

# Banco Santander Chile

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## Macro & Strategy Update



January 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 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**

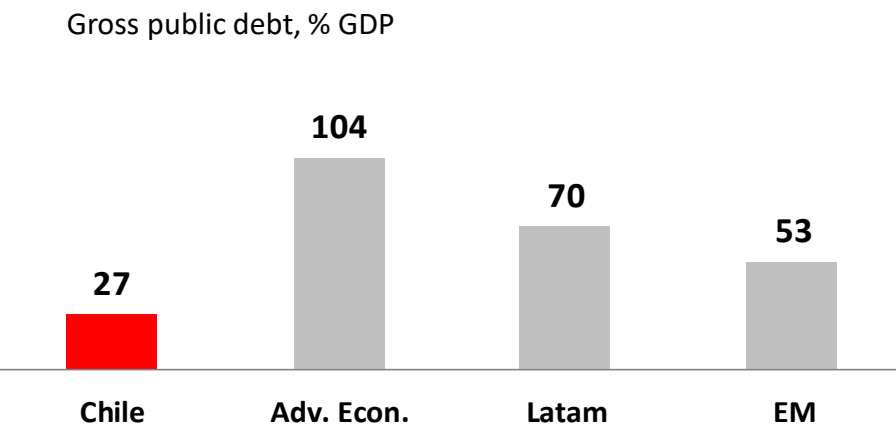


## An overview of Chile

### Chile: Key economic indicators<sup>1,2</sup>

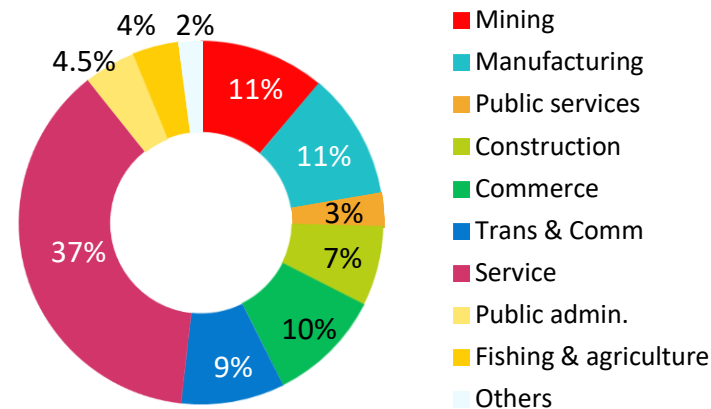
Population:	19.1mn
GDP <sup>3</sup> :	US\$296bn
GDP per capita (PPP):	US\$15,780
Exports / GDP:	25%
Investment / GDP :	23%
Net public debt / GDP:	8%
Sovereign ratings:	JCR: AA- / Mdy: A1/ SP: A+/ Fch: A

### Low public debt<sup>3,4</sup>

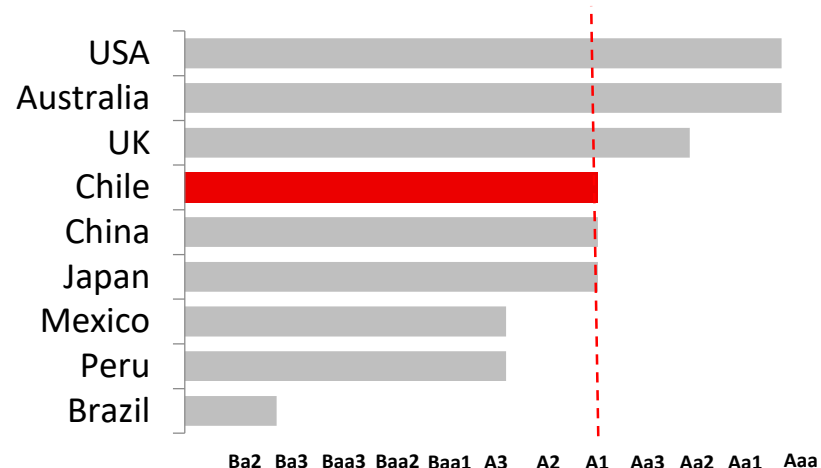


### Chile's economy by sector<sup>1</sup>

GDP by economic sector, %



### High sovereign rating<sup>5</sup>



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



## Some keys to the conflict

Growth slowdown after commodity boom

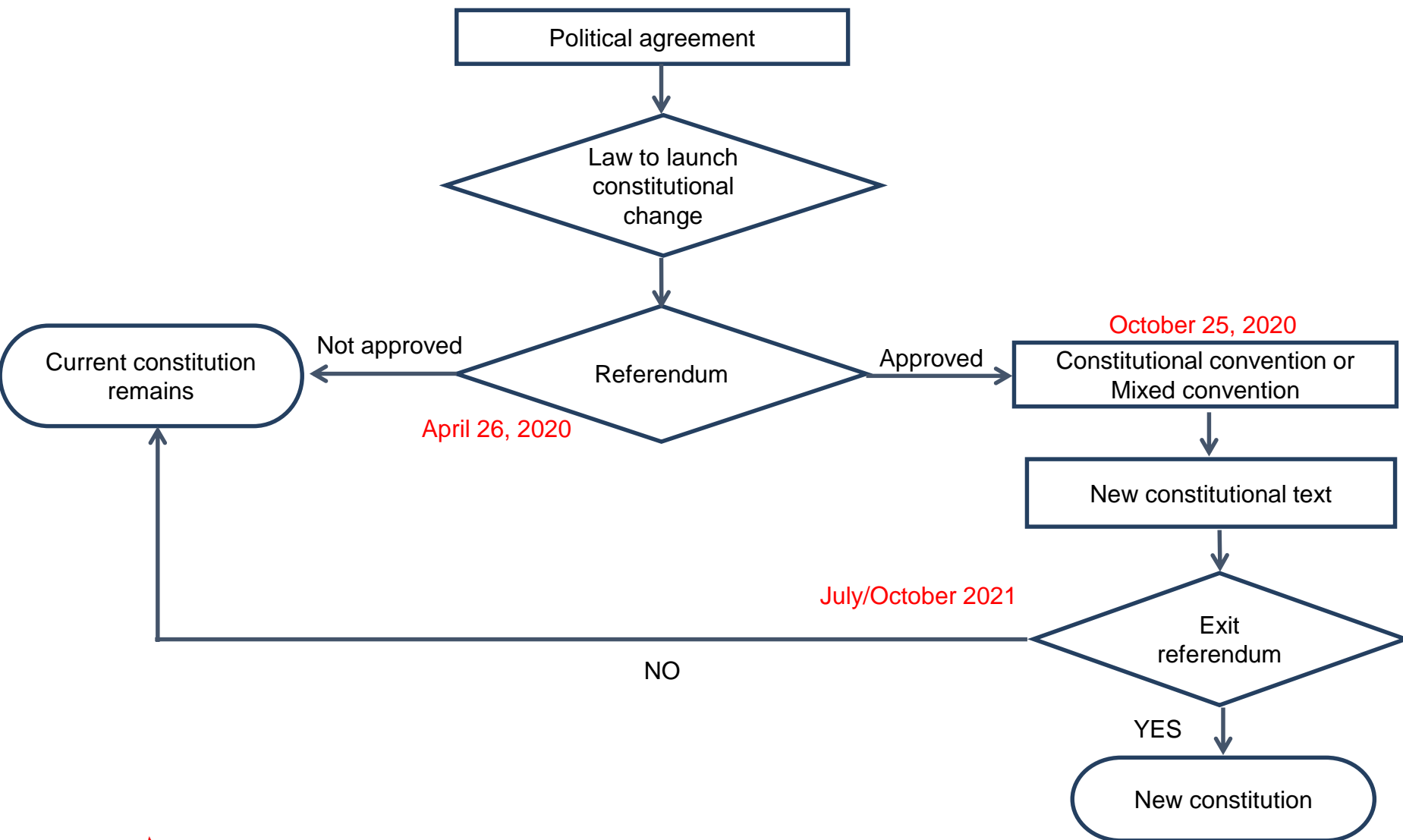
Persistent (although declining) inequality

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

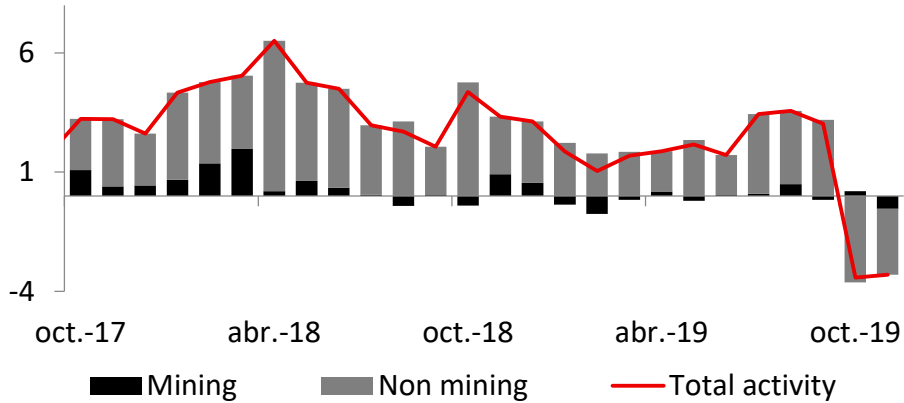
Autonomous bodies of the state

# Macroeconomic environment

## Short-term impact of the social unrest

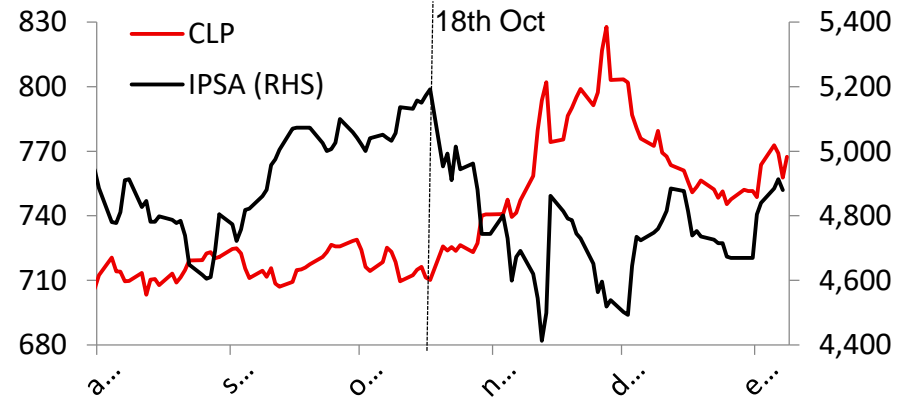
### Imacec

YoY, %



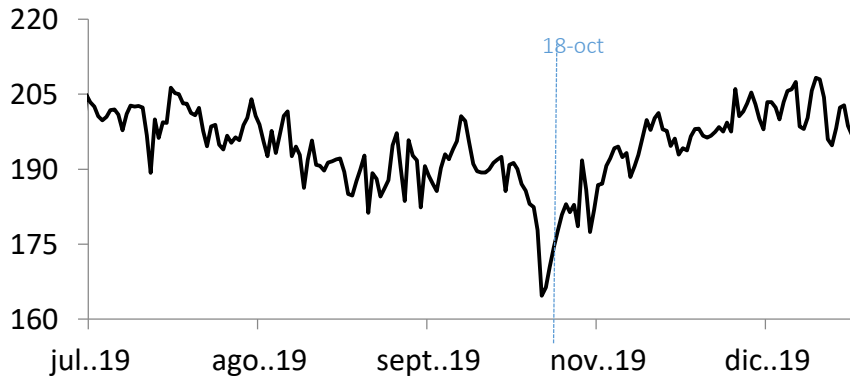
### Asset Prices

(\$/US\$, index)



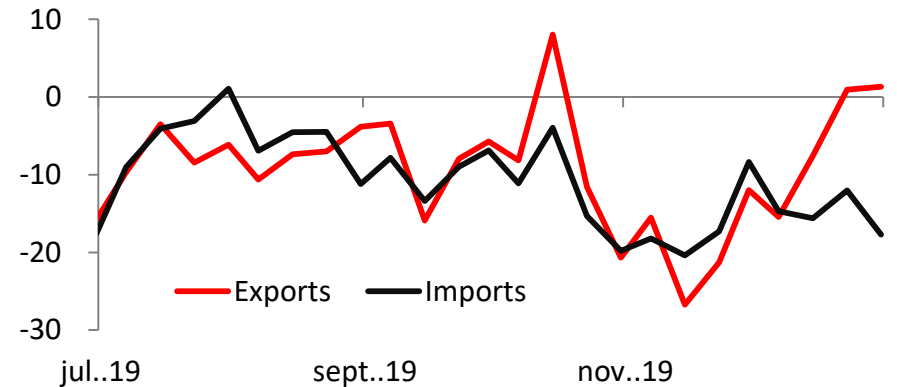
### Electric generation

(GWh, adjusted by holidays and weekends)



### Comex

YoY, %

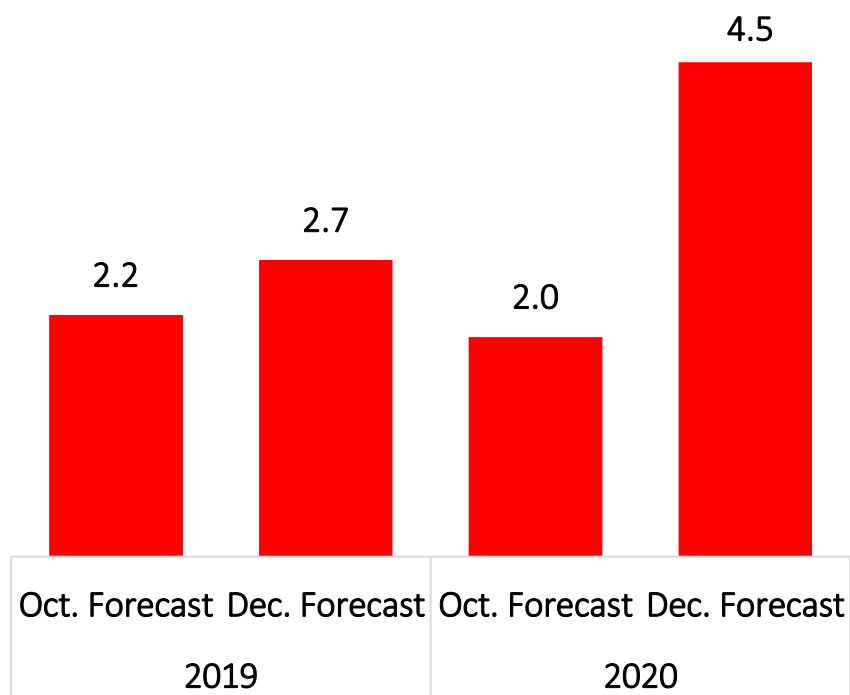




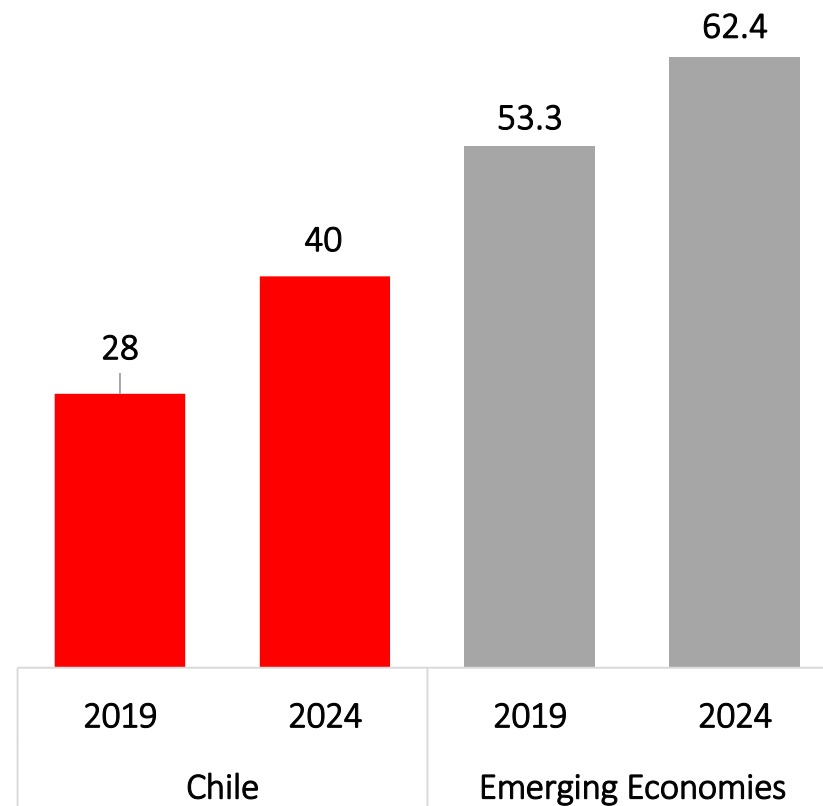


## Social Agenda will push up public deficit

Public Deficit  
(% of GDP)



Gross debt  
(% of GDP)

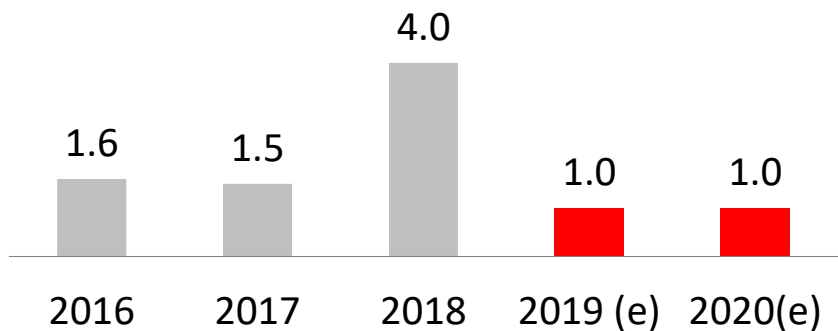


# Macroeconomic environment

## Outlook 2019-2020

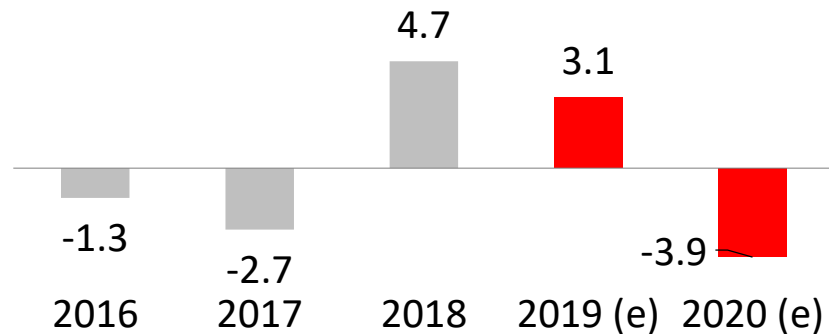
### GDP

YoY real growth, %



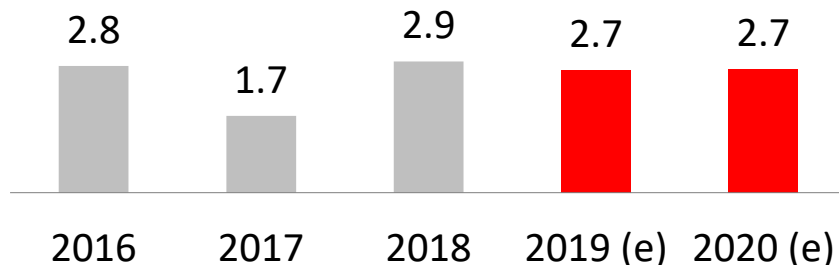
### Investment

YoY real growth of fixed capital formation, %



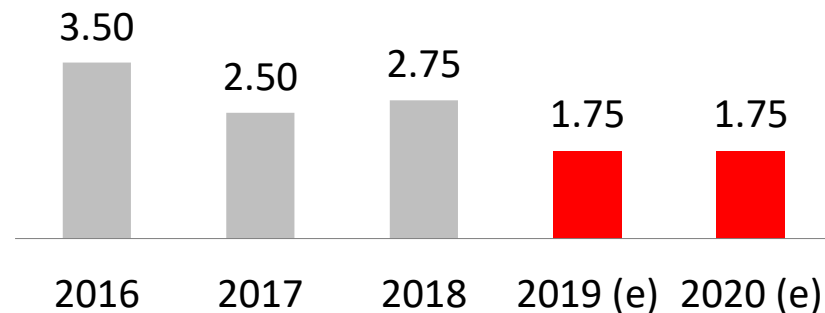
### Inflation

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\$



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



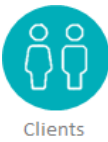
*Excellence in execution*

# 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

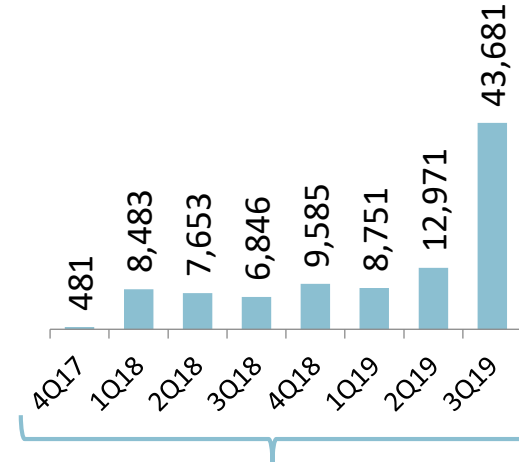
We have announced an investment plan of US\$380 million for the period of 2019-2021 in technology, branch upgrading and new products and services.

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



Clients

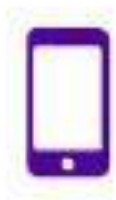
## Quarterly new Life clients



**+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	 Unbanked	 First approach to credit	 Merits + Benefits
Principles	Merits 	Simple Products 	Technology 



**+17,000**  
Downloads



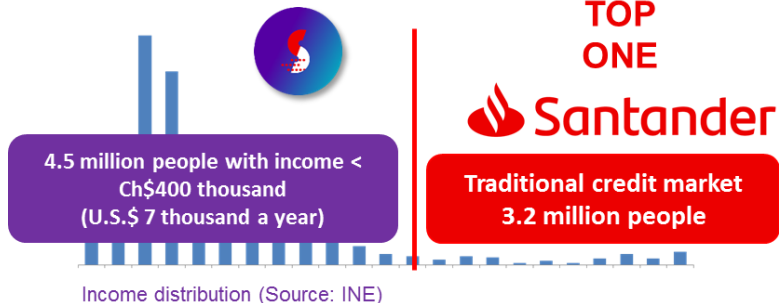
**+10,000**  
Clients



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

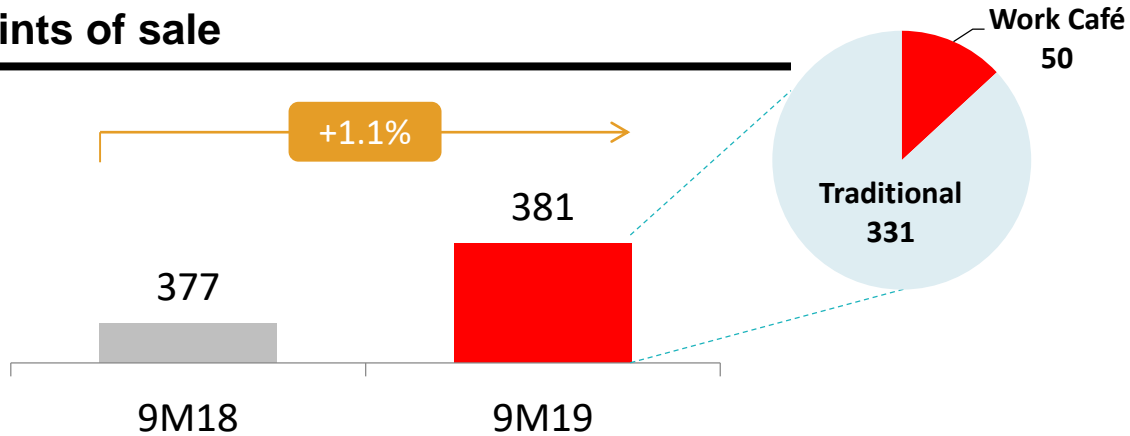


Strategic alliances, integrating new services

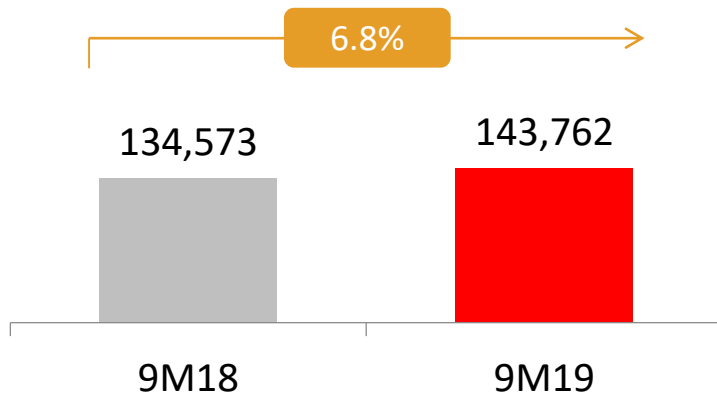


# WorkCafé: Improving service and productivity

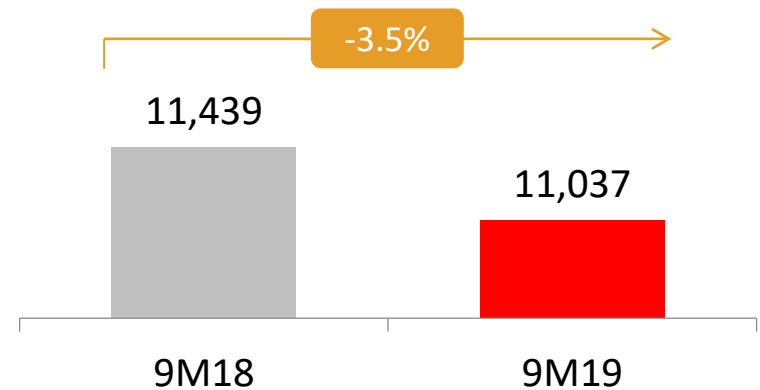
## Points of sale



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



## Employees

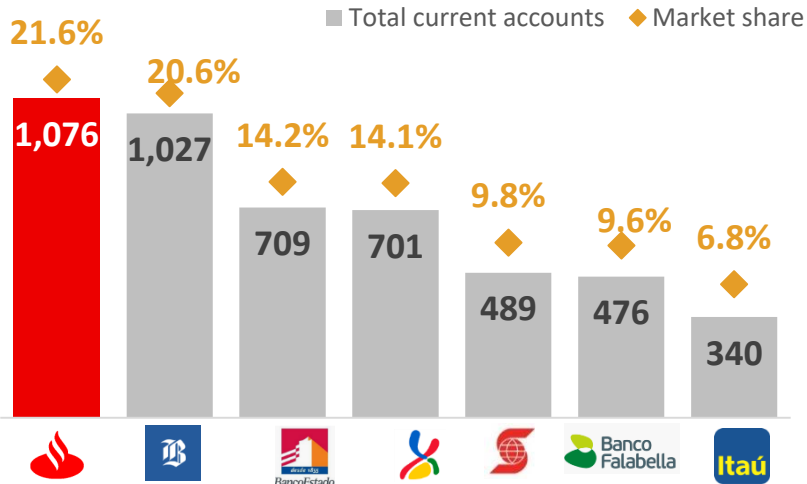


1. Volume per branch calculated as total loans divided by number of branches.

## We are gaining market share in current accounts

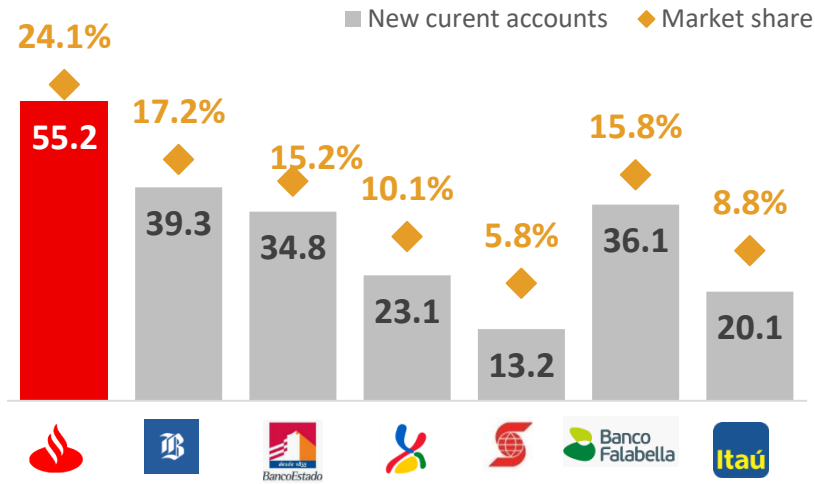
### Total current accounts <sup>1</sup>

Thousands of number of current accounts

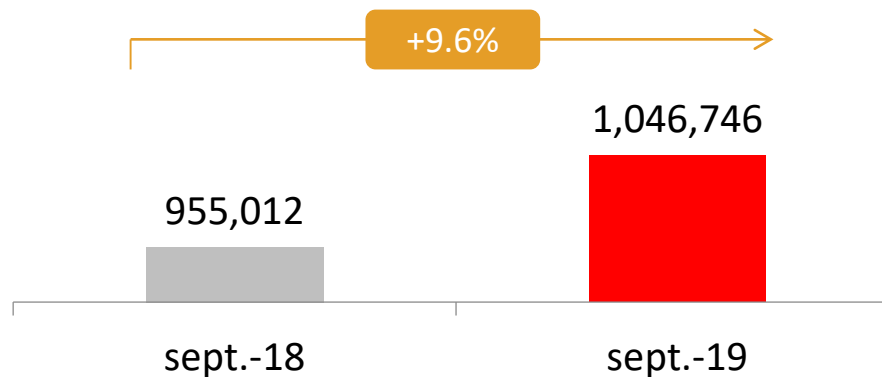


### Net increase in current accounts 7M19<sup>1</sup>

Thousands of number of current accounts

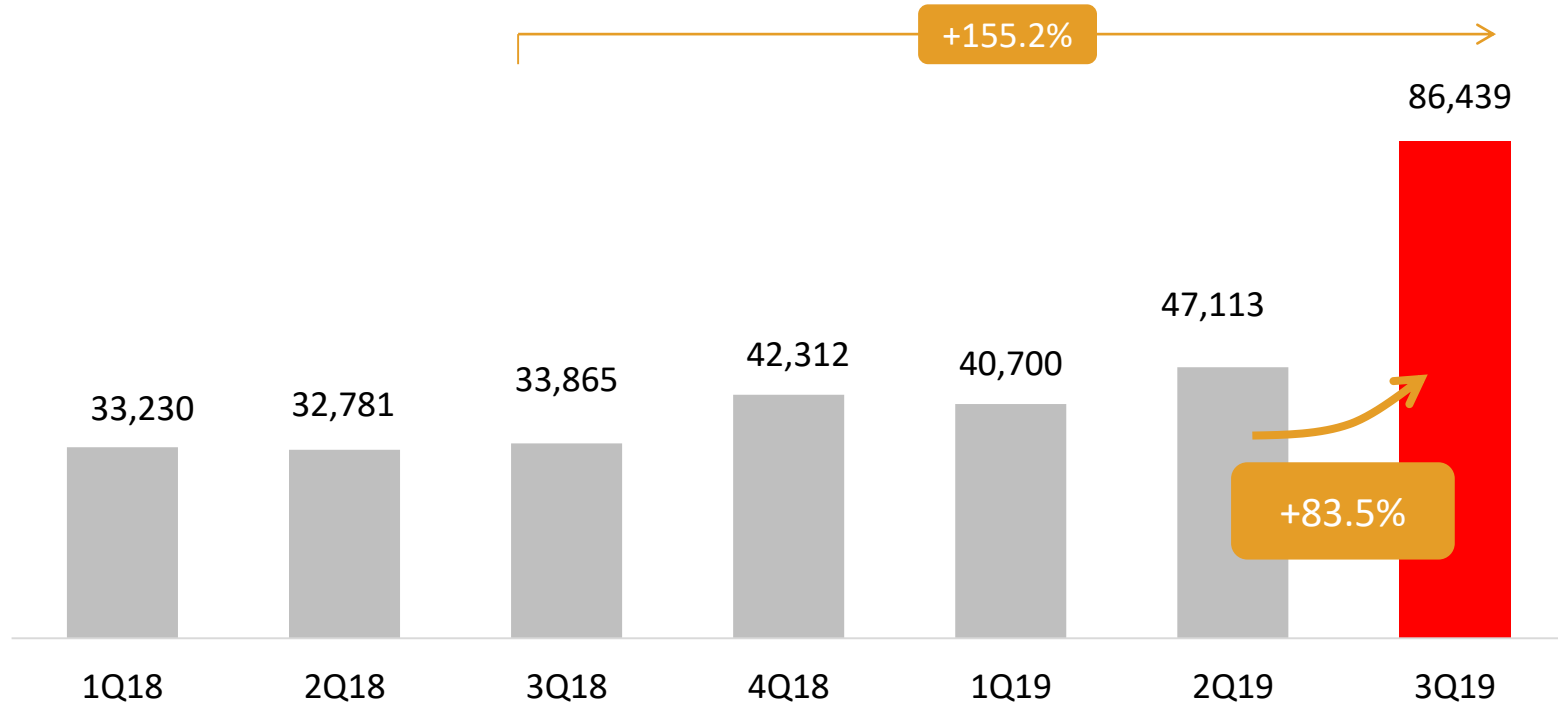


### Total retail current accounts



# Accelerating account openings through Superdigital, Life and traditional bank accounts

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



Acquiring



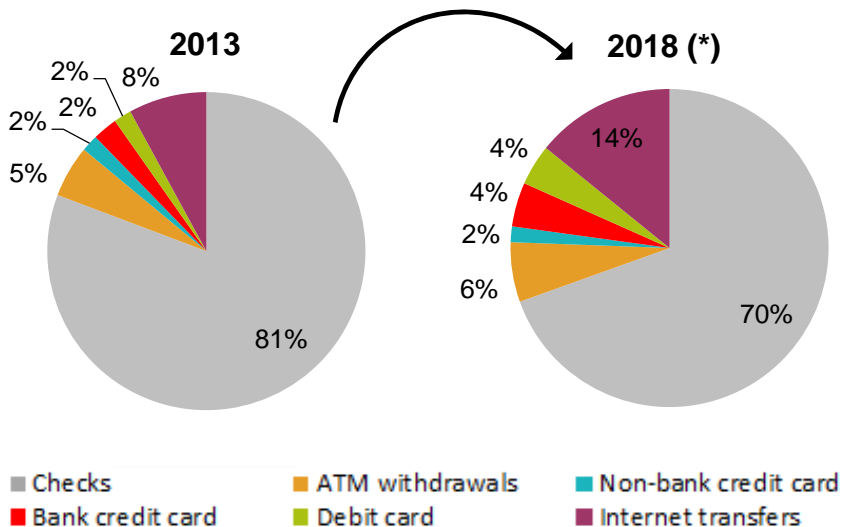
## Entering the acquiring business in 2020

### Position and market share<sup>1</sup>



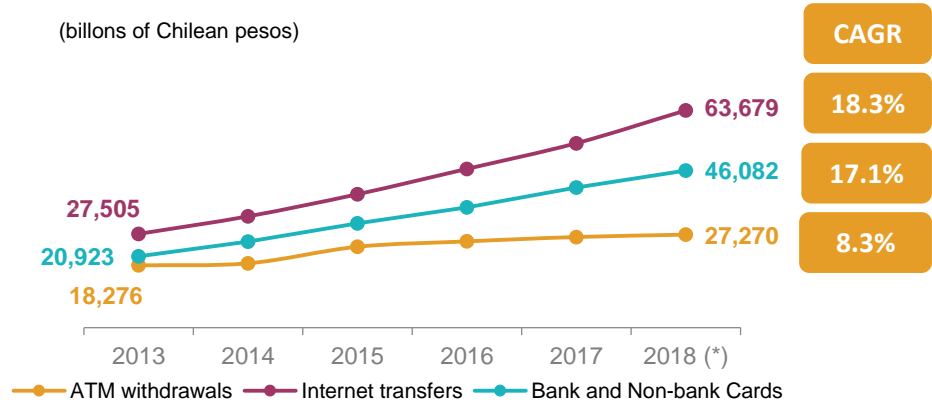
### Composition of retail payments in Chile<sup>2</sup>

(% of monetary total of payments)



### Payments by Internet, Cards and ATMs<sup>2</sup>

(billions of Chilean pesos)



CAGR
18.3%
17.1%
8.3%

Only 30-40% of shops use POS<sup>3</sup>

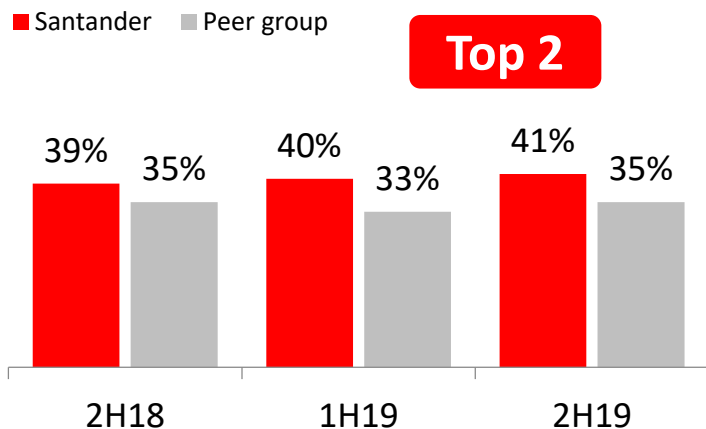


1. CMF Chile, latest information available 2. Source: Central Bank of Chile 3. Santander Chile estimates

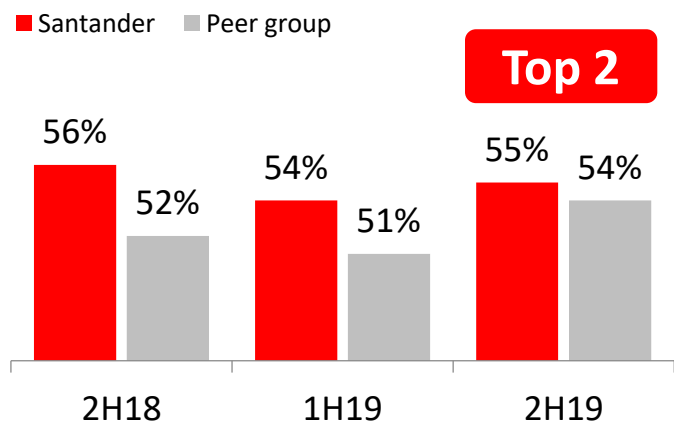
# Continuing to improve our client satisfaction and NPS

As of June 2019

## Net Promoter Score<sup>1</sup>



## Net Global Satisfaction<sup>1</sup>



Attributes

#1 in

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

#2 in

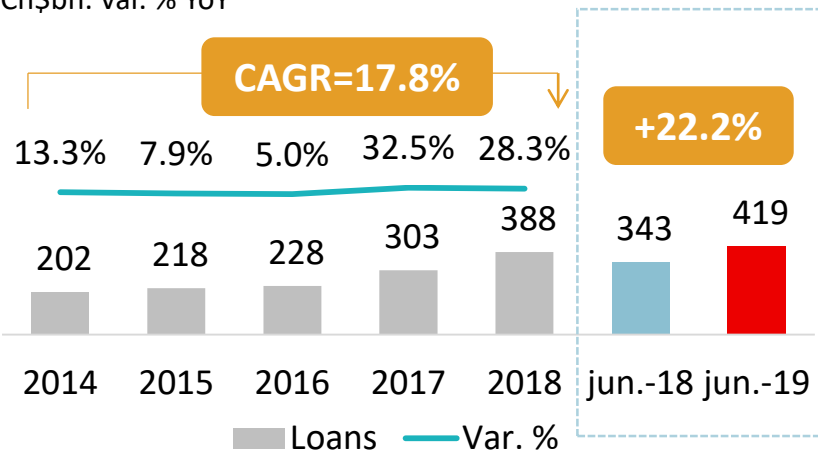
- *Web*
- *App*



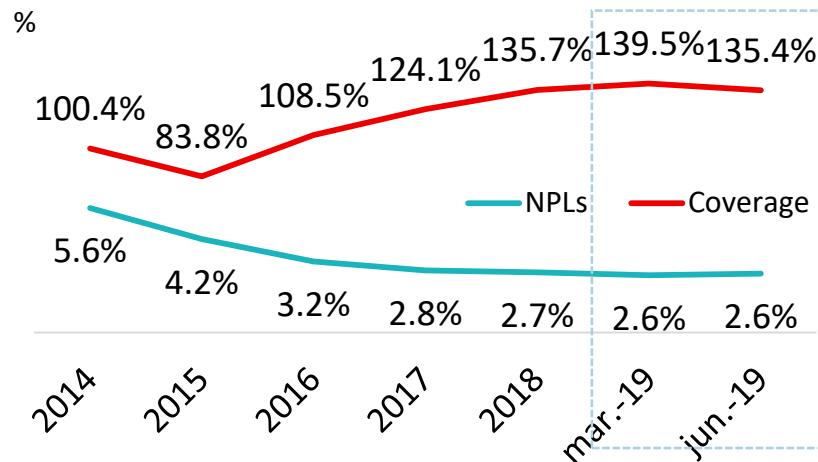
Our clients with a Life Credit Card have a **NPS of 67** and **Net Satisfaction of 90**

## Total loans

Ch\$bn. Var. % YoY

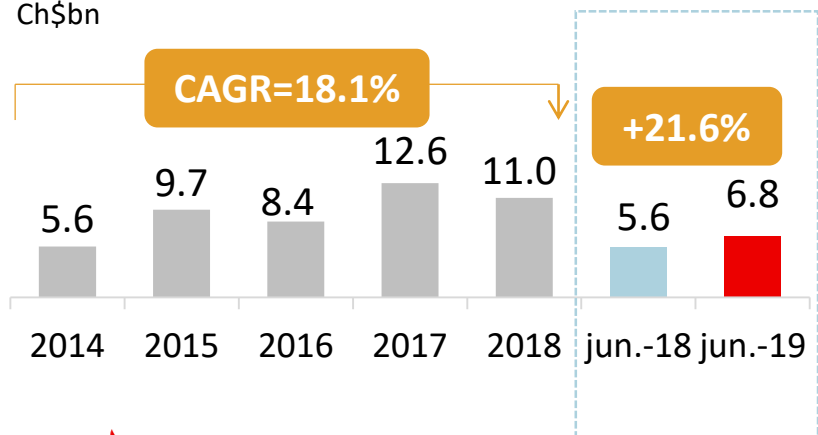


## NPLs and coverage

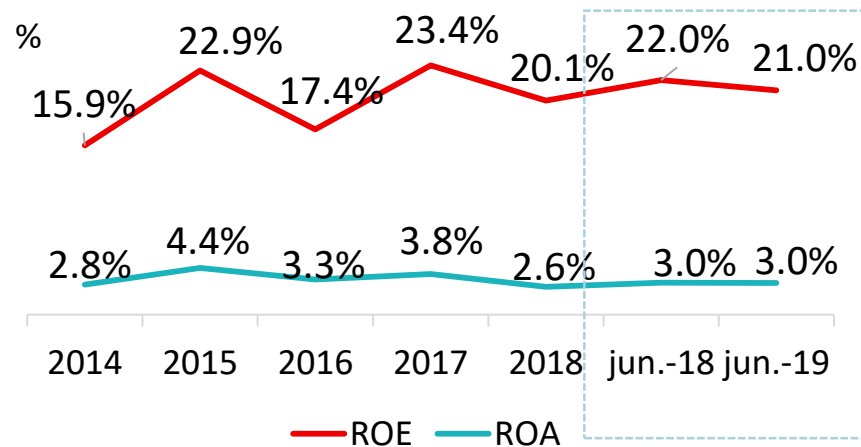


## Net income

Ch\$bn

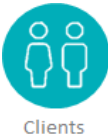


## ROE & ROA

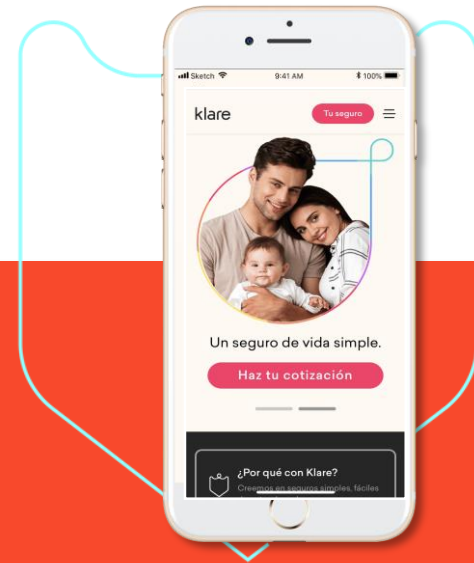


# klare

*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.

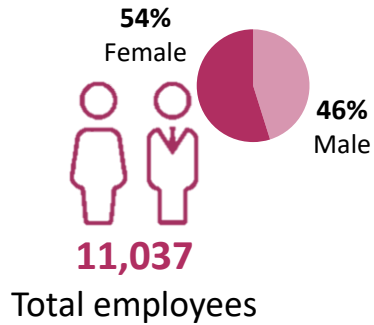
## PERSONALIZED

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

## TRANSPARENT

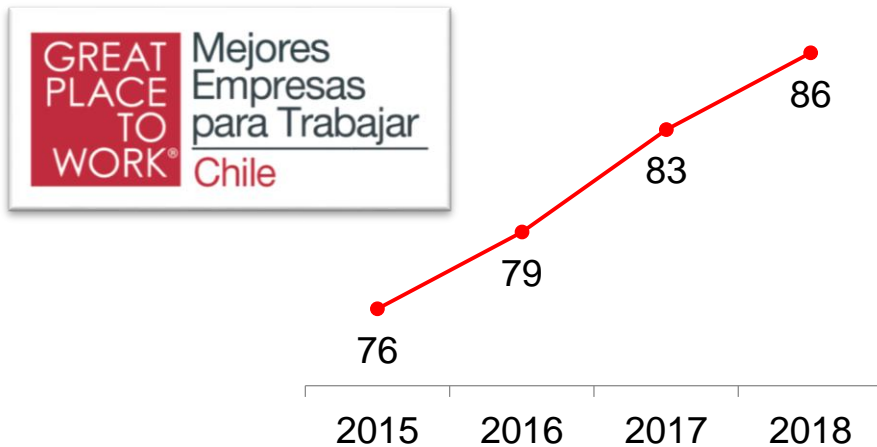
Hiring an insurance will be fast and without detours, that's why we eliminate the fine print and we explain everything you need to know so that you hire informed.

## 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 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).

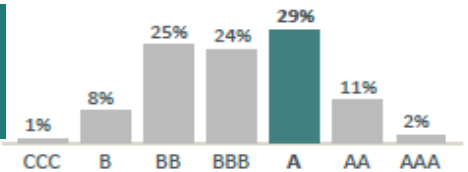
MSCI 

ESG RATING

A

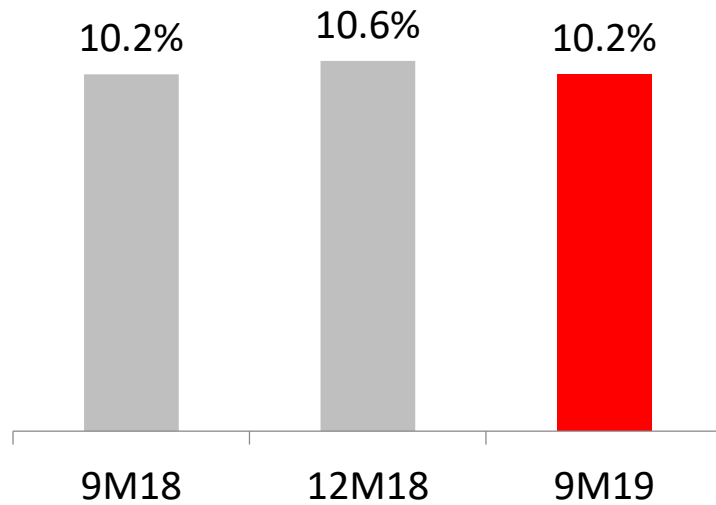
LAST UPDATE: September 19, 2019

INDUSTRY RATING DISTRIBUTION

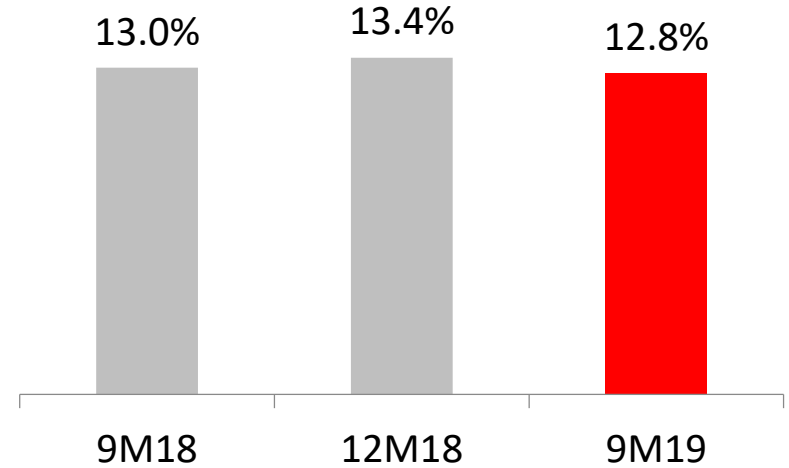


## Preparing for the transition to BIS III

### Core capital



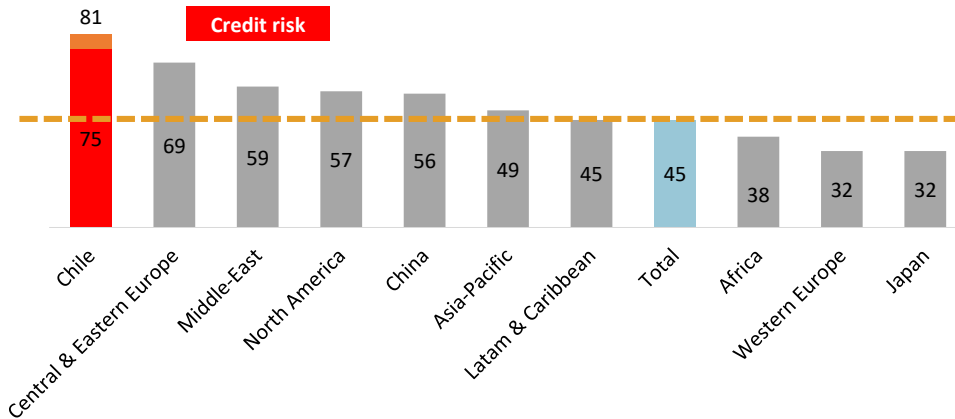
### BIS ratio





## Preparing for the transition to BIS III

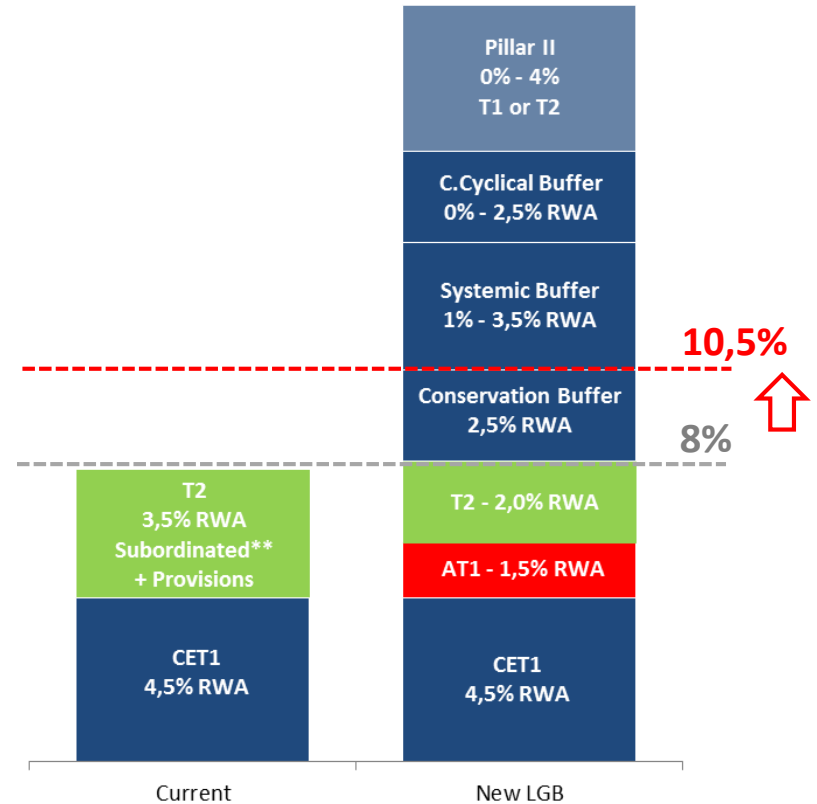
### RWA density\*



- 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

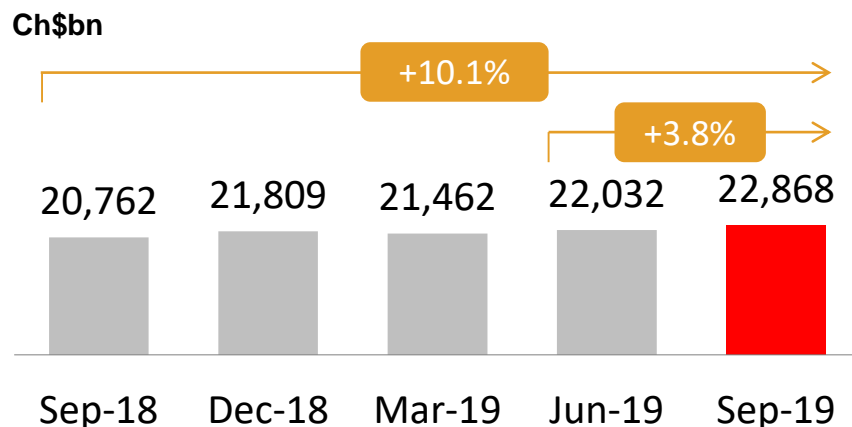
Strategy update

Results

# Results

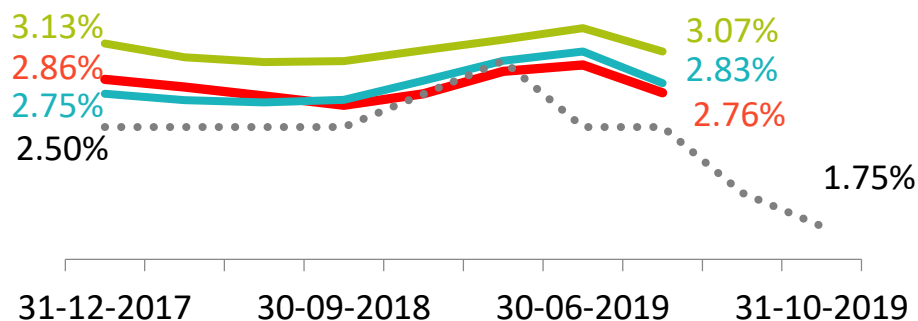
## Positive evolution of funding mix

### Total Deposits



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

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



— Santander — Chile — BCI ..... Central Bank Rate

### Demand deposits by segment

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

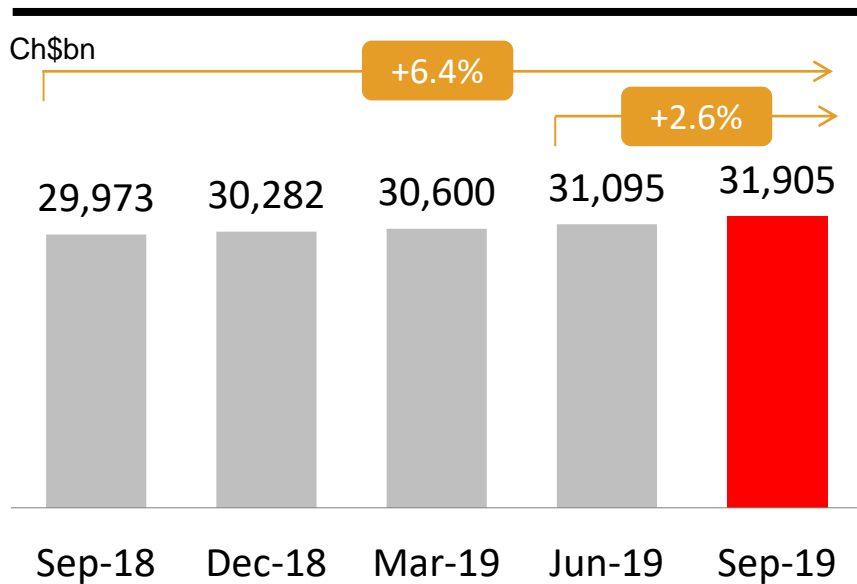


1. Banco Santander Chile is the exclusive broker of mutual funds managed by Santander Asset Management, a subsidiary of SAM Investment Holdings Limited. 2. (Net Loans – portion of mortgages funded with long-term bonds) / (Time deposits + demand deposits). 3. LCR: *Liquidity Coverage Ratio* under new 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



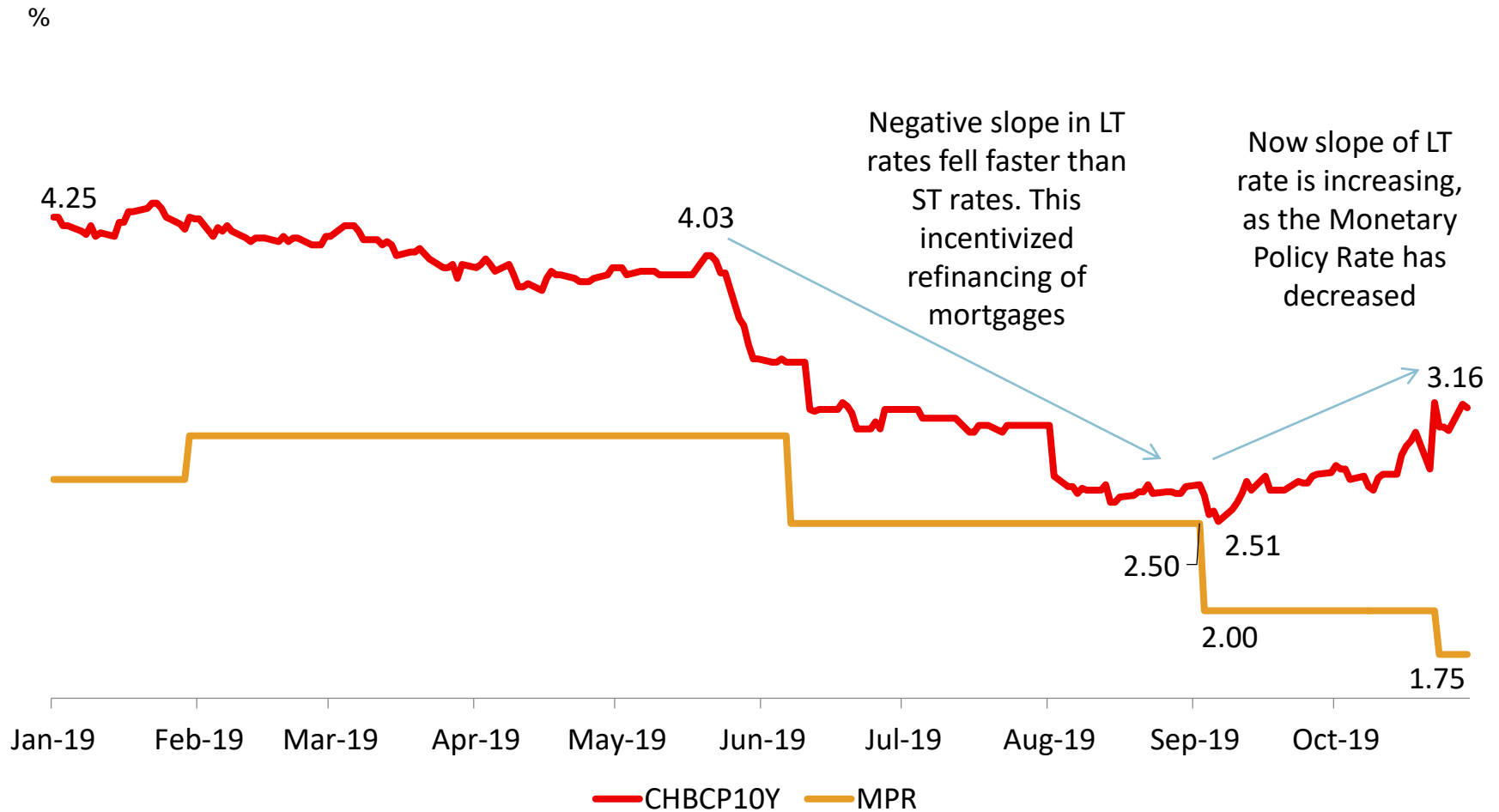
Ch\$ bn	9M19	YoY
Individuals <sup>1</sup>	17,925	9.6%
Consumer	5,062	8.1%
Mortgages	10,900	11.0%
SMEs	4,040	5.3%
<b>Retail</b>	<b>21,965</b>	<b>8.8%</b>
<b>Middle Market</b>	8,004	5.1%
<b>Corporate (SCIB)</b>	1,776	(12.4%)
<b>Total<sup>2</sup></b>	<b>31,905</b>	<b>6.4%</b>

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

# Results

## Slope of LT interest rates negative during the quarter

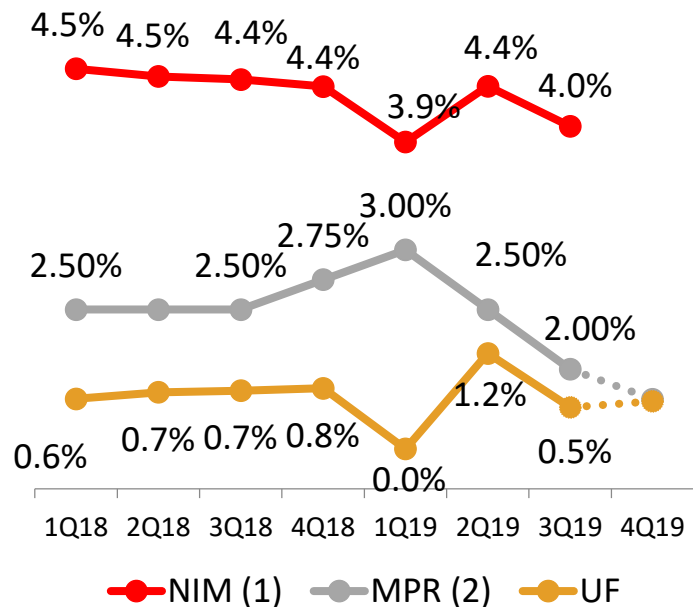
### 10Y Nominal Central Bank Notes Rate vs Monetary Policy Rate<sup>1</sup>



# Results

## Higher inflation in 2Q19 drives recovery in NIMs

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



### Net Interest Income

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

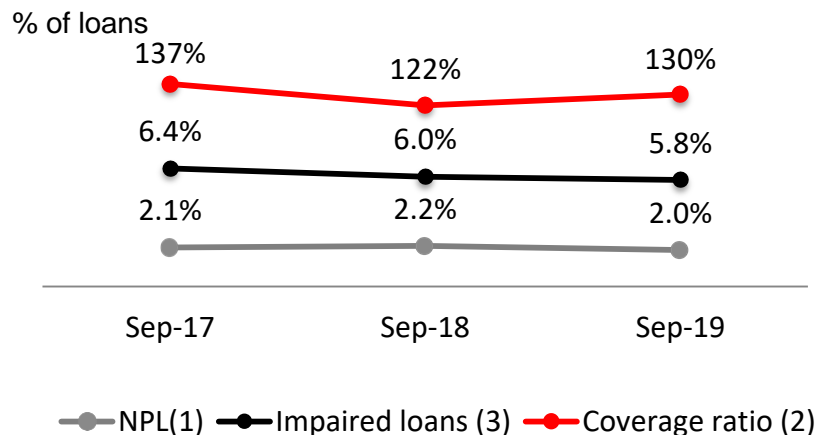
Stable NIM outlook for the rest of the year



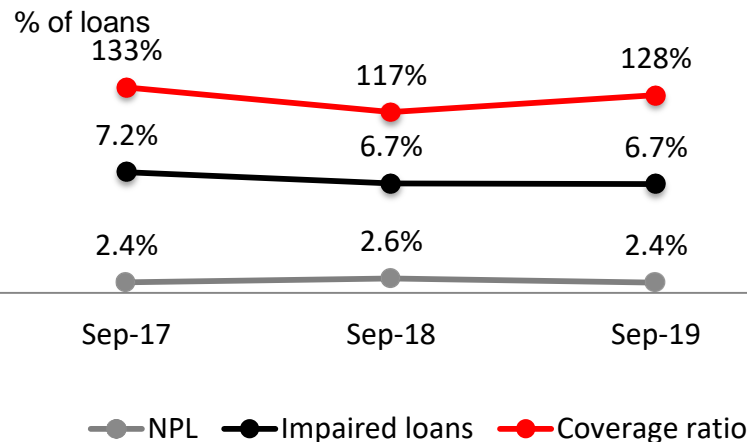
# Results

## Positive evolution of asset quality

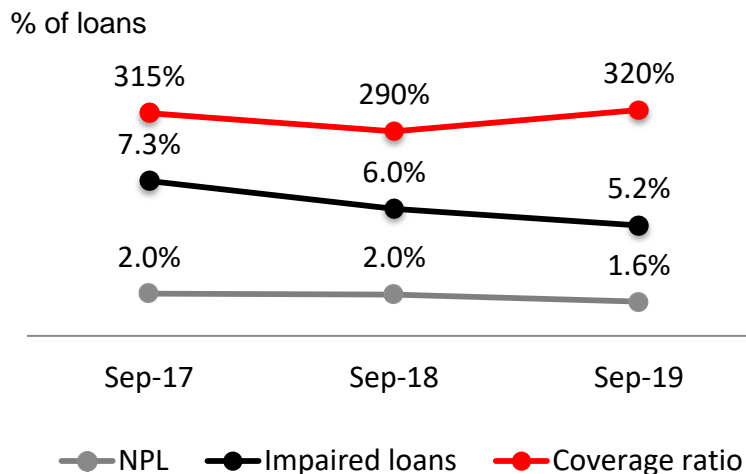
### Total loans



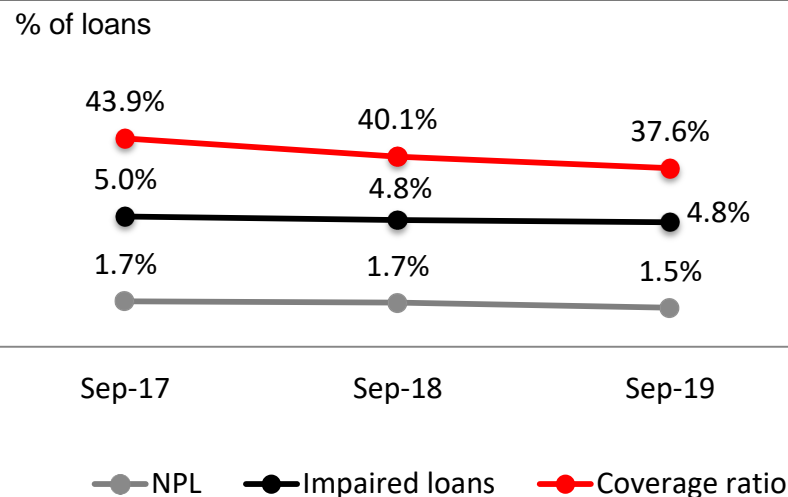
### Commercial loans



### Consumer loans



### Mortgage loans

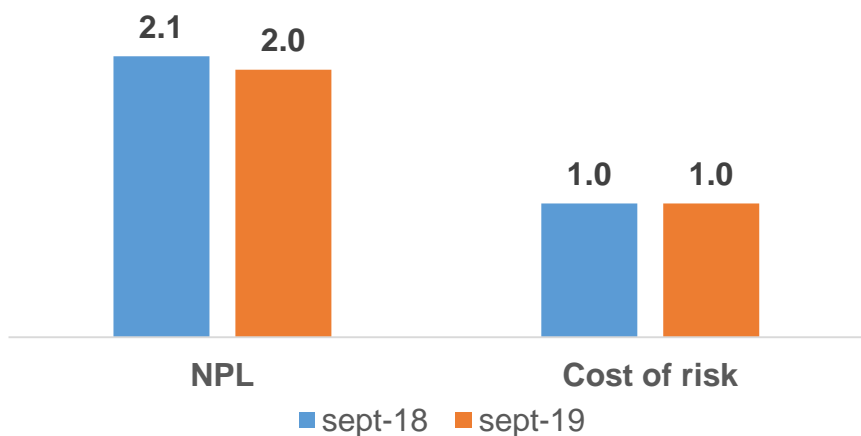


## Results

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

### NPLs & Cost of risk (%)<sup>1</sup>

%



### Provision for loan losses

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

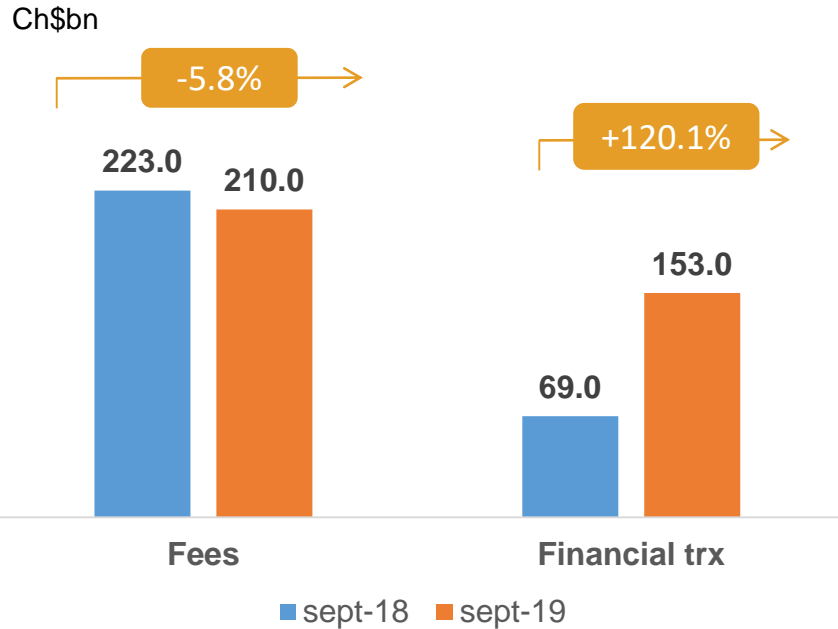
2

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

# Results

## Good growth in non-NII across business segments

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



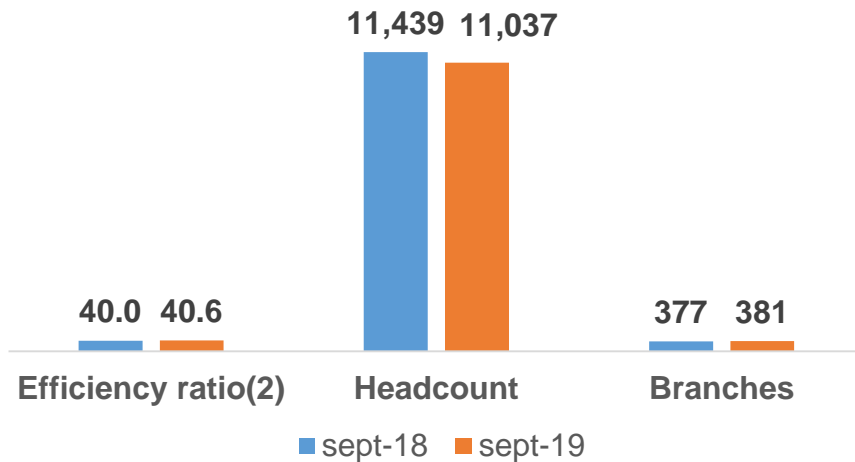
### Non-interest income

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

# Results

## 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%
<b>Operating expenses<sup>1</sup></b>	<b>560.8</b>	<b>4.1%</b>

# 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**

