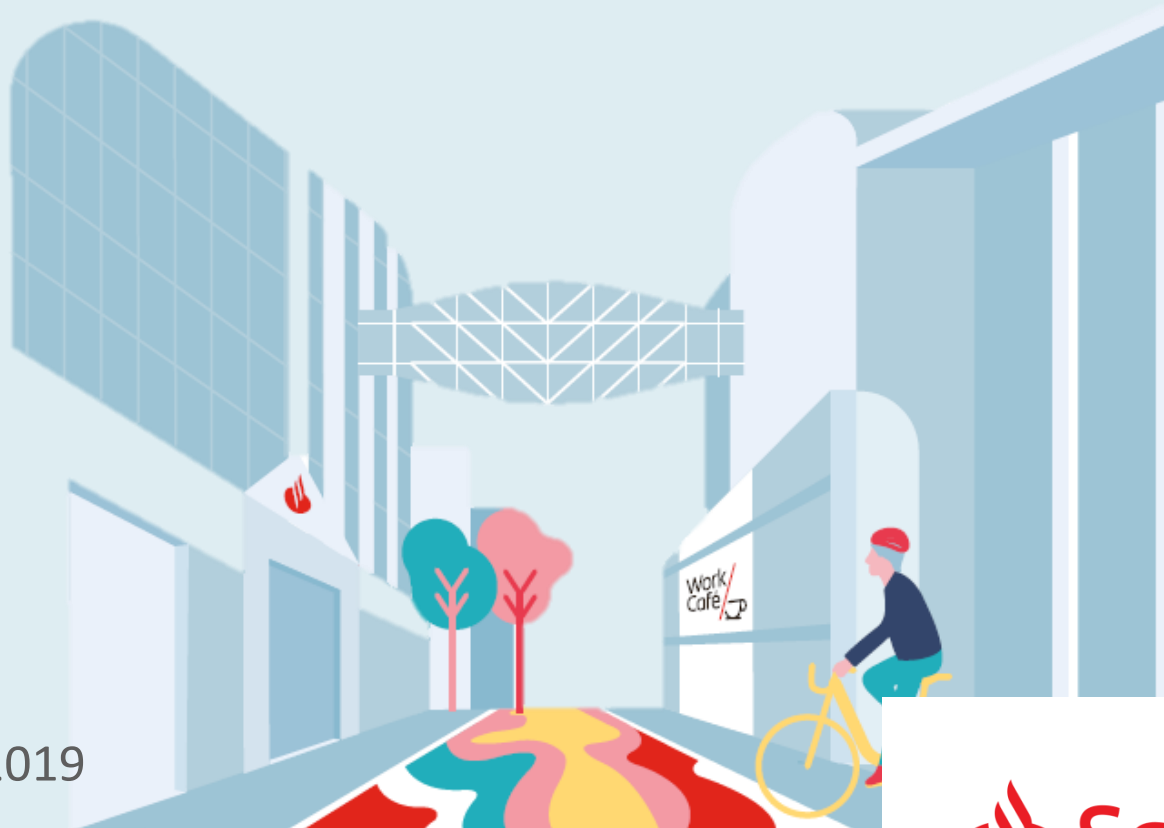


# Banco Santander Chile

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## 3Q19 Results



October 30, 2019



# Important information

Banco Santander Chile caution 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**



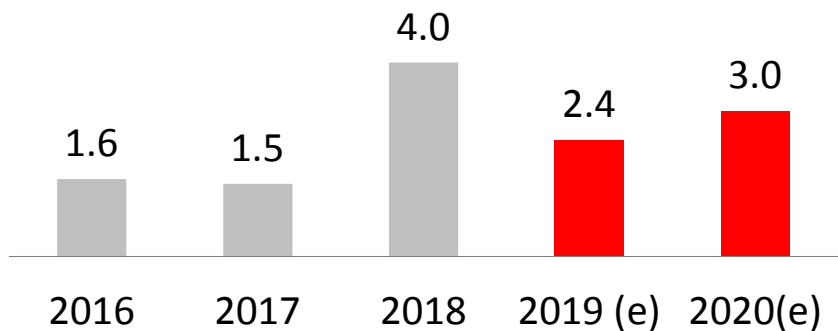
**Outlook**

# Macroeconomic environment

## GDP growth in 2019 driven by investment

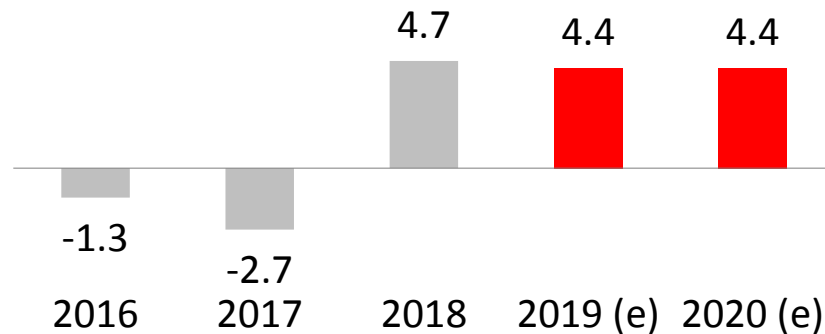
### GDP

YoY real growth, %



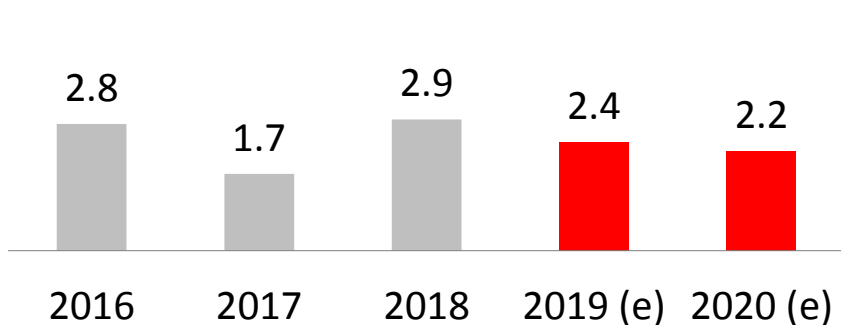
### Investment

YoY real growth of fixed capital formation, %



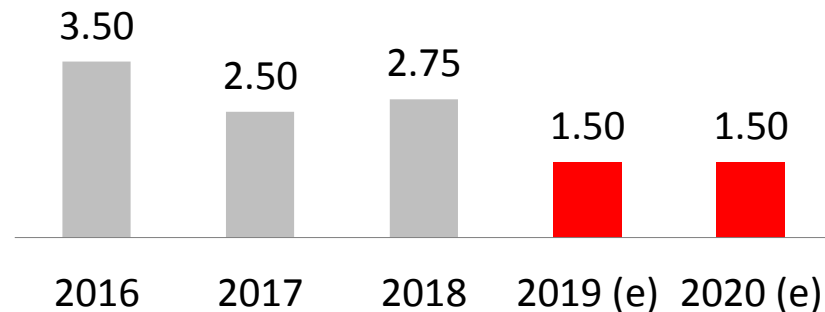
### Inflation

Annual change in UF inflation, %



### Central Bank ST Reference Rate

%



## 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



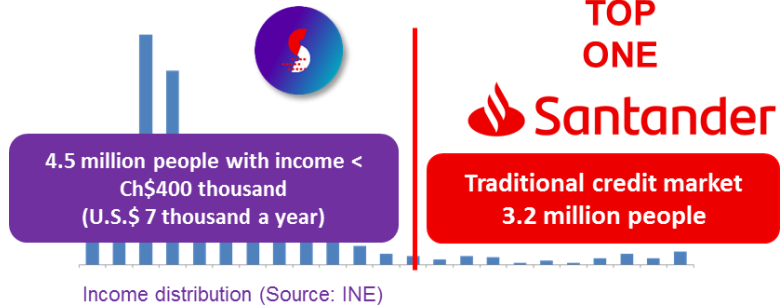
**+10,000**  
Clients



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



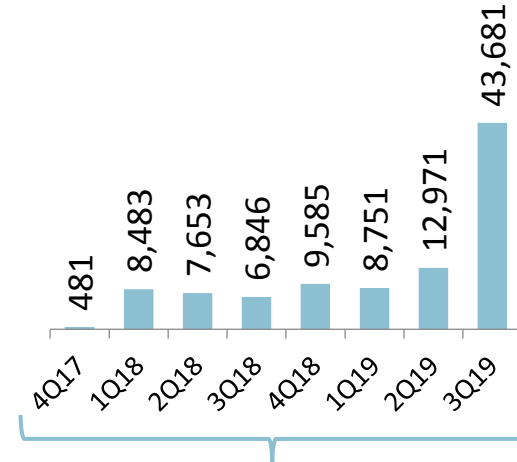
Strategic alliances, integrating new services

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

## Quarterly new Life clients



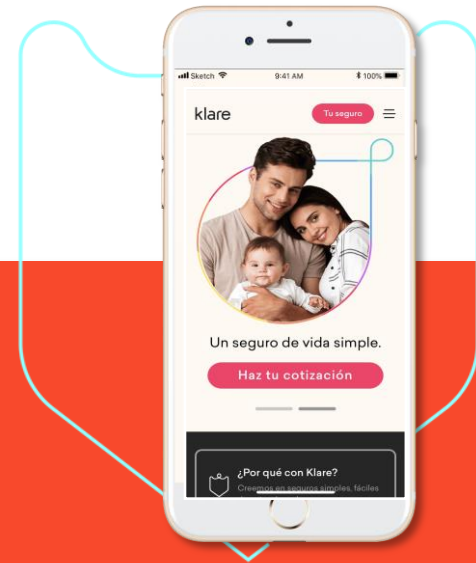
**+98,000**  
Total Life clients

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

# klare

*The first 100%  
digital  
insurance  
broker in Chile*

- 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

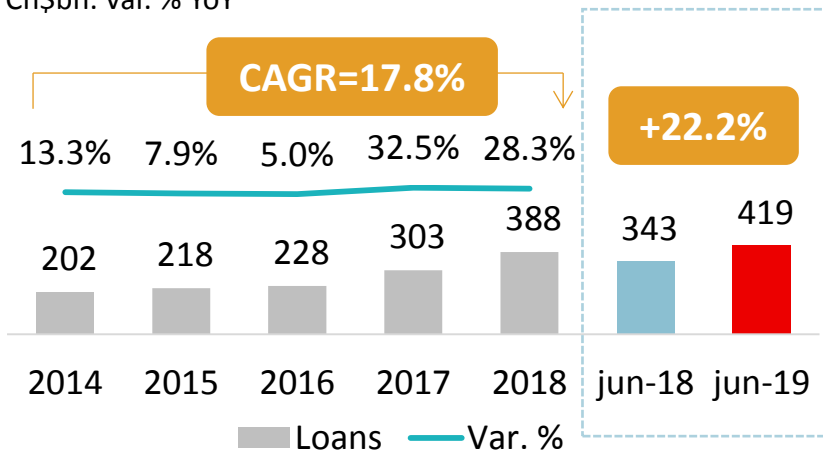
Hiring an insurance will be fast and without detours, that's why we eliminate the fine print and we explain everything you need to know so that you hire informed.



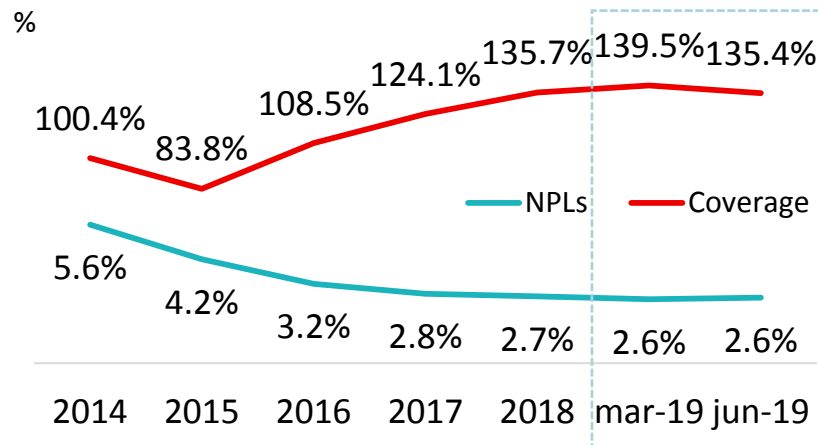
# Entering a new profitable market with a large potential for growth

## Total loans

Ch\$bn. Var. % YoY

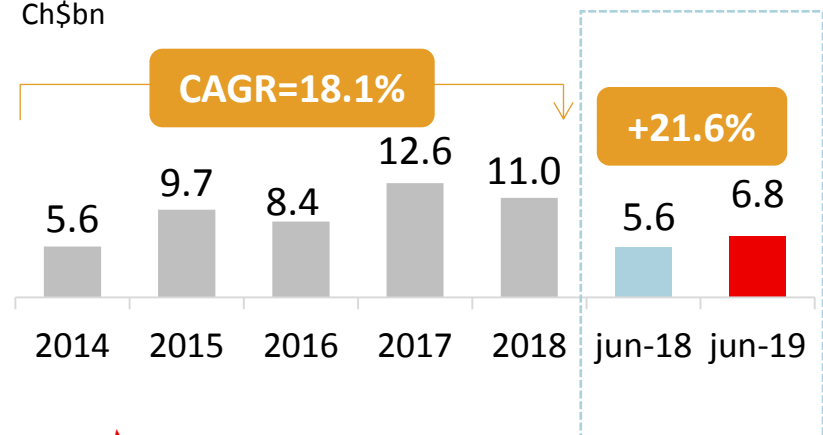


## NPLs and coverage

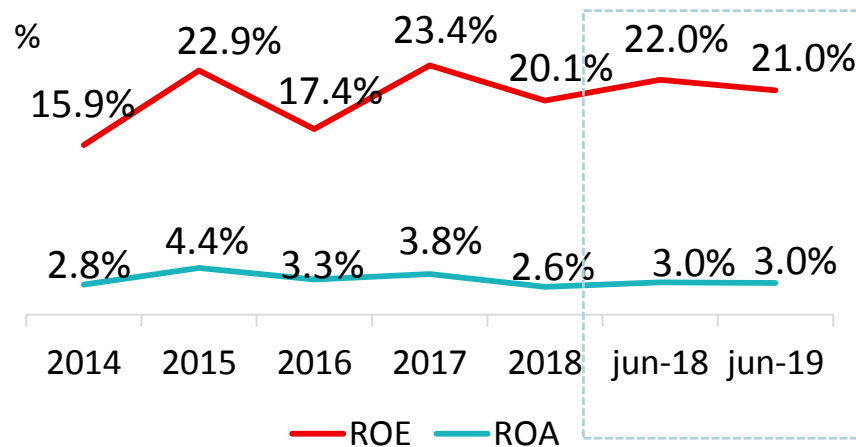


## Net income

Ch\$bn



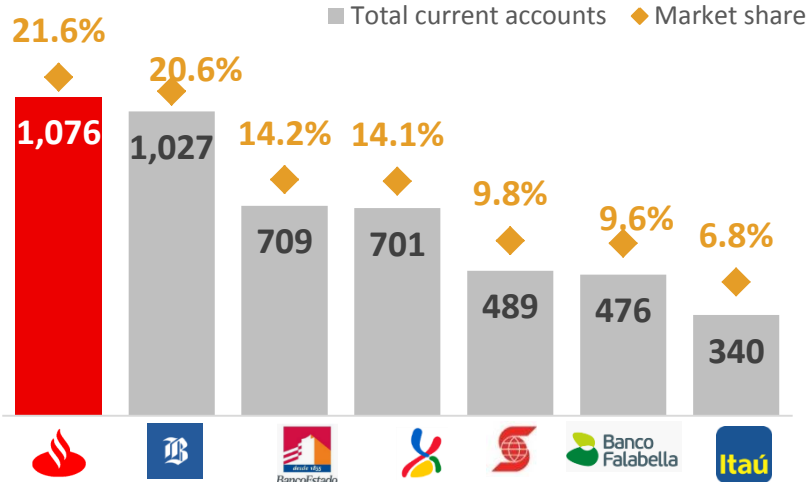
## ROE & ROA



## We are gaining market share in current accounts

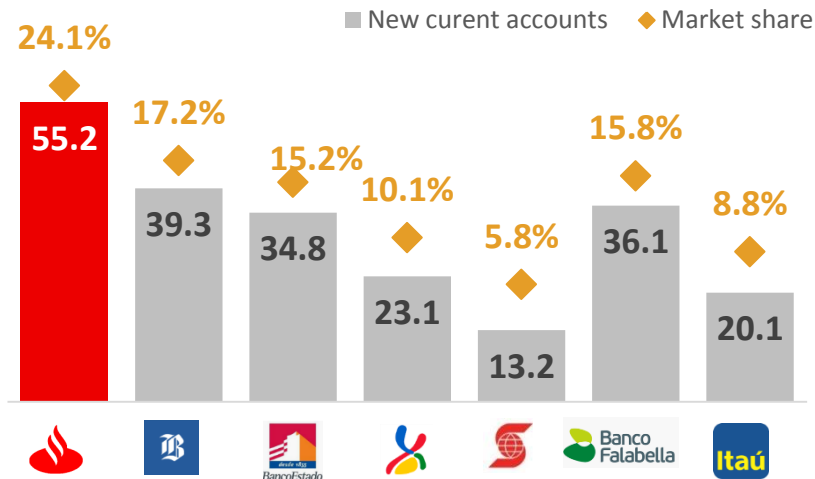
### Total current accounts <sup>1</sup>

Thousands of number of current accounts

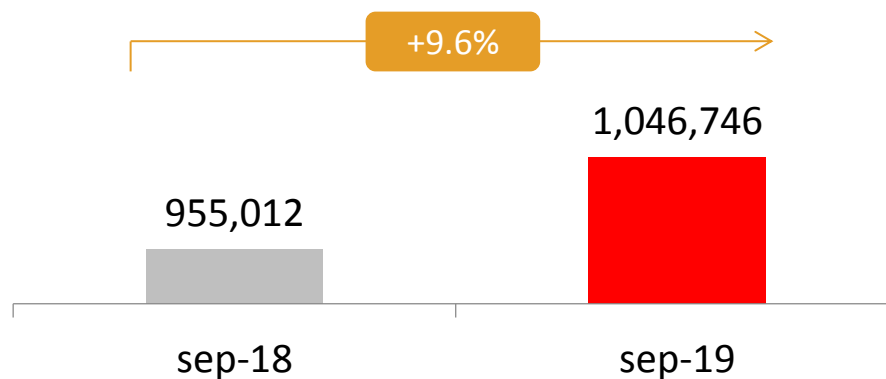


### Net increase in current accounts 7M19<sup>1</sup>

Thousands of number of current accounts

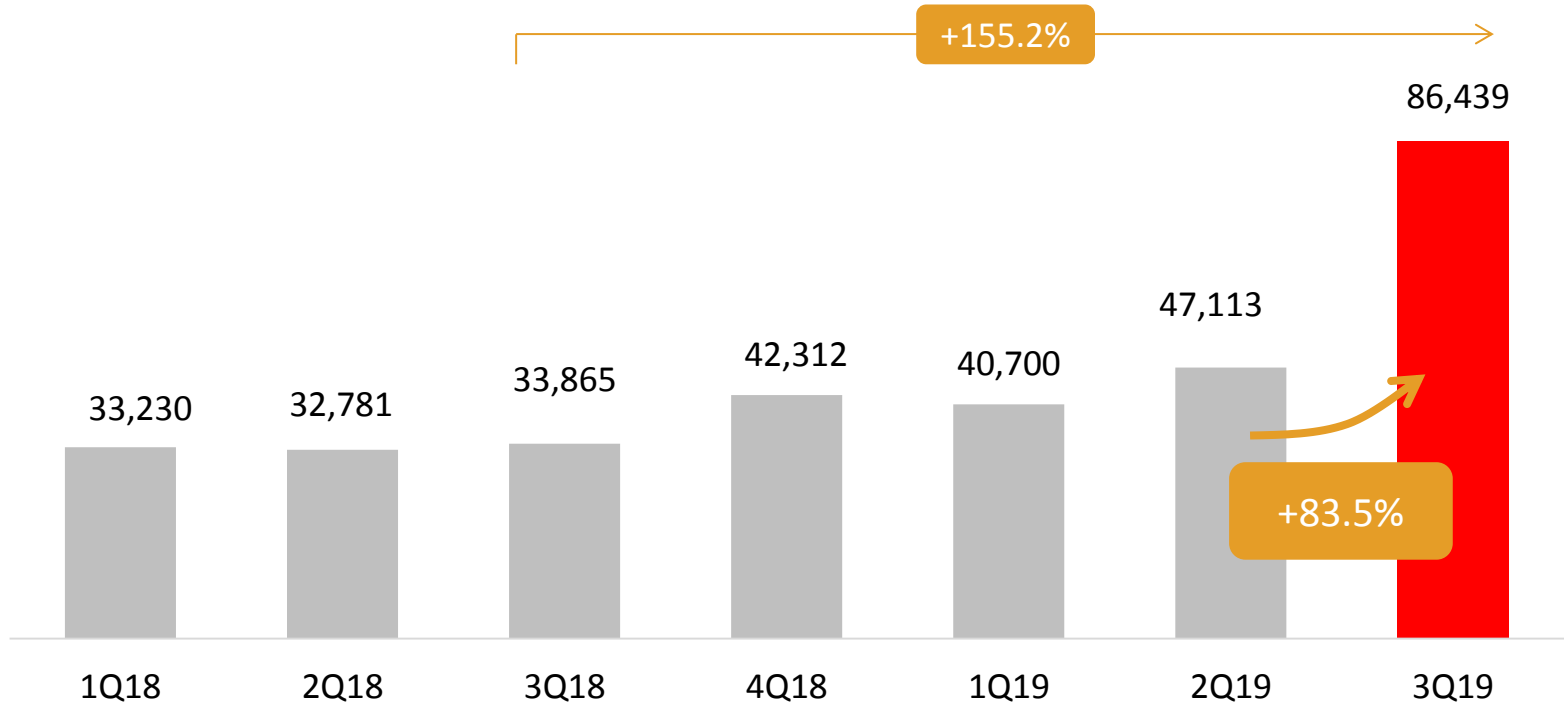


### Total current accounts



## 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).

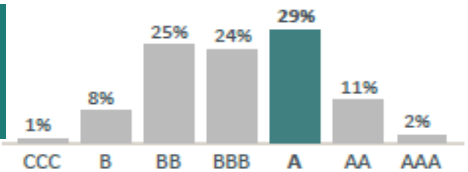
MSCI 

ESG RATING

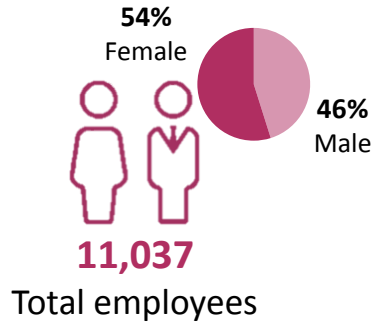
A

LAST UPDATE: September 19, 2019

INDUSTRY RATING DISTRIBUTION

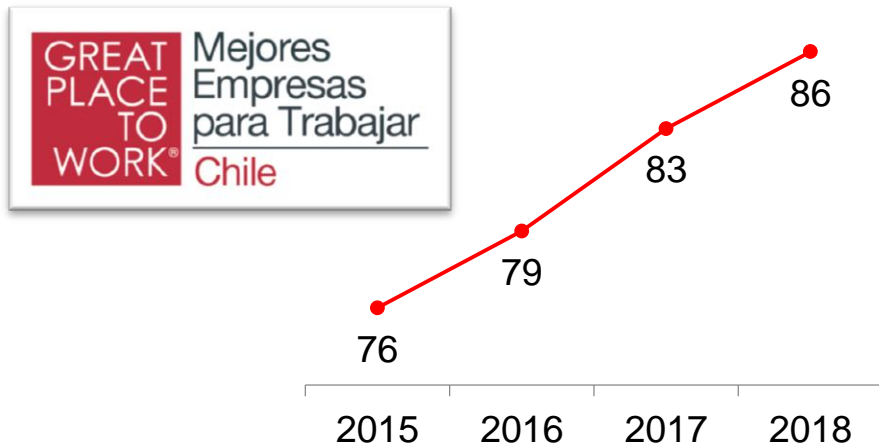


## Responsible banking



### 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**

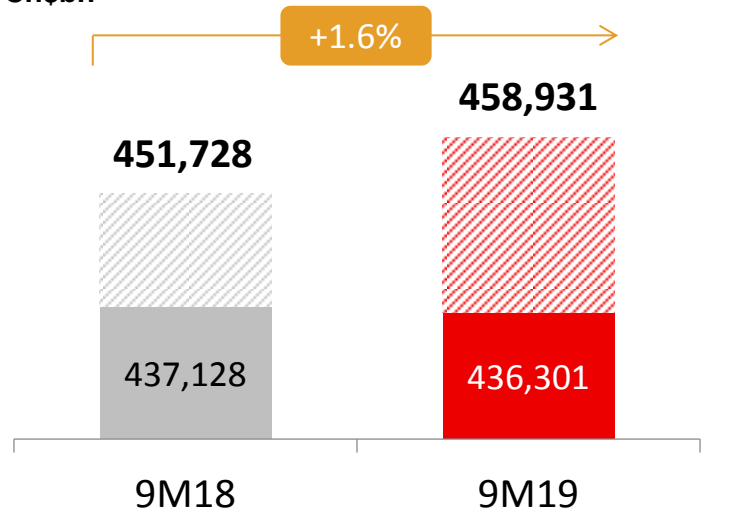
**Outlook**

# Results

## Recurring ROAE of 18.6% for September 2019

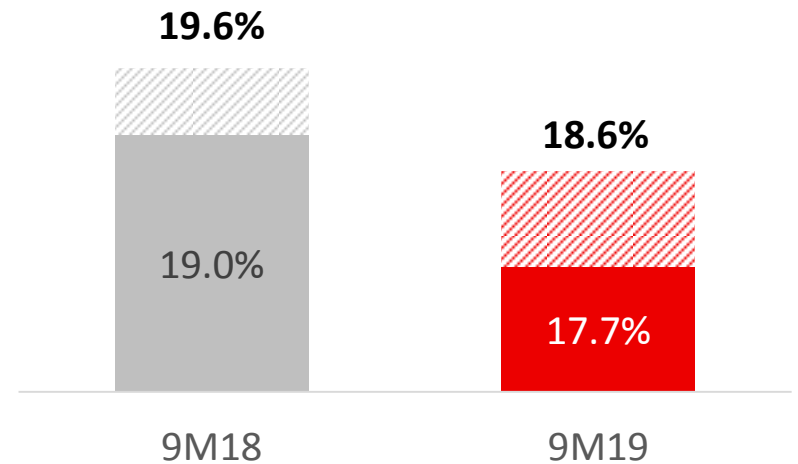
### Net income to shareholders

Ch\$bn



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

%



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



Excluding one-off \$30 billion provisions for SMEs

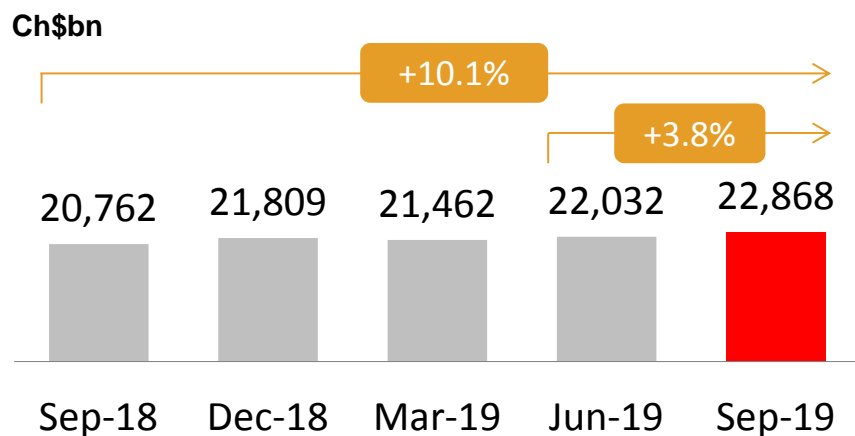


1. Net income attributable to shareholders for the year annualized divided by the average equity attributable to shareholders.

# Results

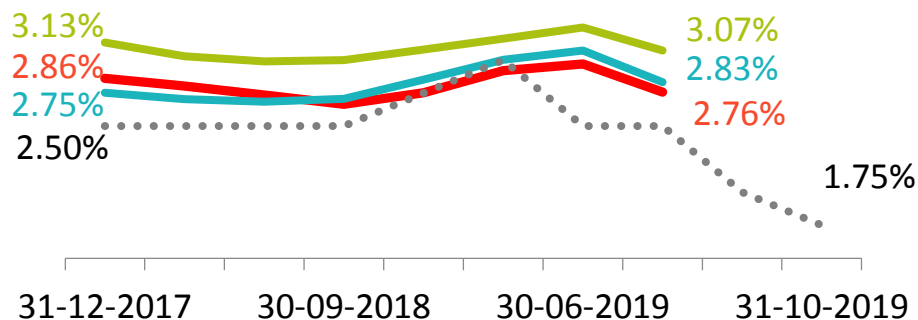
## Positive evolution of funding mix

### 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> | 95.4%         |              |             |
| <b>LCR<sup>3</sup></b>               | 135%          |              |             |
| <b>NSFR<sup>4</sup></b>              | 108.5%        |              |             |

### 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>  |

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

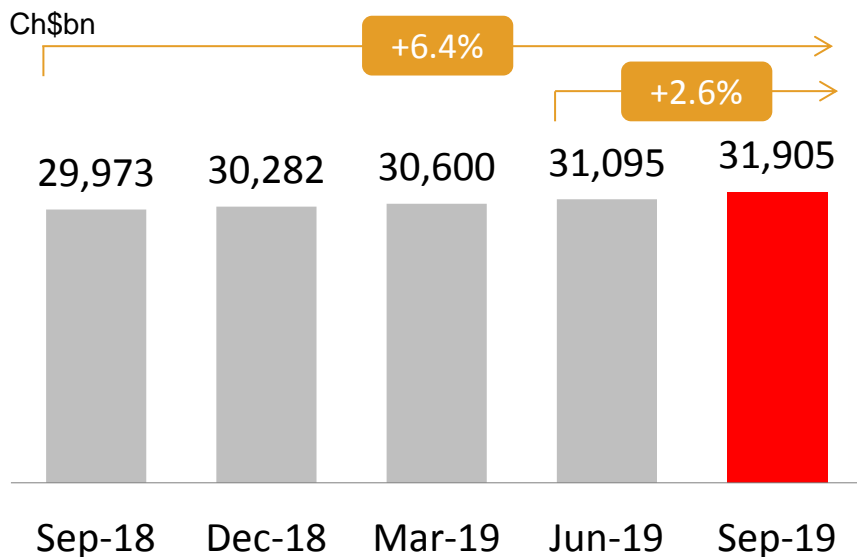


1. Banco Santander Chile is the exclusive broker of mutual funds managed by Santander Asset Management, a subsidiary of SAM Investment Holdings Limited. 2. (Net Loans – portion of mortgages funded with long-term bonds) / (Time deposits + demand deposits). 3. LCR: *Liquidity Coverage Ratio* under new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



## Loan growth driven by Retail banking

### Total Loans



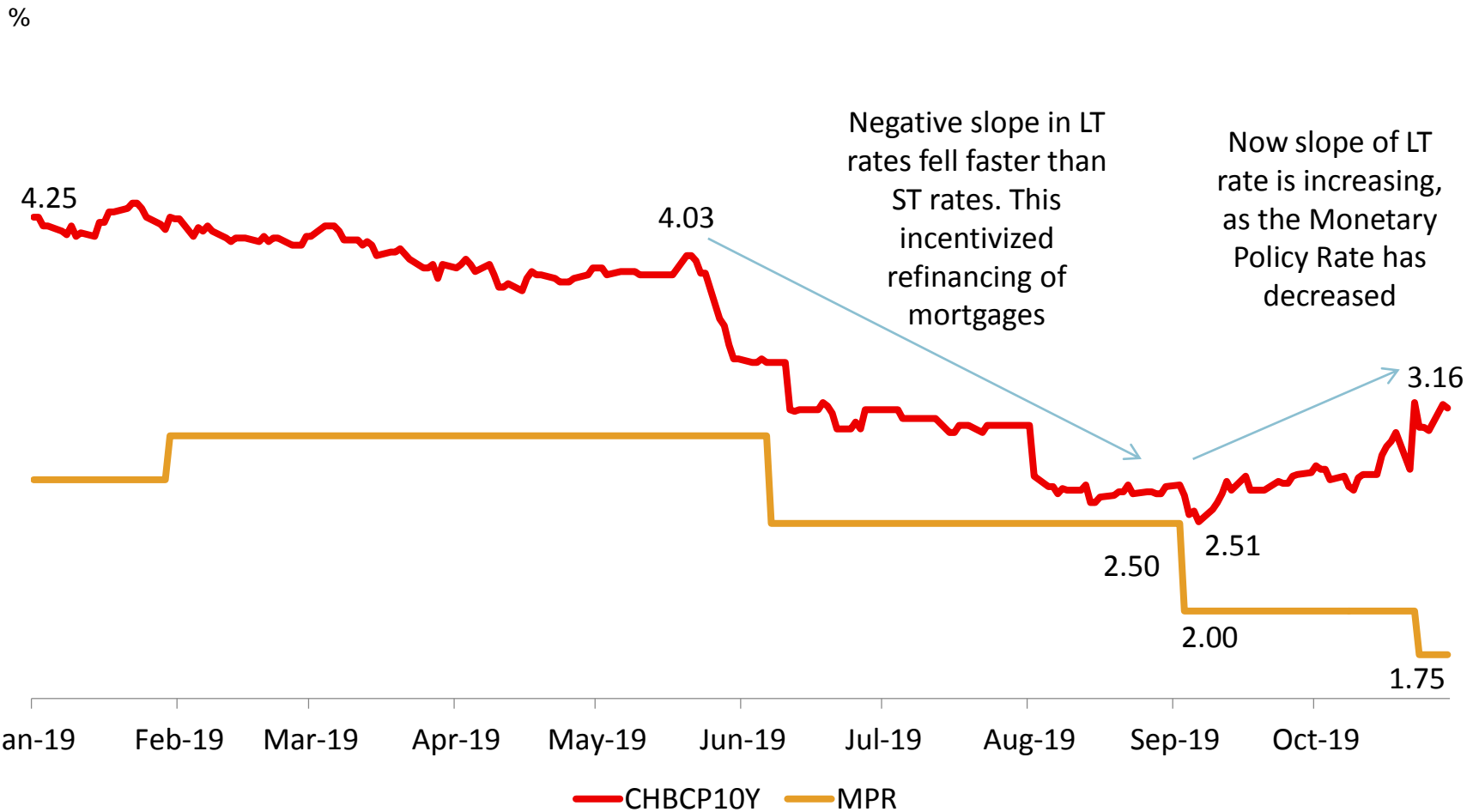
| Ch\$ bn                  | 9M19          | YoY         | QoQ         |
|--------------------------|---------------|-------------|-------------|
| Individuals <sup>1</sup> | 17,925        | 9.6%        | 1.9%        |
| Consumer                 | 5,062         | 8.1%        | 1.5%        |
| Mortgages                | 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

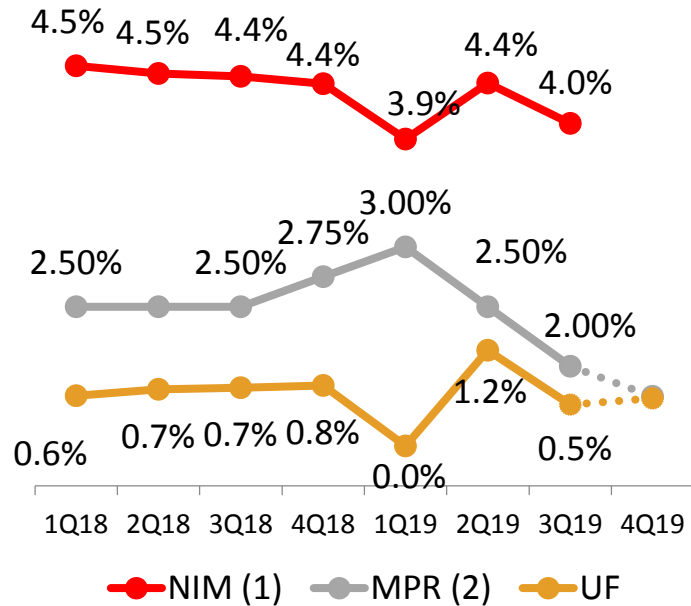
### 10Y Nominal Central Bank Notes Rate vs Monetary Policy Rate<sup>1</sup>



# Results

## Higher inflation in 2Q19 drives recovery in NIMs

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



### Net Interest Income

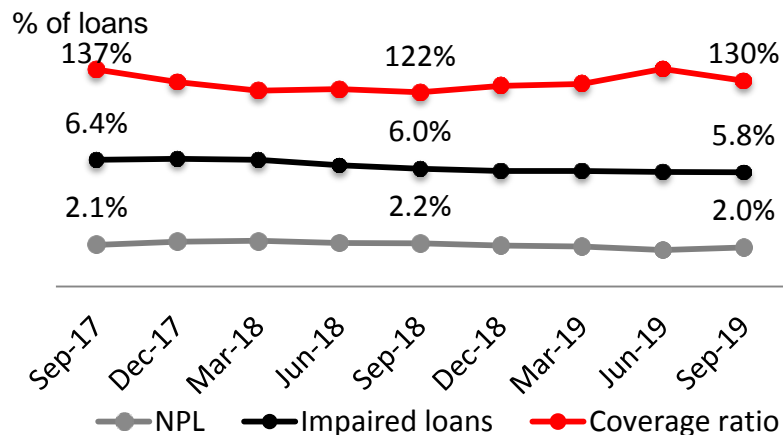
| Ch\$ bn                                   | 9M19        | YoY          | QoQ    |
|---|-------------|--------------|--------|
| <b>Net interest income</b>                | 1,041       | (1.5%)       | (6.1%) |
| Average interest-earning assets           | 31,836      | 1.0%         | 1.7%   |
| Average 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

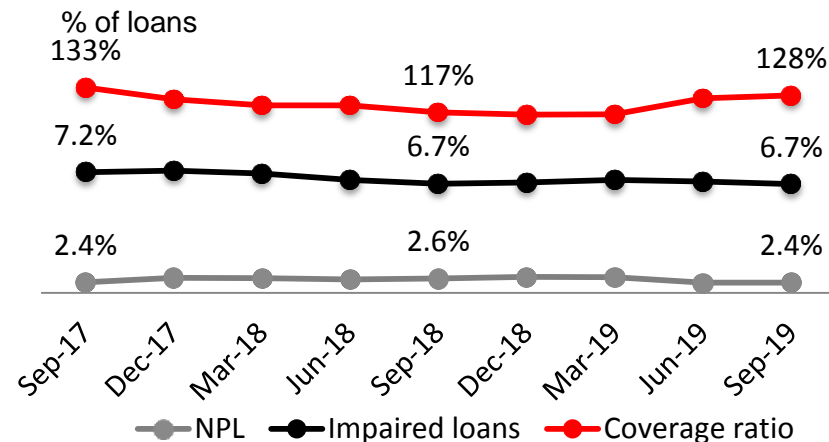
# Results

## Positive evolution of asset quality

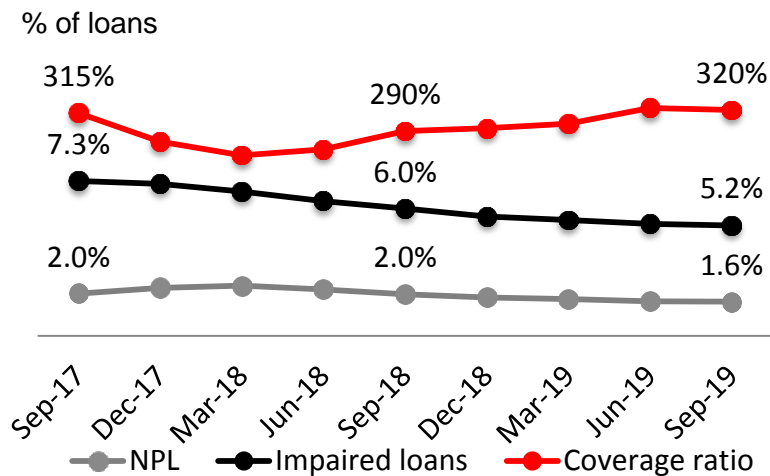
### Total loans



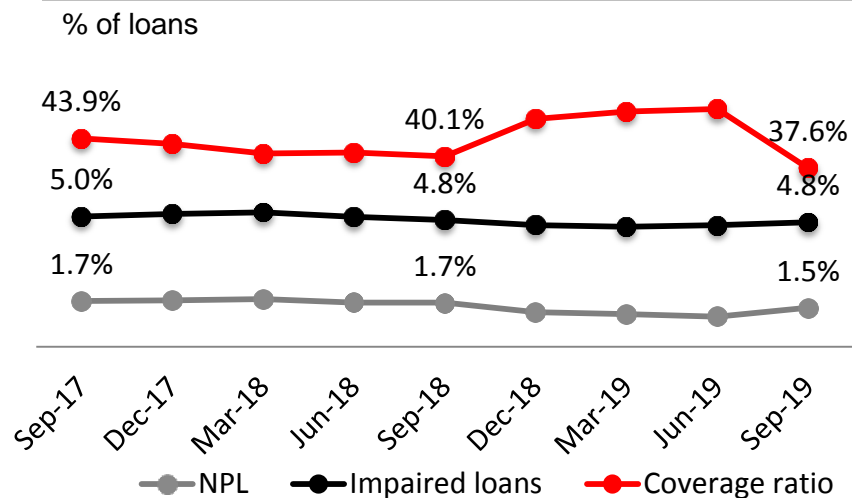
### Commercial loans



### Consumer loans



### Mortgage loans

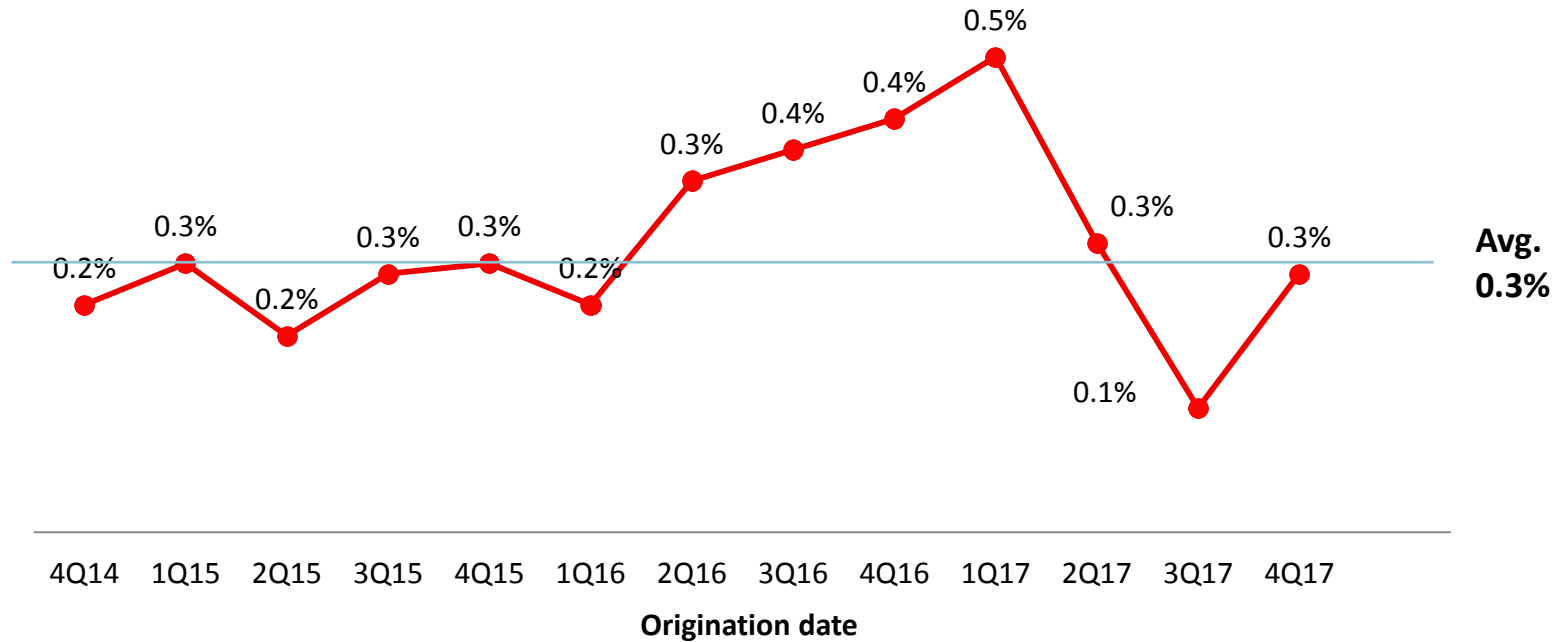


1. 90 days or more NPLs. 2. Impaired NPLs + restructured loans 3. Loan loss reserves over NPLs. Includes the additional provisions for Consumer recognized in 3Q18 for Ch\$ 20,000 million and provisions for the new standardized model for commercial loans analyzed on a group basis for Ch\$ 31,000 million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

## Asset quality of mortgage loans

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

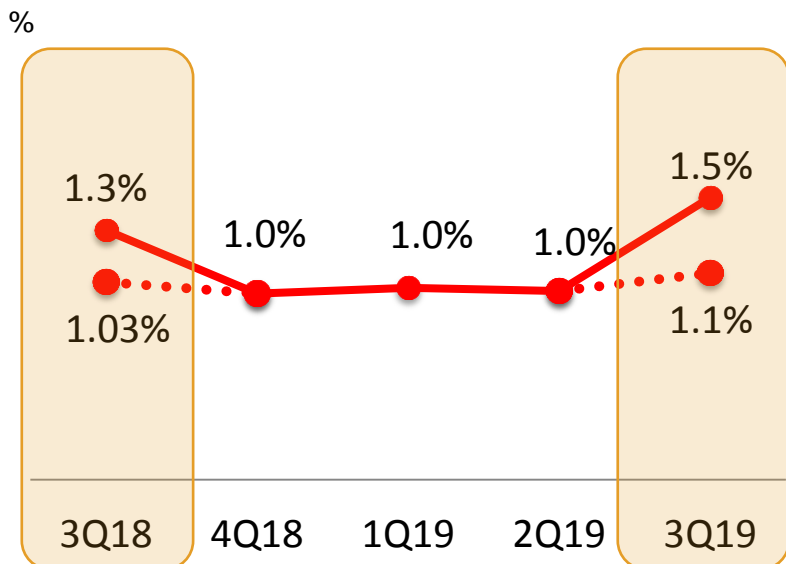
% of loans



# Results

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

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



—●— Cost of credit ••• Adjusted cost of credit<sup>2</sup>

### Provision for loan losses

| Ch\$ bn                                   | 9M19             | YoY         | QoQ          |
|---|------------------|-------------|--------------|
| Gross provisions & charge-offs            | (332,545)        | 4.0%        | 43.1%        |
| Loan loss recoveries                      | 64,102           | (5.7%)      | 10.6%        |
| <b>Provision for loan losses</b>          | <b>(268,443)</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

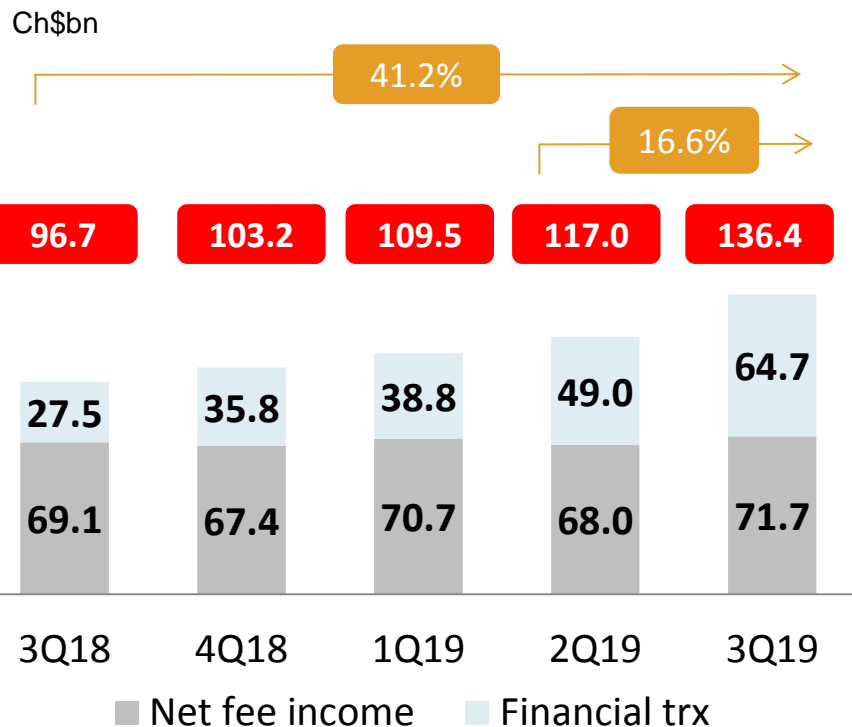


1. Provision expense annualized divided by average loans 2. Cost of credit adjusted for additional provisions of Ch\$20 billion in 3Q18 and provisions due to change in local SME model for Ch\$31 billion in 3Q19.

# Results

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

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



### Fee income

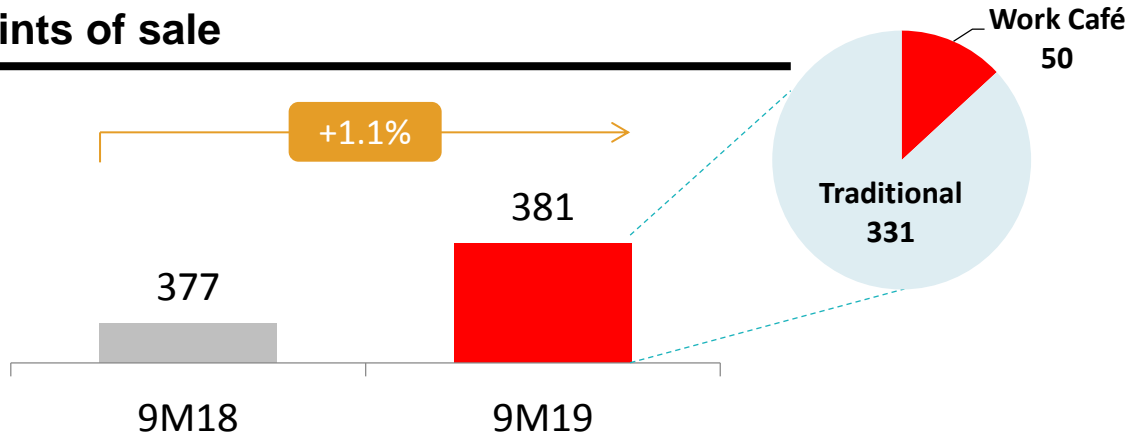
| Ch\$ bn           | 09M19        | YoY           | QoQ         |
|-------------------|--------------|---------------|-------------|
| Retail            | 170.2        | 2.9%          | 5.1%        |
| Middle Market     | 28.4         | 3.6%          | (5.9%)      |
| Corporate         | 20.8         | (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

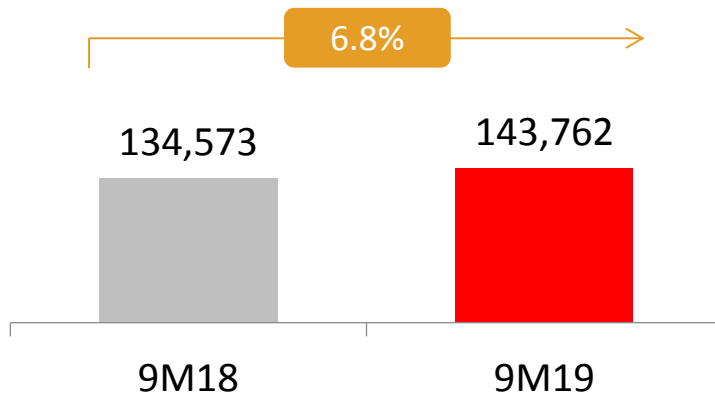
| Ch\$ bn                    | 9M19           | YoY           | QoQ          |
|----------------------------|----------------|---------------|--------------|
| Client                     | 103,990        | 67.4%         | 5.1%         |
| Non Client                 | 48,585         | 575.4%        | 106.2%       |
| <b>Total Financial trx</b> | <b>152,575</b> | <b>120.1%</b> | <b>32.0%</b> |

## Restructuring our physical distribution network

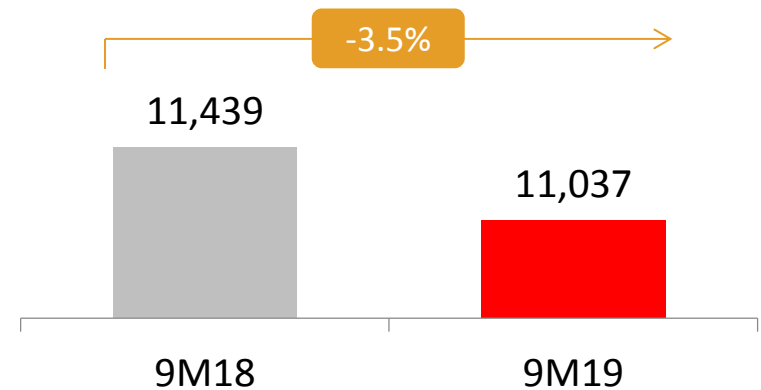
### Points of sale



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



### Employees



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

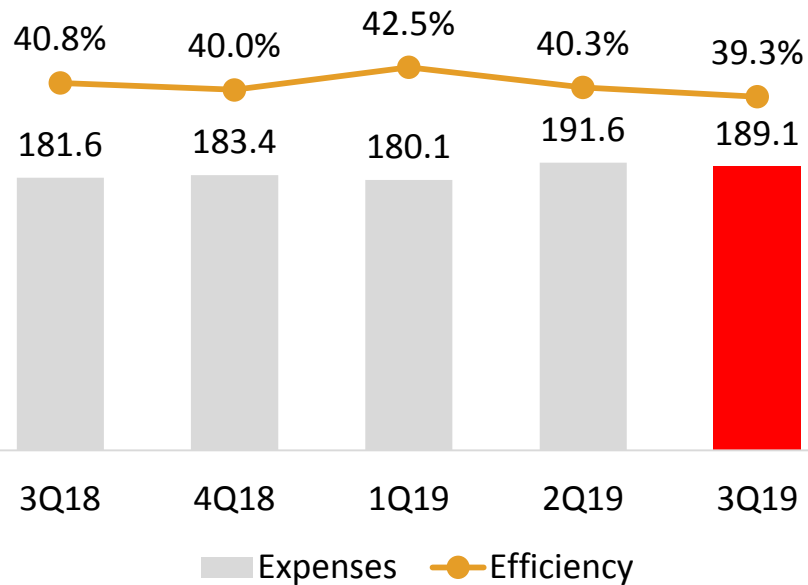


# Results

## Investing to improve productivity and efficiency

### Operating Expenses

Ch\$bn



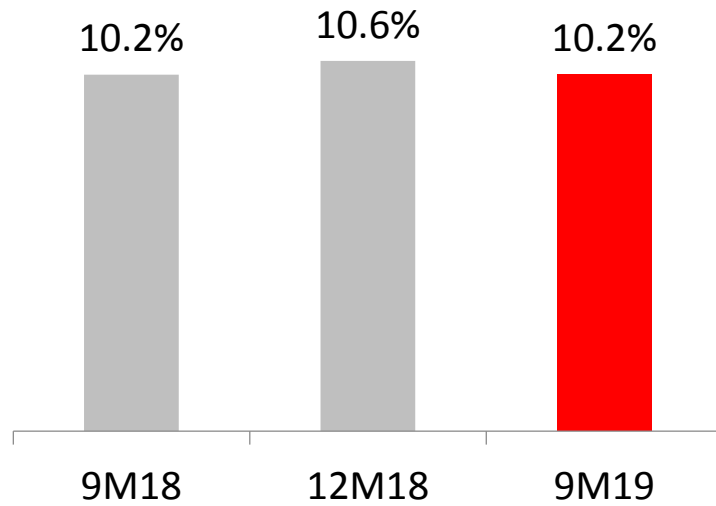
| Ch\$ bn                   | 9M19         | YoY            | QoQ           |
|---------------------------|--------------|----------------|---------------|
| Personnel expenses        | 304.3        | 2.2%           | 0.2%          |
| Administrative expenses   | 178.0        | (2.7%)         | (6.4%)        |
| 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>  |



## Solid capital ratios

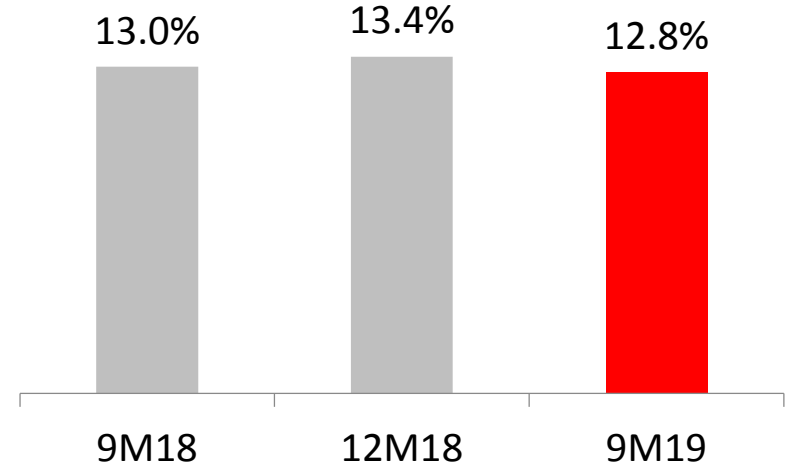
### Core capital

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### 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 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.