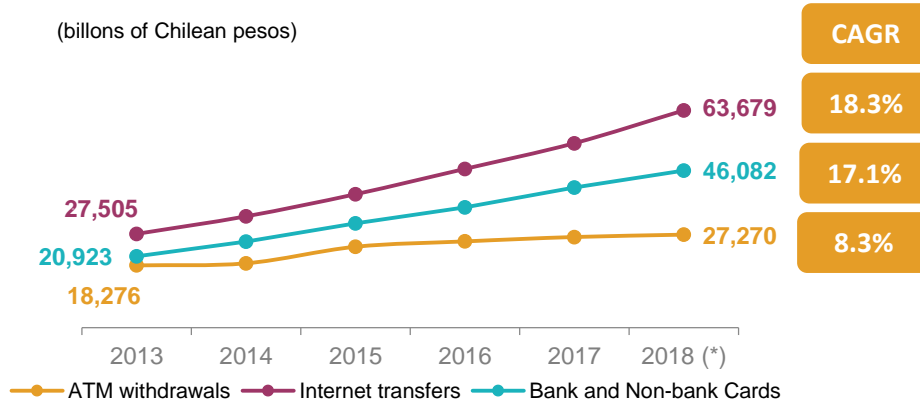
(% of monetary total of payments)



■ Checks
 ■ ATM withdrawals
 ■ Non-bank credit card
■ Bank credit card
 ■ Debit card
 ■ Internet transfers

Payments by Internet, Cards and ATMs²

(billions of Chilean pesos)



CAGR
18.3%
17.1%
8.3%

Only 30-40% of shops use POS³

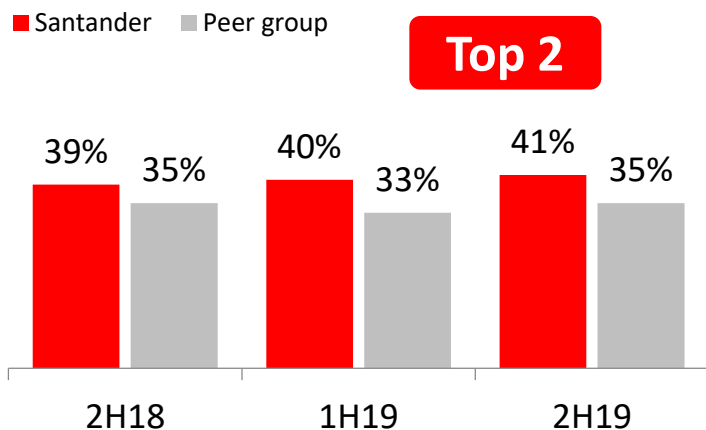


1. CMF Chile, latest information available 2. Source: Central Bank of Chile 3. Santander Chile estimates

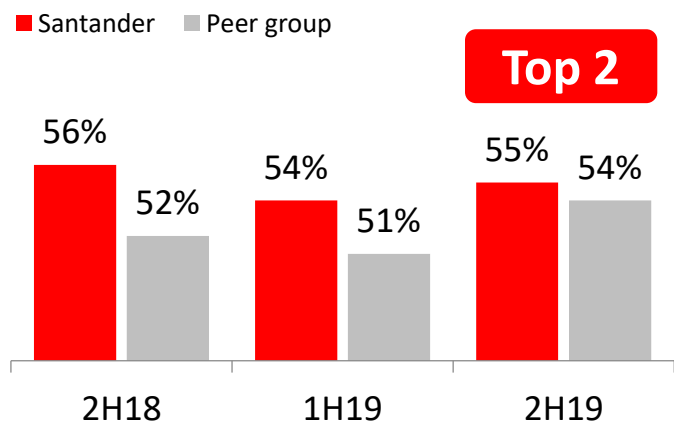
Continuing to improve our client satisfaction and NPS

As of June 2019

Net Promoter Score¹



Net Global Satisfaction¹



Attributes

#1 in

- *Transparency*
- *Innovation*
- *Promotions*
- *Relationship Manager*
- *Contact Center*

#2 in

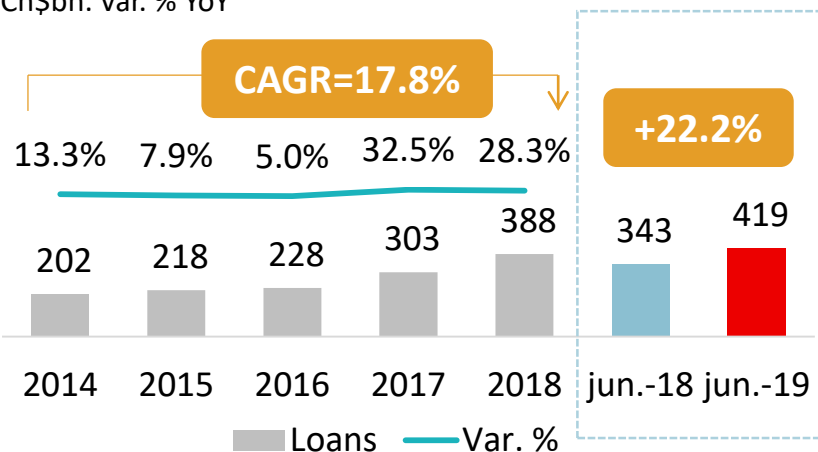
- *Web*
- *App*

life

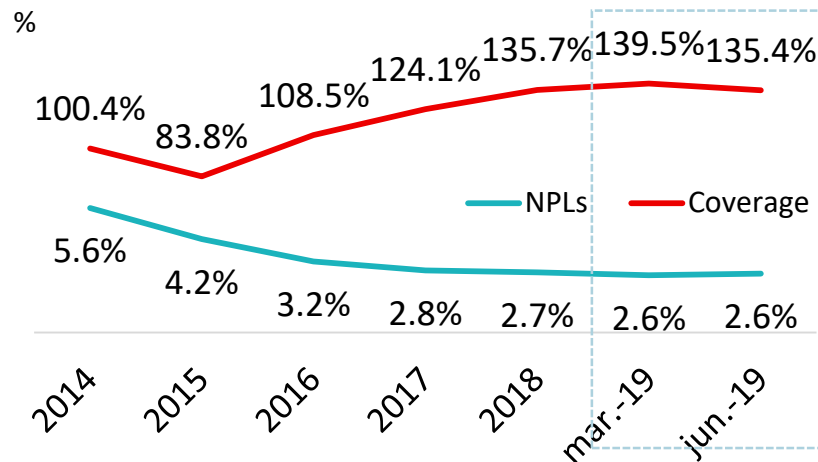
Our clients with a Life Credit Card have a **NPS of 67** and **Net Satisfaction of 90**

Total loans

Ch\$bn. Var. % YoY

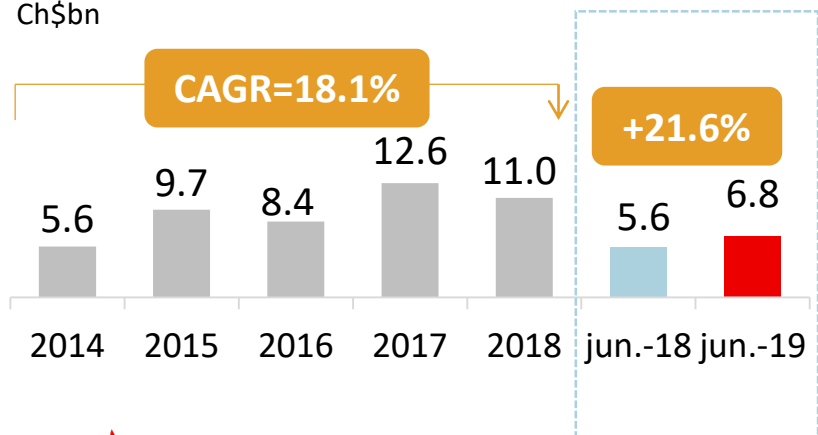


NPLs and coverage

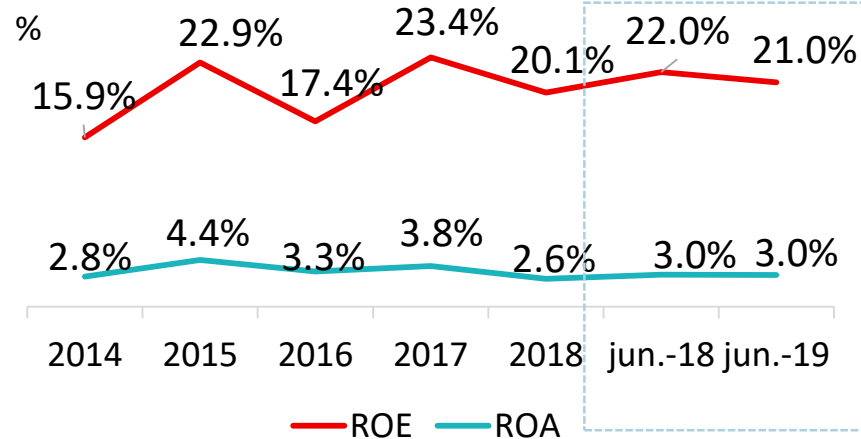


Net income

Ch\$bn

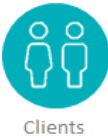


ROE & ROA

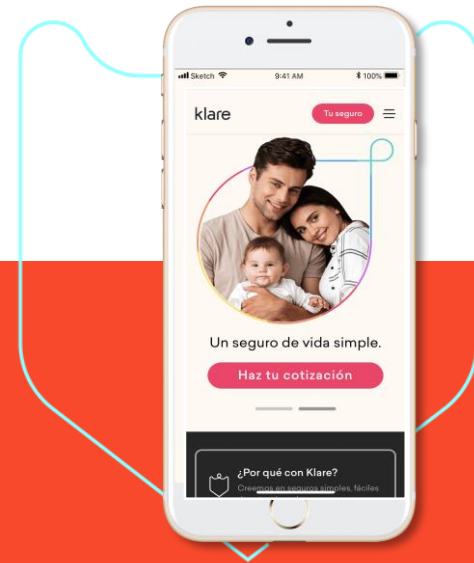


klare

*The first 100%
digital
insurance
broker in Chile*



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.

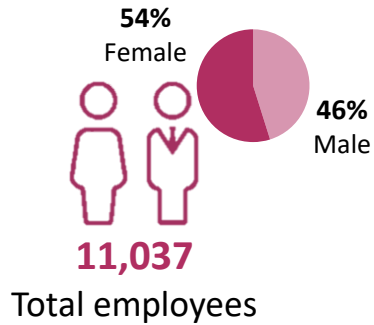
PERSONALIZED

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

TRANSPARENT

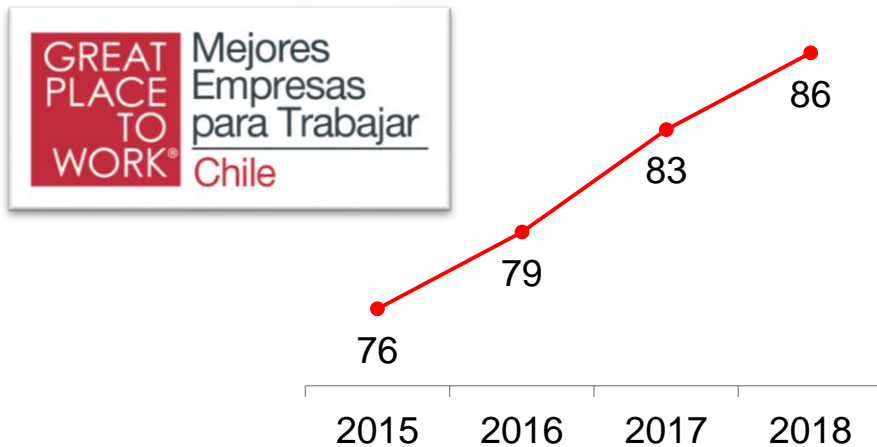
Hiring an insurance will be fast and without detours, that's why we eliminate the fine print and we explain everything you need to know so that you hire informed.

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.



Responsible banking



Our purpose

Contribute to the progress of
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



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

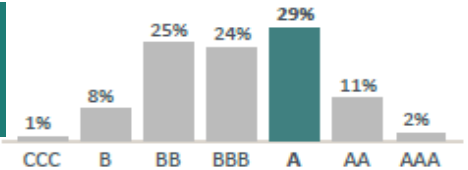
We are included in **DJSI Chile** and **DJSI MILA** (Chile, Colombia, Mexico and Peru).

MSCI 

ESG RATING **A**

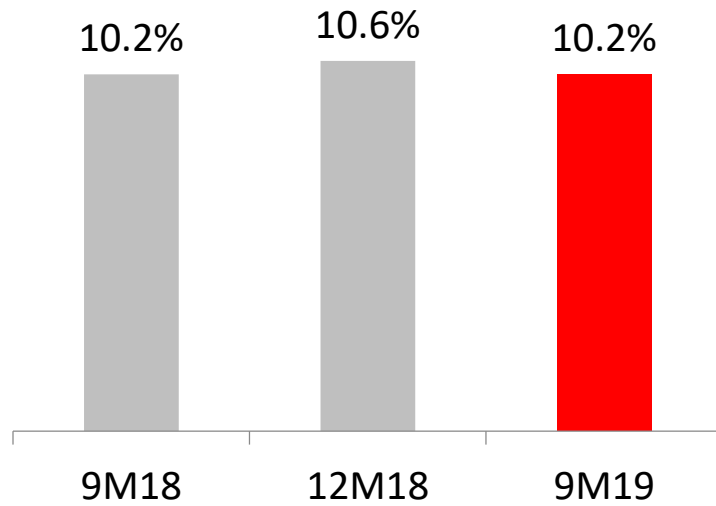
LAST UPDATE: September 19, 2019

INDUSTRY RATING DISTRIBUTION

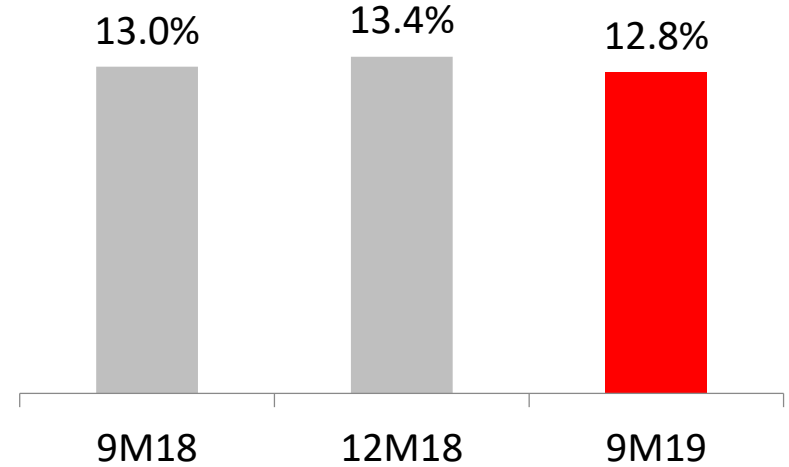


Preparing for the transition to BIS III

Core capital



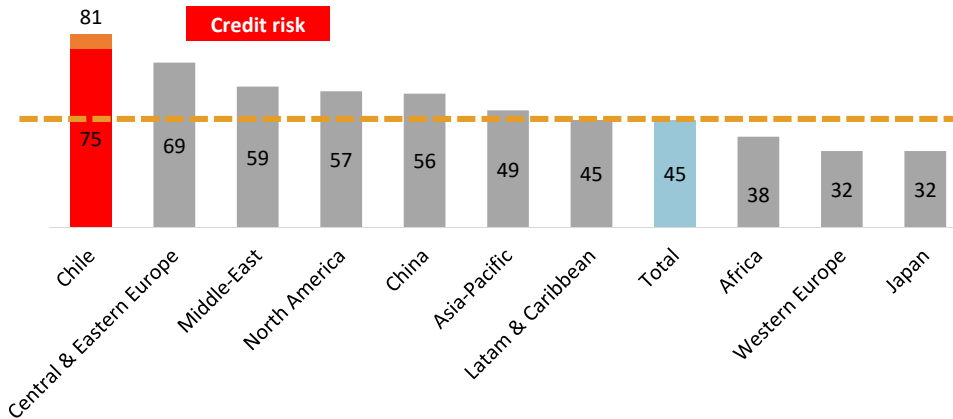
BIS ratio





Preparing for the transition to BIS III

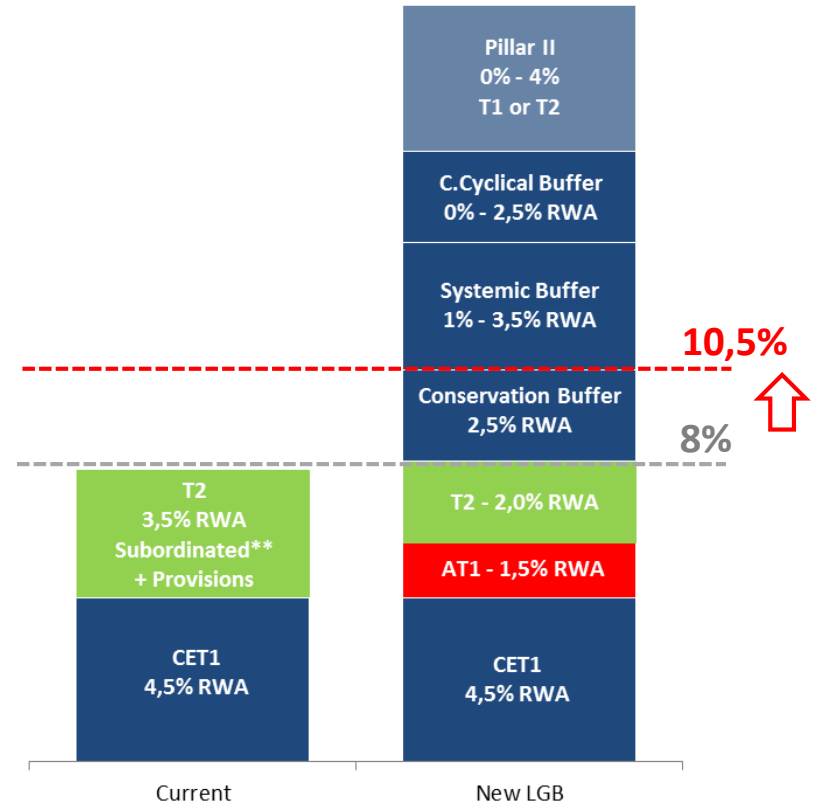
RWA density*



- A normal transition to BIS III should be positive for our capital ratios in 2021
- Hybrid instruments will be recognized as capital (AT1 and preference shares)
- Systemic buffer & operational risk regulations published for consultation

* BIS. RWA density= Risk weighted assets /total assets. The Banker database July 2017. Chile includes credit and market risk

New capital requirements



** Subordinated bonds allowed up to 50% of CET1

Agenda

Macro-economic environment

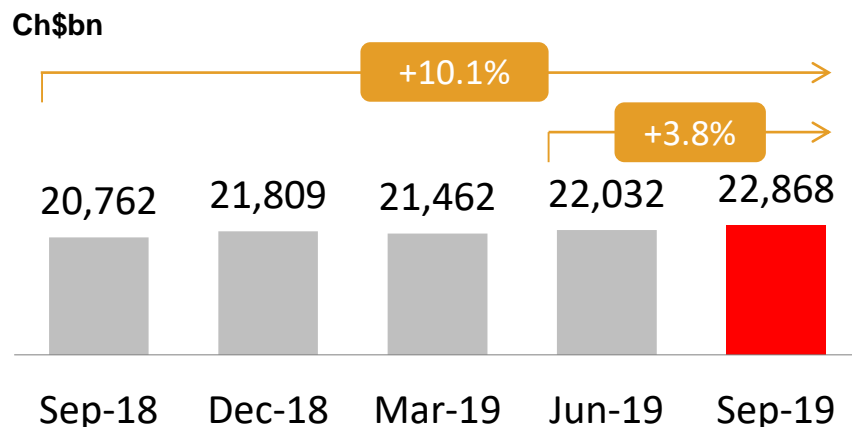
Strategy update

Results

Results

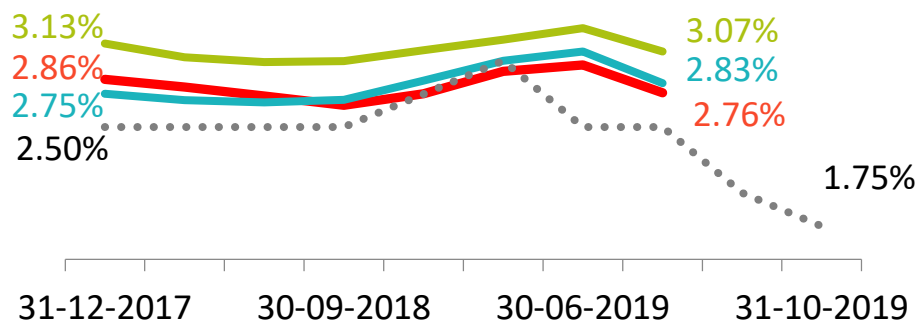
Positive evolution of funding mix

Total Deposits



Ch\$ bn	9M19	YoY
Demand deposits	9,463	18.5%
Time deposits	13,405	4.9%
Total Deposits	22,868	10.1%

CLP Time Deposit Cost Evolution⁵



Demand deposits by segment

Ch\$ bn	9M19	YoY
Individuals	3,118	8.5%
SMEs	1,540	15.3%
Retail	4,658	10.7%
Middle Market	2,738	14.4%
Corporate (SCIB)	1,733	60.8%
Total²	9,463	18.5%

— Santander — Chile — BCI Central Bank Rate

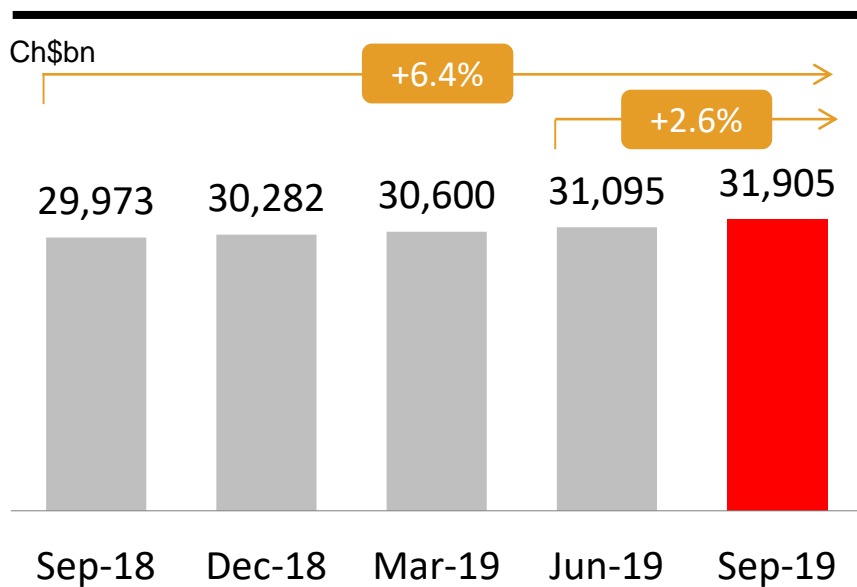


1. Banco Santander Chile is the exclusive broker of mutual funds managed by Santander Asset Management, a subsidiary of SAM Investment Holdings Limited. 2. (Net Loans – portion of mortgages funded with long-term bonds) / (Time deposits + demand deposits). 3. LCR: *Liquidity Coverage Ratio* under new SBIF rules. 4. NSFR: *Net Stable Funding Ratio* according to internal methodology. This is not the Chilean model 5. Source: CMF. Quarterly Calculation is based on time deposit in CLP average and interest paid on time deposits in pesos. August rate considers the last 3 months

Results

Loan growth driven by Retail banking

Total Loans



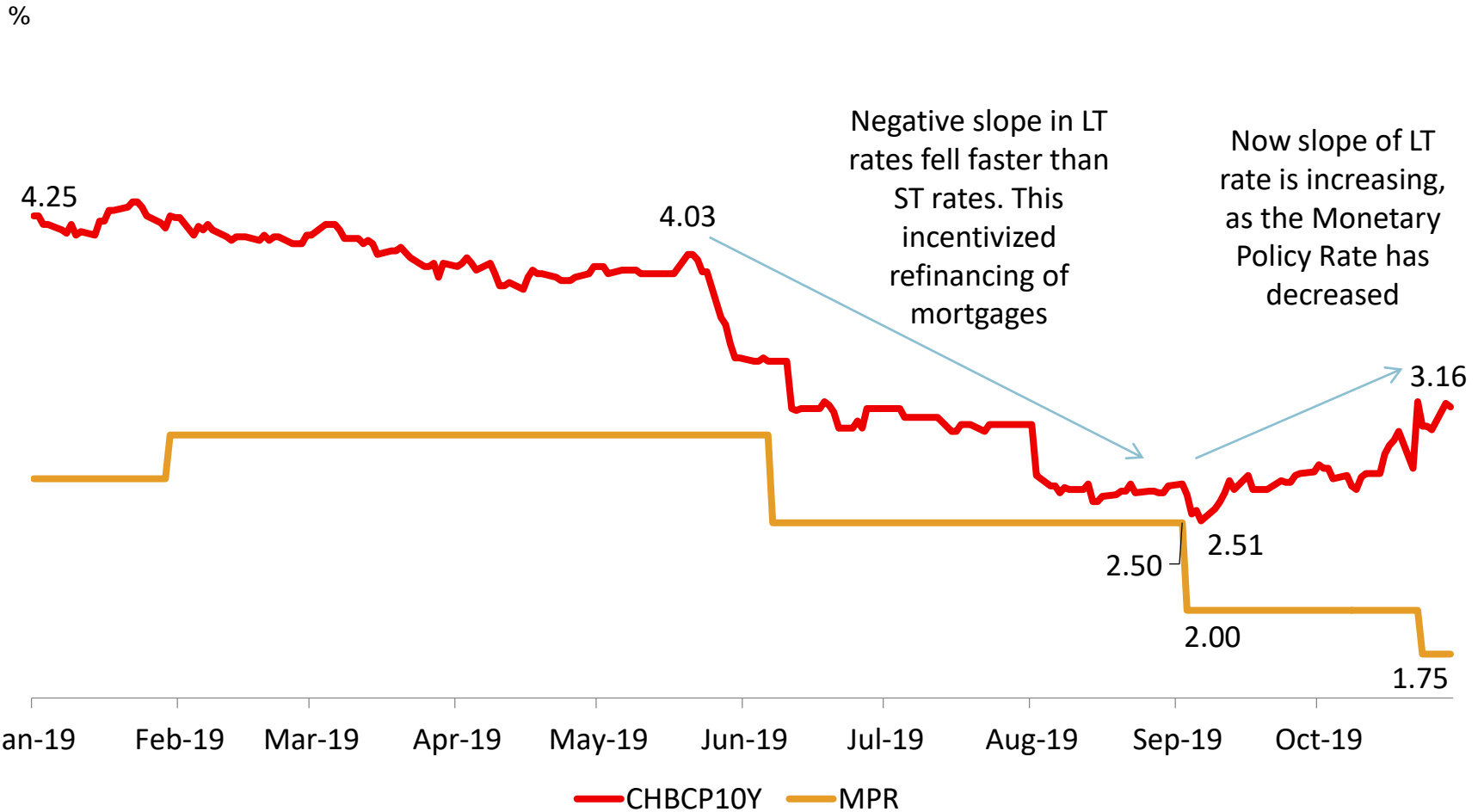
Ch\$ bn	9M19	YoY
Individuals ¹	17,925	9.6%
Consumer	5,062	8.1%
Mortgages	10,900	11.0%
SMEs	4,040	5.3%
Retail	21,965	8.8%
Middle Market	8,004	5.1%
Corporate (SCIB)	1,776	(12.4%)
Total²	31,905	6.4%

2019: Loan growth forecast ~8% driven by retail loans

Results

Slope of LT interest rates negative during the quarter

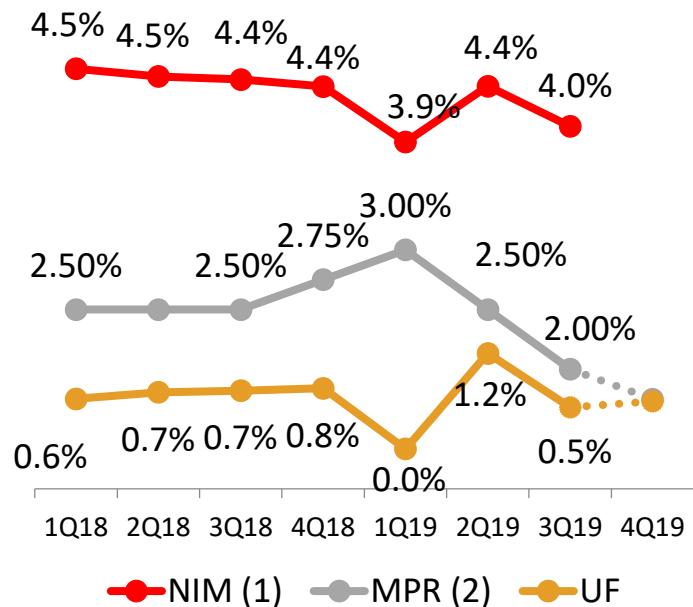
10Y Nominal Central Bank Notes Rate vs Monetary Policy Rate¹



Results

Higher inflation in 2Q19 drives recovery in NIMs

NIM¹ & Inflation



Net Interest Income

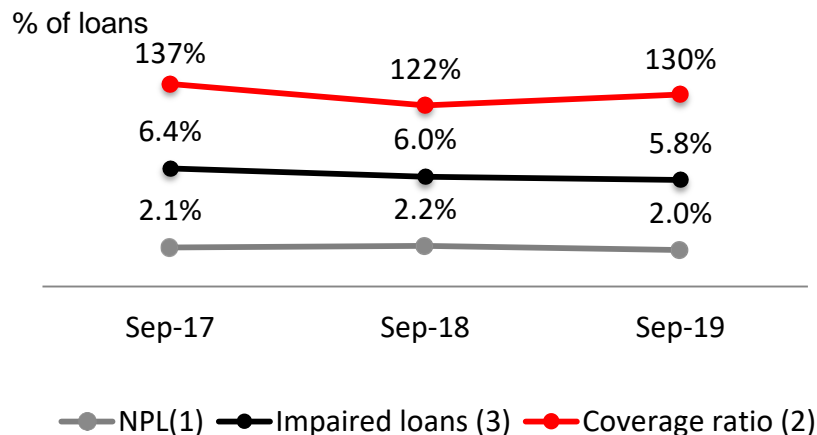
Ch\$ bn	9M19	YoY
Net interest income	1,041	(1.5%)
Average interest-earning assets	34,684	7.2%
Average loans	30,672	7.6%
Interest earning asset yield ³	6.5%	-30bp
Cost of interest bearing liabilities ⁴	3.5%	+0bp
NIM YTD	4.0%	-40bp

Stable NIM outlook for the rest of the year

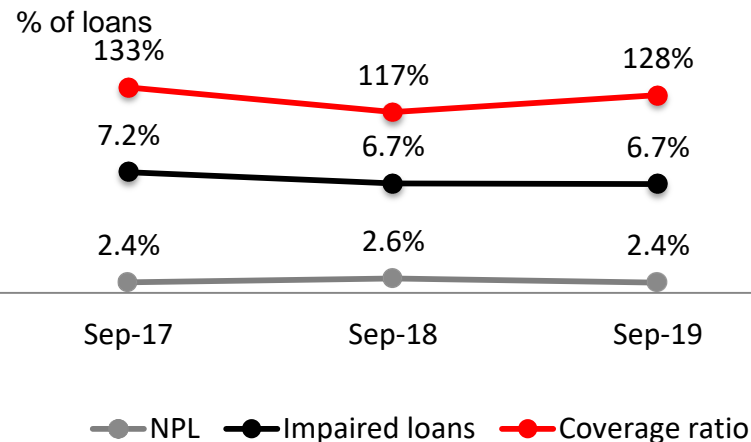
Results

Positive evolution of asset quality

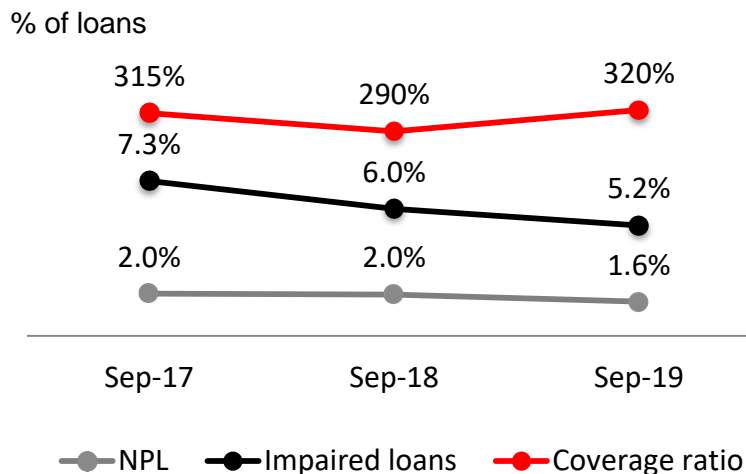
Total loans



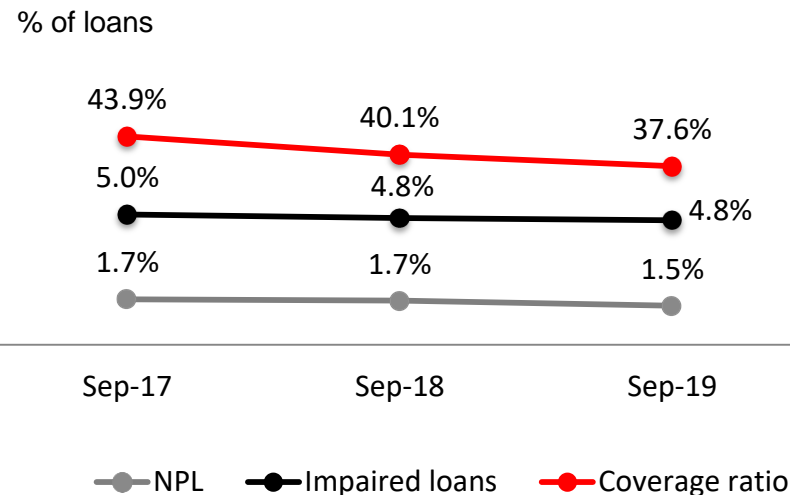
Commercial loans



Consumer loans



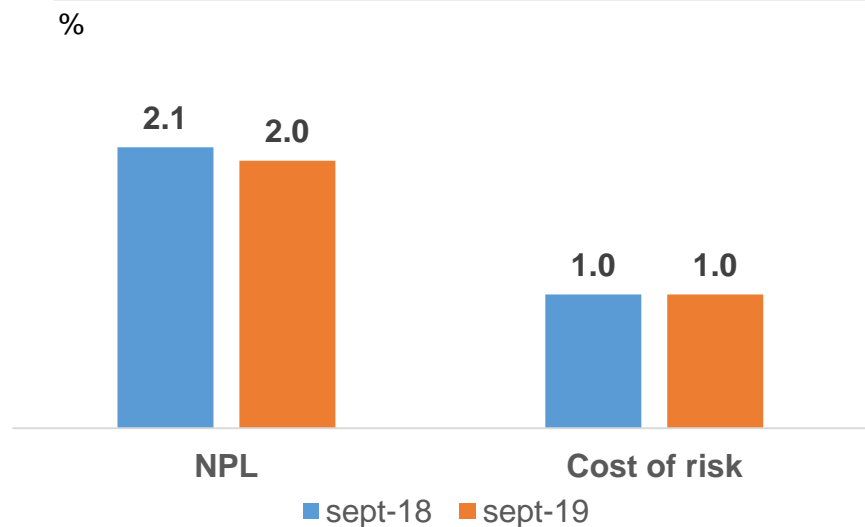
Mortgage loans



Results

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

NPLs & Cost of risk (%)¹



Provision for loan losses

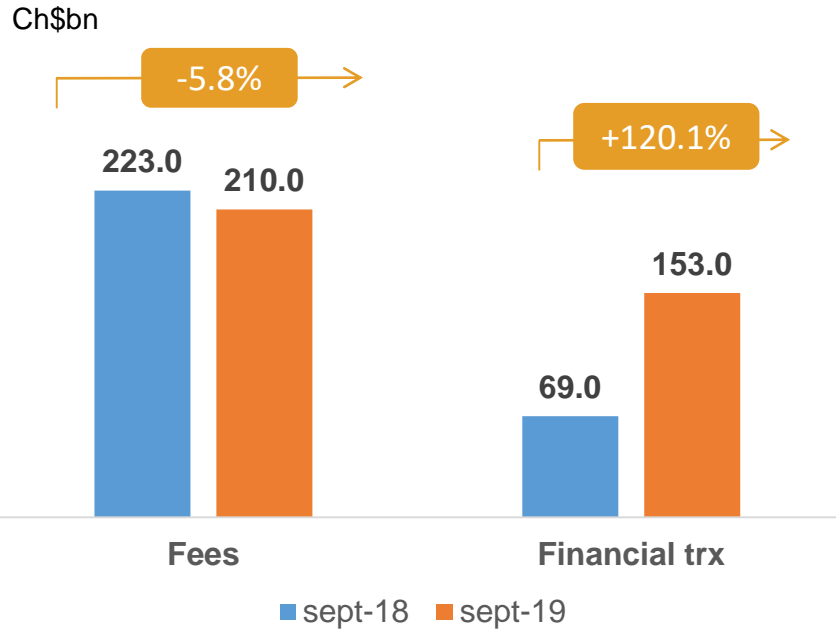
Ch\$ bn	9M19	YoY
Provision for loan losses	(268,443)	6.6%
Cost of risk (YTD) ¹	1.0%	+0bp

2

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

Good growth in non-NII across business segments

Non-interest income (fee + financial trxs)

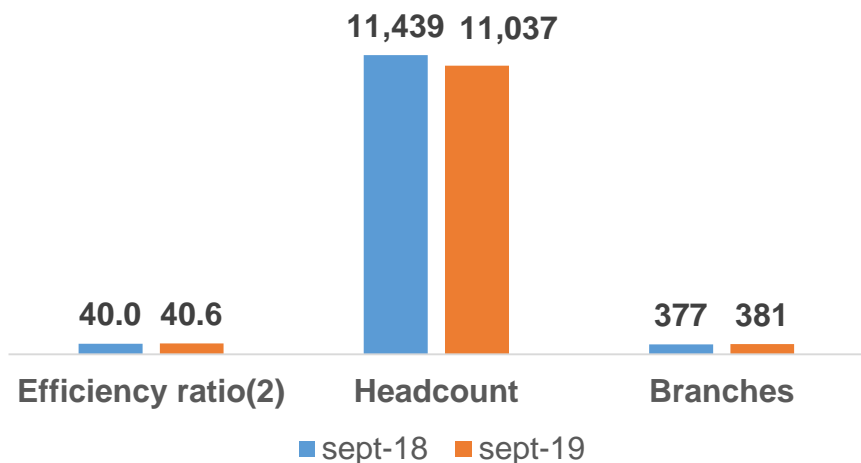


Non-interest income

Ch\$ bn	9M19	YoY
Retail	191.4	6.2%
Middle Market	41.1	5.9%
Corporate	94.0	48.5%
Subtotal	326.6	15.7%
Others	36.4	249.2%
Total non-interest income	363.0	24.0%

Investing to improve productivity and efficiency

Efficiency ratio(%), headcount & branches



Ch\$ bn	9M19	YoY
Personnel expenses	304.3	2.2%
Administrative expenses	178.0	(2.7%)
Depreciation	78.4	35.9%
Operating expenses¹	560.8	4.1%

Gracias

Nuestra misión es contribuir al progreso de las personas y de las empresas.

Nuestra cultura se basa en la creencia de que todo lo que hacemos debe ser

**Simple Personal
Fair**

