

29 January 2020



2019 Earnings Presentation



Important Information

Non-IFRS and alternative performance measures

In addition to the financial information prepared in accordance with International Financial Reporting Standards (“IFRS”) and derived from our financial statements, this presentation contains certain financial measures that constitute alternative performance measures (“APMs”) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415en) and other non-IFRS measures (“Non-IFRS Measures”). The financial measures contained in this presentation that qualify as APMs and non-IFRS measures have been calculated using the financial information from Santander Group but are not defined or detailed in the applicable financial reporting framework and have neither been audited nor reviewed by our auditors. We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider these APMs and non-IFRS measures to be useful metrics for management and investors to facilitate operating performance comparisons from period to period. While we believe that these APMs and non-IFRS measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute of IFRS measures. In addition, other companies, including companies in our industry, may calculate or use such measures differently, which reduces their usefulness as comparative measures. For further details of the APMs and Non-IFRS Measures used, including its definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see the 2018 Annual Financial Report, filed with the Comisión Nacional del Mercado de Valores of Spain (CNMV) on 28 February 2019, as well as the section “Alternative performance measures” of the annex to the Banco Santander, S.A. (“Santander”) 2019 4Q Financial Report, published as Relevant Fact on 29 January 2020. These documents are available on Santander’s website (www.santander.com).

The businesses included in each of our geographic segments and the accounting principles under which their results are presented here may differ from the included businesses and local applicable accounting principles of our public subsidiaries in such geographies. Accordingly, the results of operations and trends shown for our geographic segments may differ materially from those of such subsidiaries

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Important Information

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- 1. Macroeconomic environment and financial system**
- 2. Strategy and business**
- 3. Results**
- 4. Appendix**

Macroeconomic environment and financial system

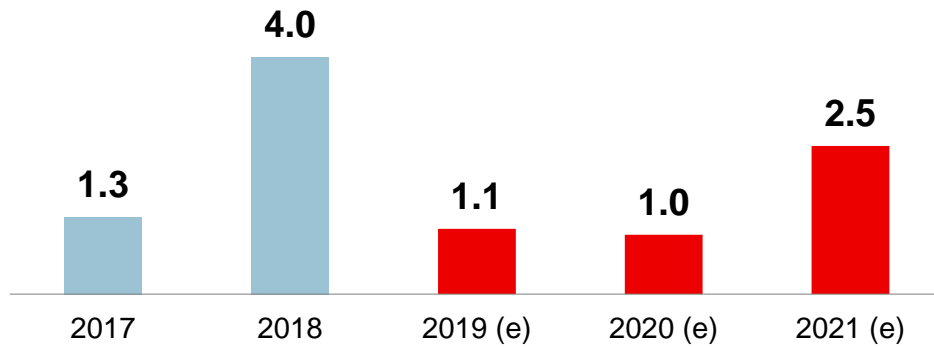


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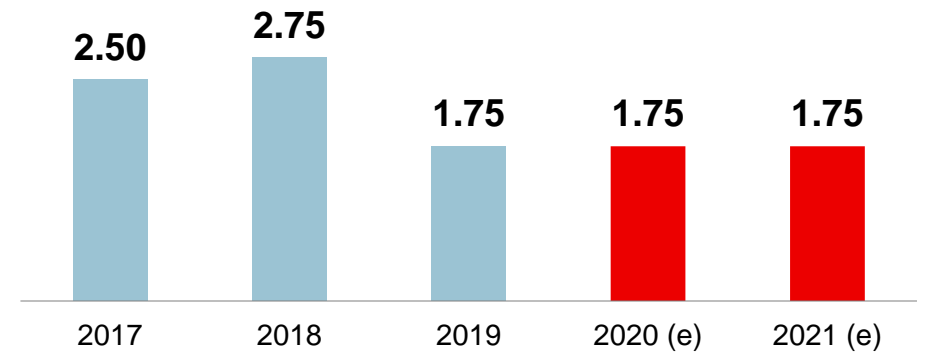


Economy affected by internal and external uncertainty

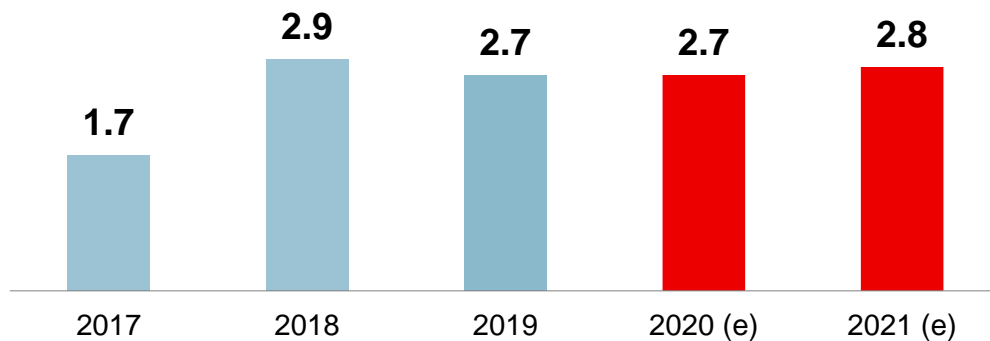
Annual GDP Growth (real, %)



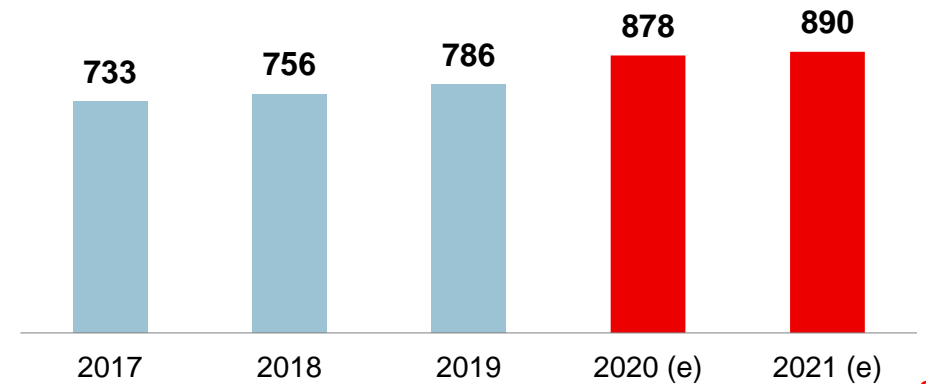
Central Bank Monetary Policy (year end, %)



Annual inflation rate (year end UF, %)



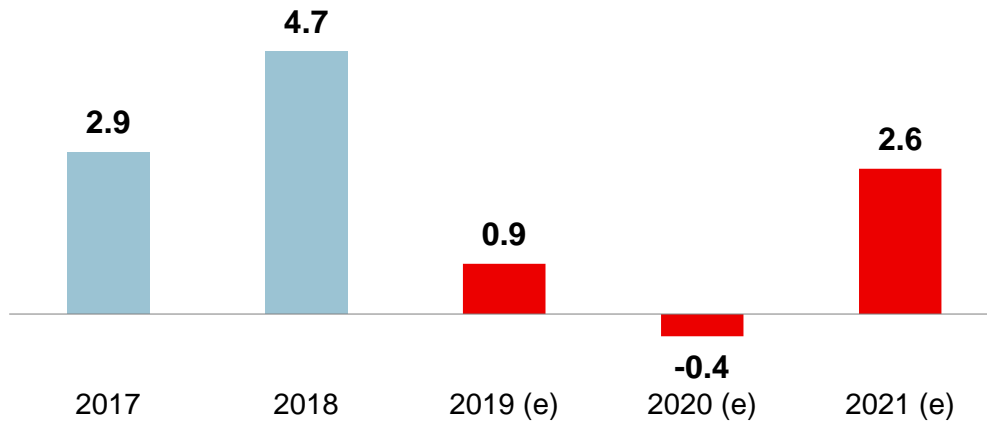
Average exchange rate (CLP/EUR)



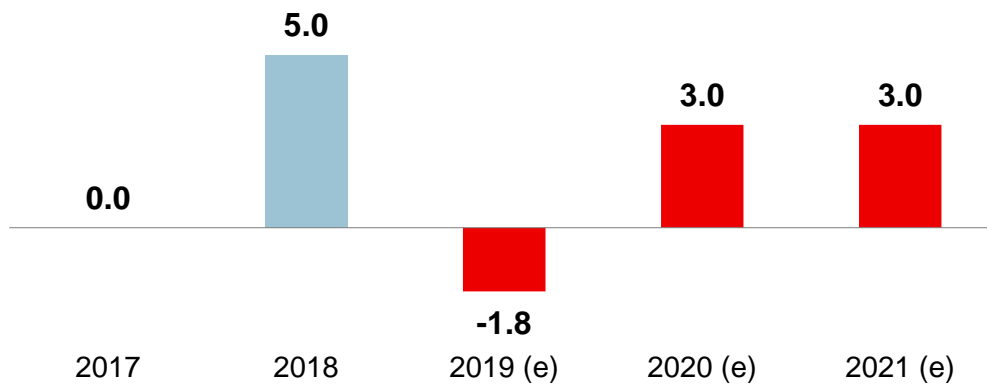


Growth in 2020 to be led by exports

Domestic Demand (YoY growth, %)



Exports (YoY growth, %)



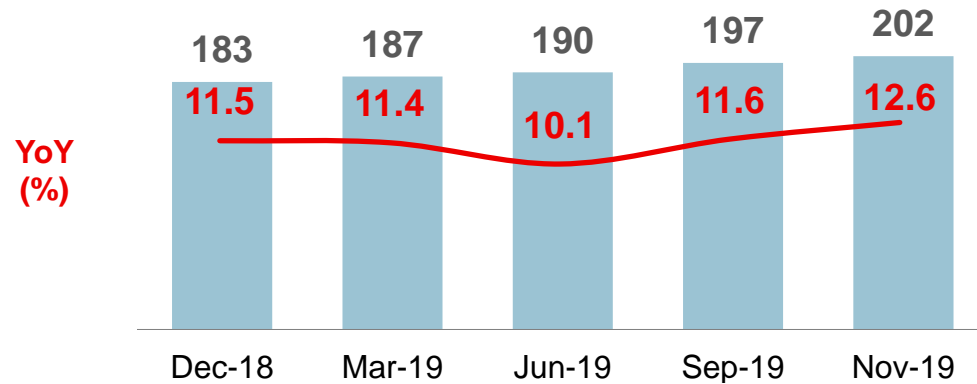
Growth by Sectors (YoY growth, %)

	2018	2019 (e)	2020 (e)	2021 (e)
Agro/Fishing	5.7	-3.0	1.9	2.8
Mining	5.2	-1.2	1.7	0.7
Manufacturing	3.9	-0.2	0.4	2.0
Construction	3.2	3.6	-0.1	1.4
Utilities	5.0	-1.0	0.5	4.1
Commerce	5.0	0.5	0.7	3.3
Transportation	4.4	2.3	1.5	3.8
Communications	4.7	0.9	2.0	2.8
Services	3.6	2.3	1.1	2.9
Public Admin.	1.1	1.5	1.9	1.7
GDP	4.0	1.1	1.0	2.5

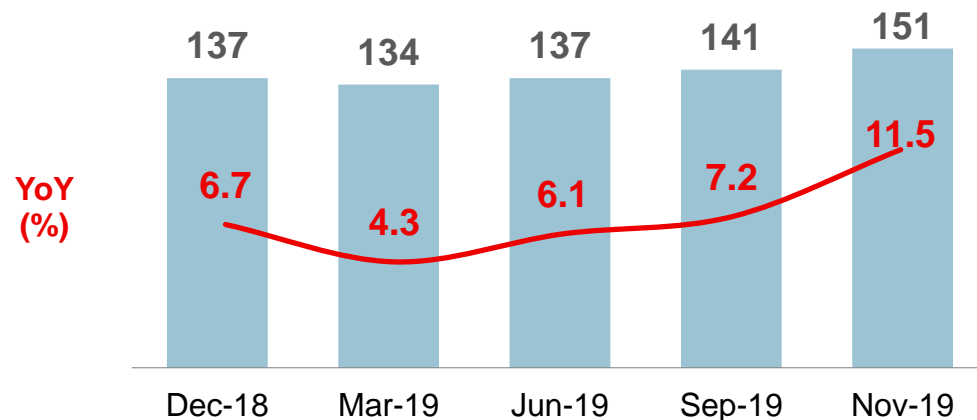


Strong loan growth in 2019 driven by lending to individuals and M&A

Total loans (Constant EUR bn¹)



Total customer funds² (Constant EUR bn¹)



- ▶ Lending continues to grow healthily with high demand for mortgage loans in 2019 due to the low interest rate environment.
- ▶ Various non-bank consumer loan portfolios acquired by banks in 2018 and 2019 have driven consumer loan growth this year.
- ▶ Stable asset quality, with a slight increase in NPLs after the incorporation of the retail consumer loan portfolios at the beginning of the year and more recently due to the domestic social unrest.
- ▶ Expected loan growth for next year reduced due to lower forecasted economic growth in 2020.
- ▶ High liquidity in the fourth quarter due to market volatilities.
- ▶ Lower interest rates results in a movement from time deposits to demand deposits and mutual funds

Strategy and business



02

Santander Chile is the nation's leading bank














STRATEGIC PRIORITIES

- ▶ Accelerate commercial transformation via the new branch network model and expand digital banking services

- ▶ Improve our quality of service and achieve greater loyalty from our customers

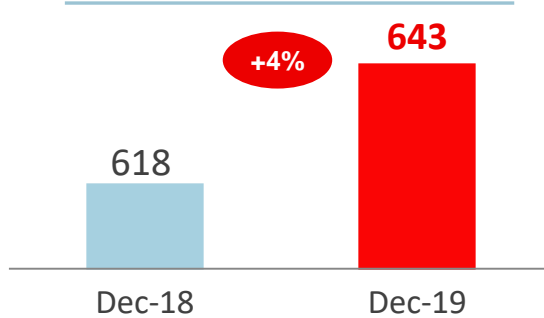
- ▶ Focus on mass market through *Santander Life*, *SuperDigital* and *Klare*, our open platform insurance broker

KEY DATA	2019	YoY Var. ⁴
 Gross loans ¹	39,640	8.1%
 Deposits ¹	27,060	11.4%
 Underlying profit ¹	630	6.8%
 RoTE	18.1%	-26 bps
 Efficiency ratio	40.6%	-71 bps
 Loans market share ²	18.1%	-85 bps
 Deposits market share ²	17.5%	+60 bps
 Loyal customers ³	704	5.5%
 Digital customers ³	1,247	14.8%
 Branches	375	-1.6%
 Employees	11,580	-3.6%

2nd in NPS in customer satisfaction and recommendation as customer loyalty continues to expand driven by better quality of service and digital offering

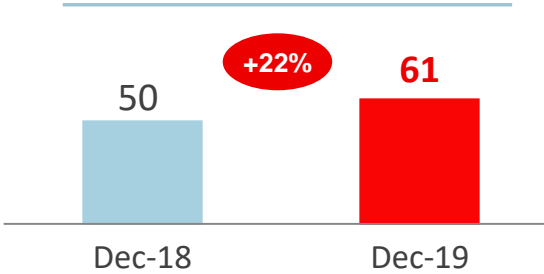


Loyal individuals (k)



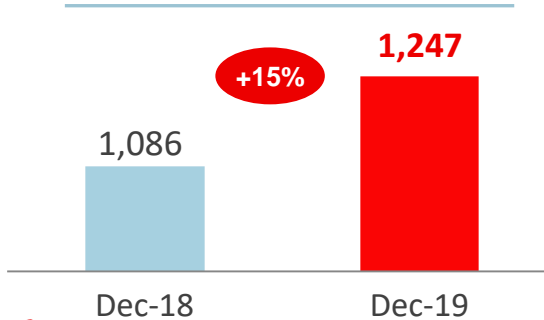
- ▶ 50 *Work Cafés* now open across the country
- ▶ New branch model and new Select/Private banking branch being piloted
- ▶ We are Top 2 in NPS and customer satisfaction according to the latest market survey by Activa

Loyal companies (k)



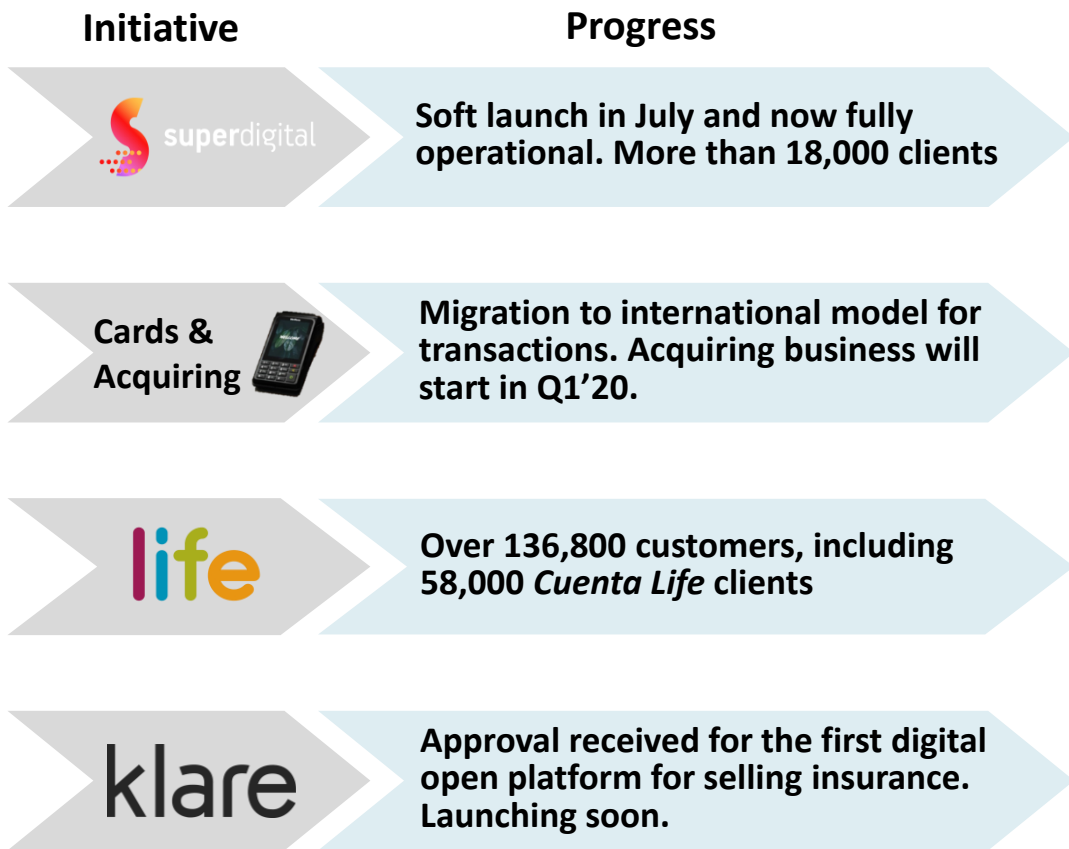
- ▶ The strong position in cash management drove an increase in customer loyalty and demand deposits
- ▶ Results from financial transactions in corporates rose 93.7% YoY, with greater demand for market making products

Digital customers (k)



- ▶ *Life* programme has accelerated to over 136,800 customers driven by the launch of *Cuenta Life* and *Life Latam* in Q2'19. *Cuenta Life* accounts for over 58,000 of the *Life* clients.
- ▶ Piloting Superdigital publicly with over 18,000 clients.

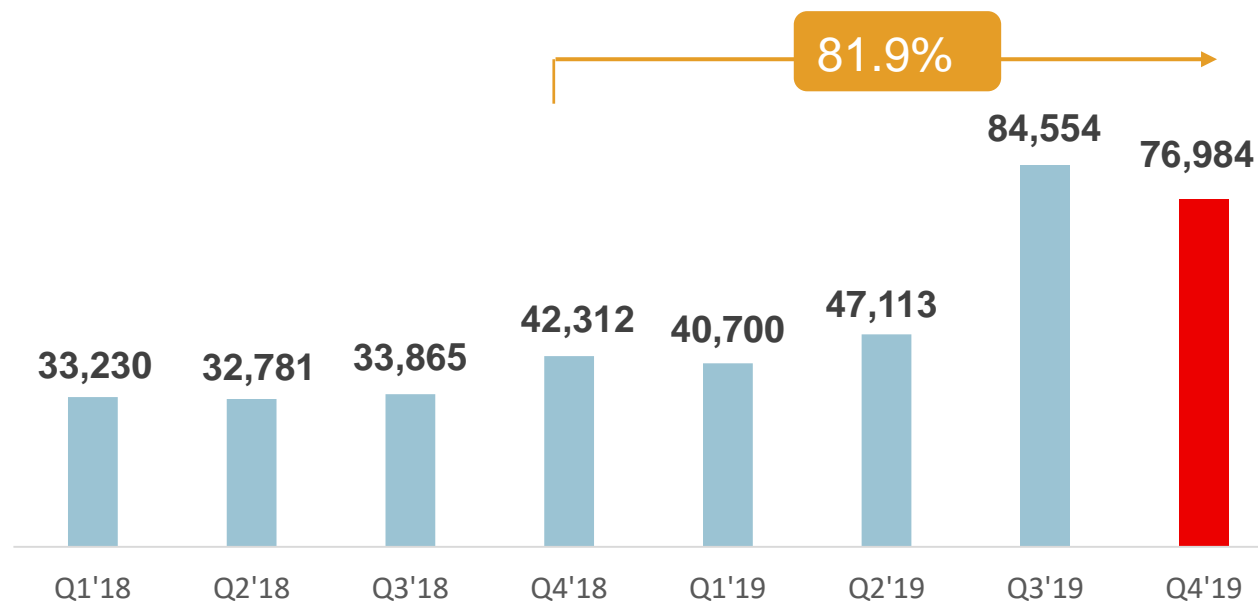
With innovative launches in our digital offer which is leading to strong client growth



All of which are supported by our *Work Café* model



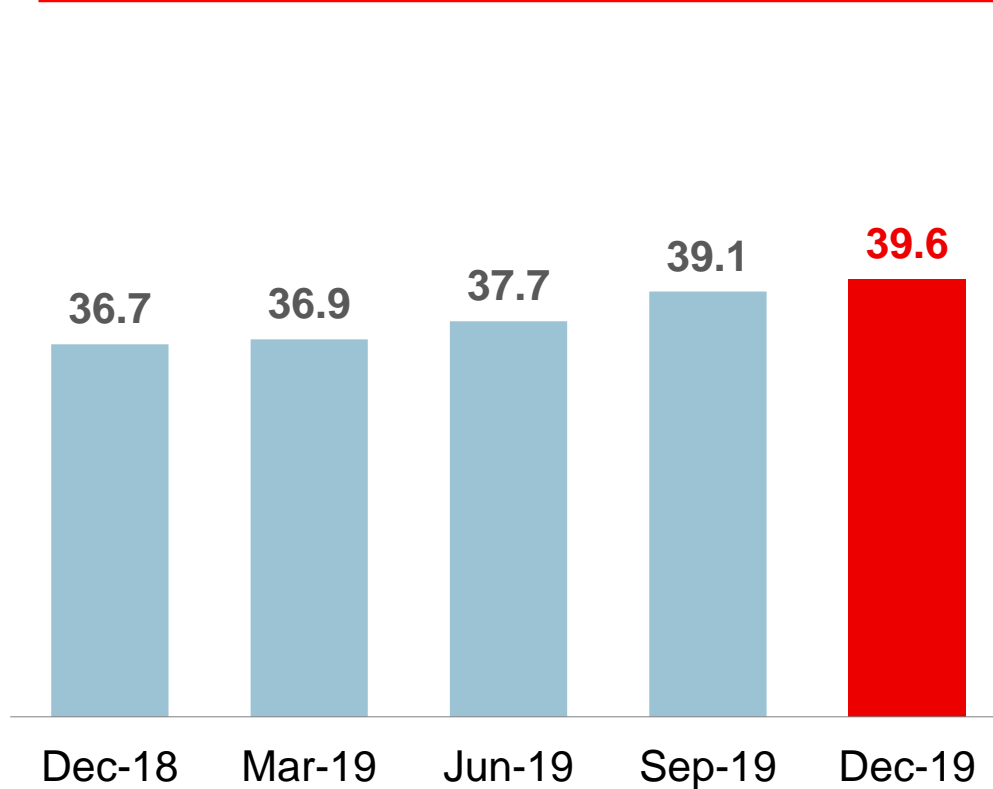
Gross new account openings
(Checking accounts + *Cuenta Life* + Superdigital)





Loans grew at 8.1% YoY, focused on retail loans in the high income segment

Total gross loans (Constant EUR bn¹)



	Dec-19	YoY(%)	QoQ(%)
Total individual²	22.1	8.7	2.4
Mortgage	13.1	11.3	3.4
Consumer credit	6.1	6.4	0.8
Total corporates	16.9	6.2	-0.3
SMEs	4.8	8.6	1.1
Middle-market	9.5	5.0	1.2
SCIB	2.6	6.2	-7.8
Others	0.6	93.7	78.8
Total loans³	39.6	8.1	1.6

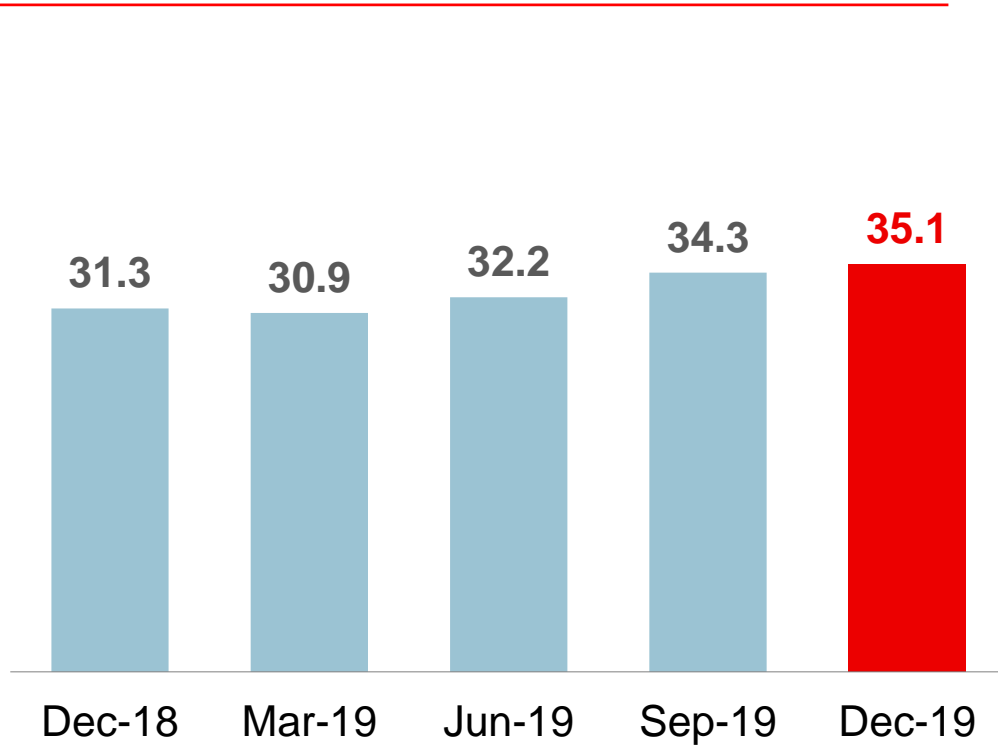


(1) End period exchange rate as at Dec-19
 (2) Loans to individuals include consumer, mortgage and commercial loans to individuals
 (3) Total loans amount includes non-segmented loans



Customer funds increased 12.2% YoY with strong growth of demand deposits in the quarter

Total customer funds¹ (Constant EUR bn²)



	Dec-19	YoY(%)	QoQ(%)
Demand	12.1	18.5	8.9
Time	14.9	6.1	0.6
Total deposits	27.1	11.4	4.2
Mutual funds	8.0	15.3	-3.9
Total customers funds	35.1	12.2	2.2

Results

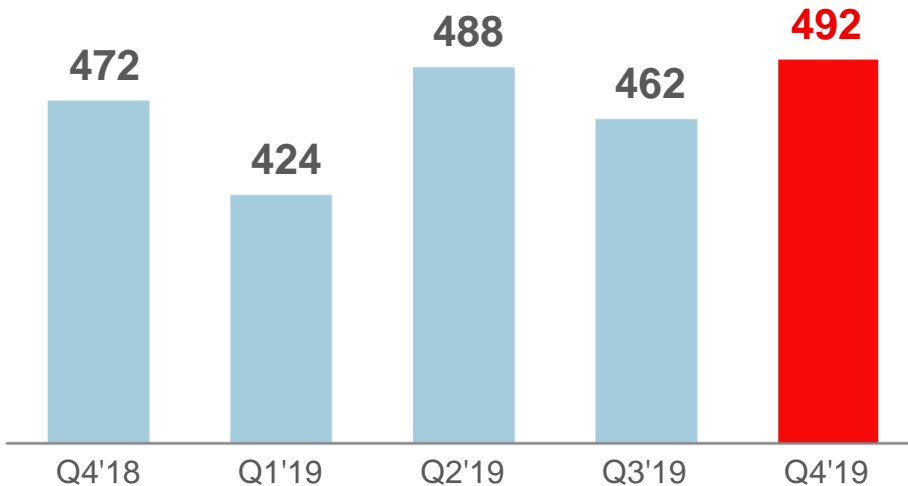


03



Q4'19 NII increased driven by higher inflation and lower short term rates

Net interest income (Constant EUR mn¹)



NIM² (%)

3.70% 3.30% 3.60% 3.15% 3.00%

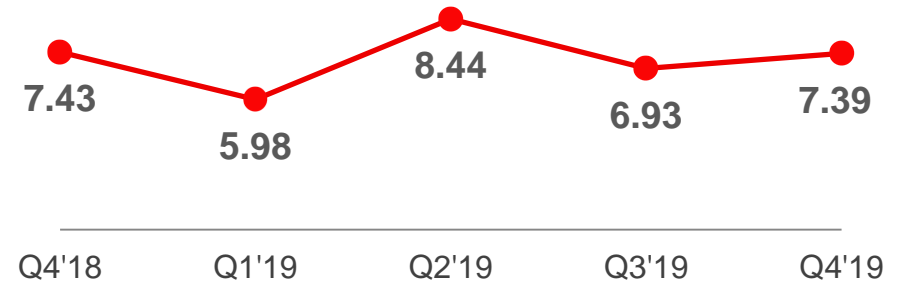
Central Bank ST rate³ (%)

2.75% 3.0% 2.5% 2.0% 1.75%

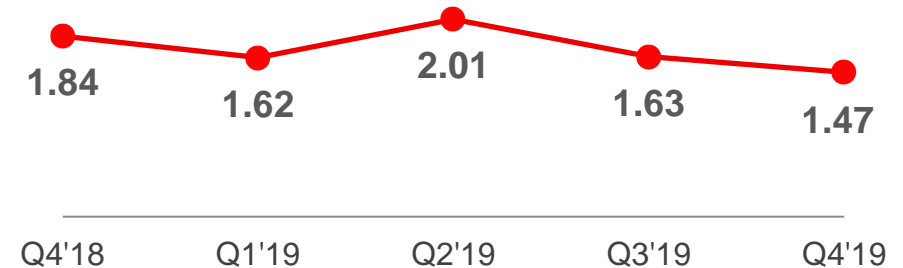
Inflation rate⁴ (%)

0.8% 0.0% 1.2% 0.5% 0.9%

Yield on loans (%)



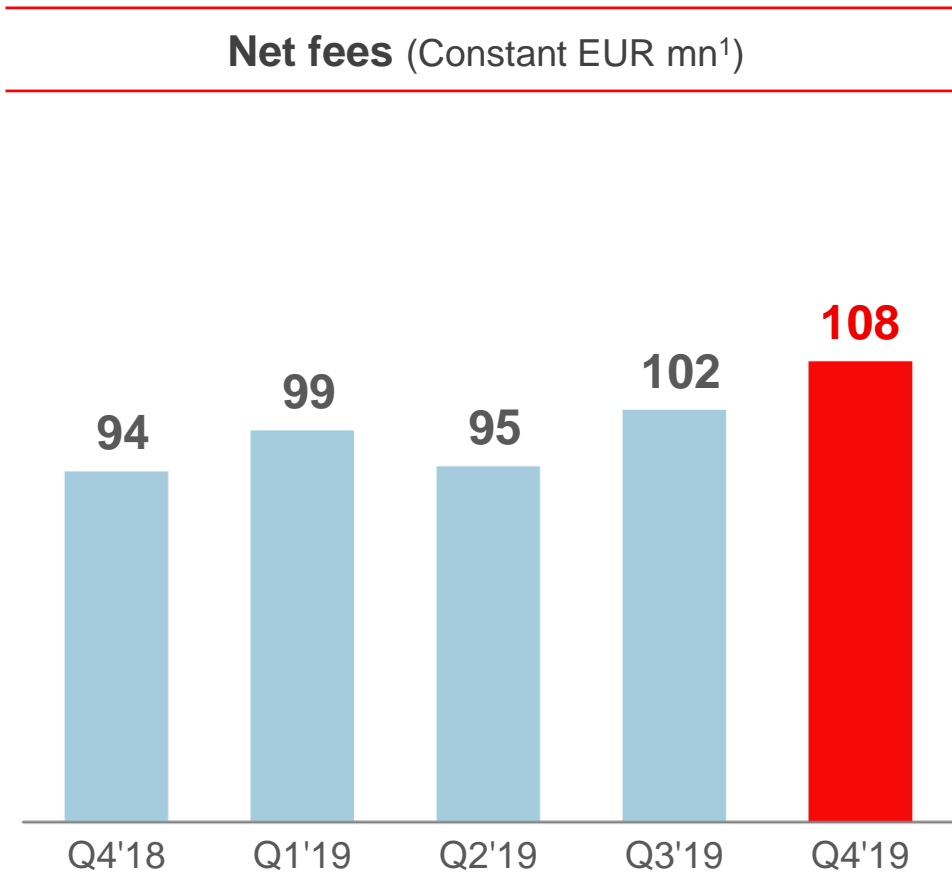
Cost of deposits (%)



(1) Average exchange rate as of 12M'19
 (2) Group criteria
 (3) Quarter average
 (4) Unidad de Fomento quarterly variation



QoQ fees up 6.2% due to better commissions from cards, insurance and foreign trade

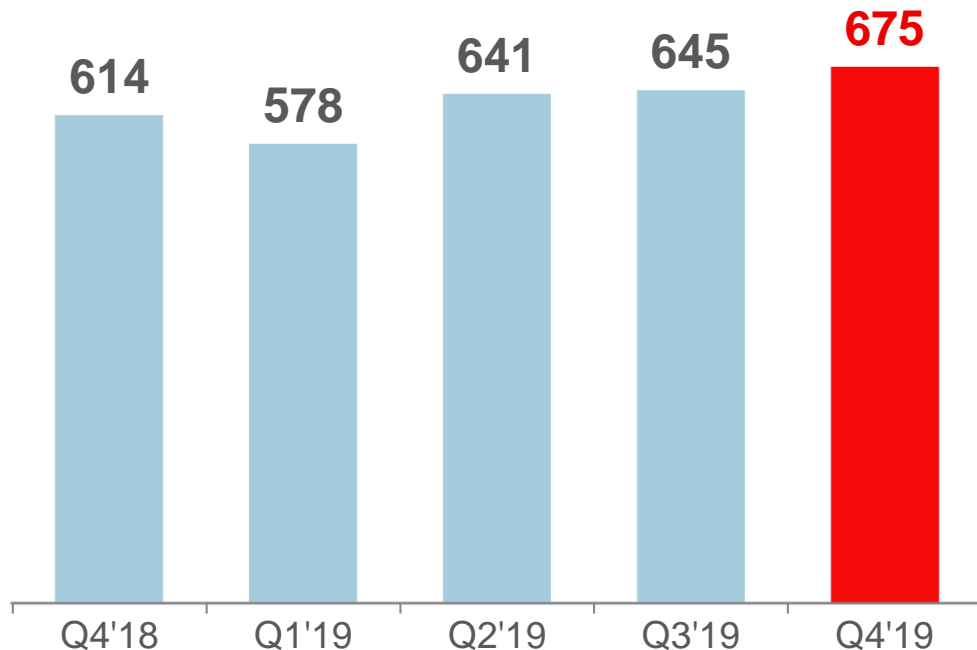


	2019	2018	YoY(%)	QoQ(%)
Cards	88	83	6.5	7.2
Bancassurance	86	80	6.9	1.5
Cash Mgt	52	57	-8.5	-3.3
Mutual funds	84	81	4.2	0.4
Foreign trade	36	29	20.6	22.3
Checking accts	11	11	3.2	6.2
Others	47	67	-29.7	23.3
Total	404	408	-0.9	6.2

Gross income up 4.0% YoY driven by greater gains on financial transactions, with NII and fees recovering in the second half of the year



Gross income (Constant EUR mn¹)

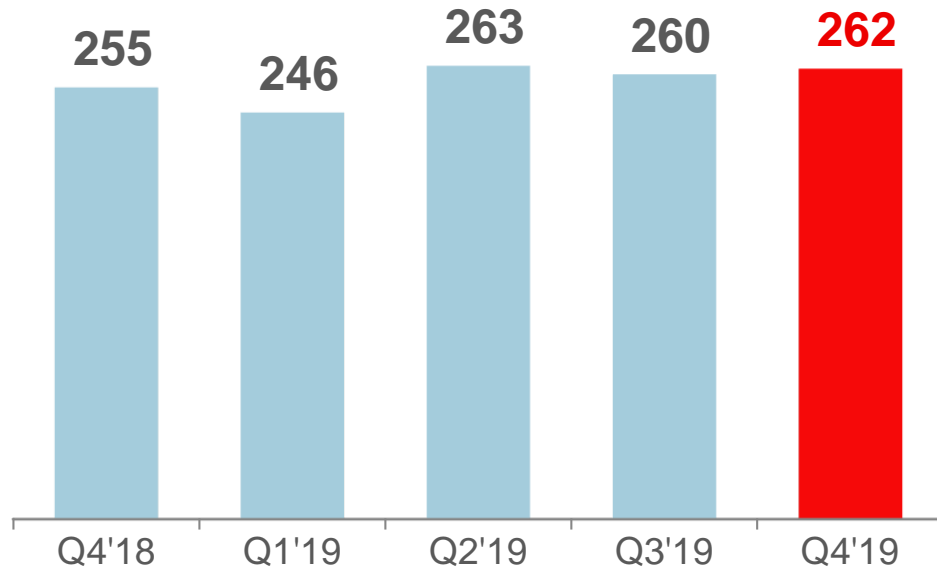


	2019	2018	YoY(%)	QoQ(%)
NII	1,867	1,872	-0.3	6.4
Fee income	404	408	-0.9	6.2
Subtotal	2,271	2,280	-0.4	6.3
Other ²	268	162	65.6	-7.4
Gross income	2,539	2,442	4.0	4.6



Controlled growth in expenses despite the new product launches and investment in digital innovations

Operating expenses (Constant EUR mn¹)



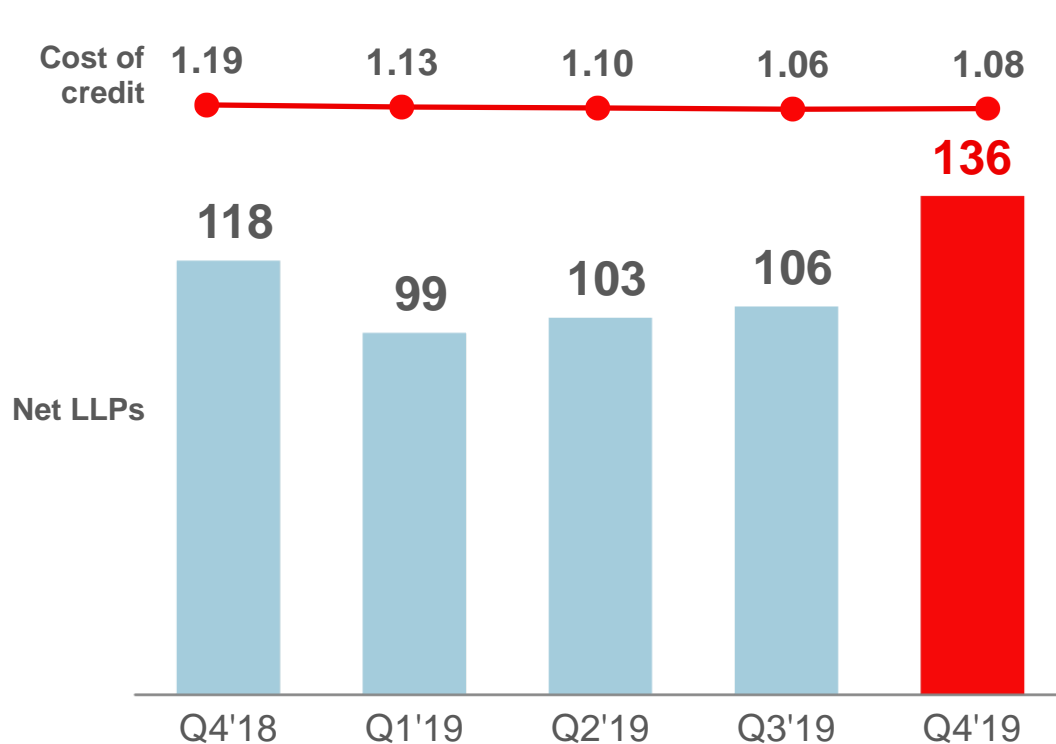
	2019	2018	YoY(%)	QoQ(%)
Operating expenses	1,031	1,009	2.2	0.7

Efficiency ratio	40.6%	41.3%
Branches (#)	375	381
Employees (#)	11,580	12,008



LLPs decreased 2.8% YoY with healthy asset quality with the NPL ratio and cost of credit improving YoY and a coverage ratio of 56%

LLPs and cost of credit (Constant EUR mn¹, %)

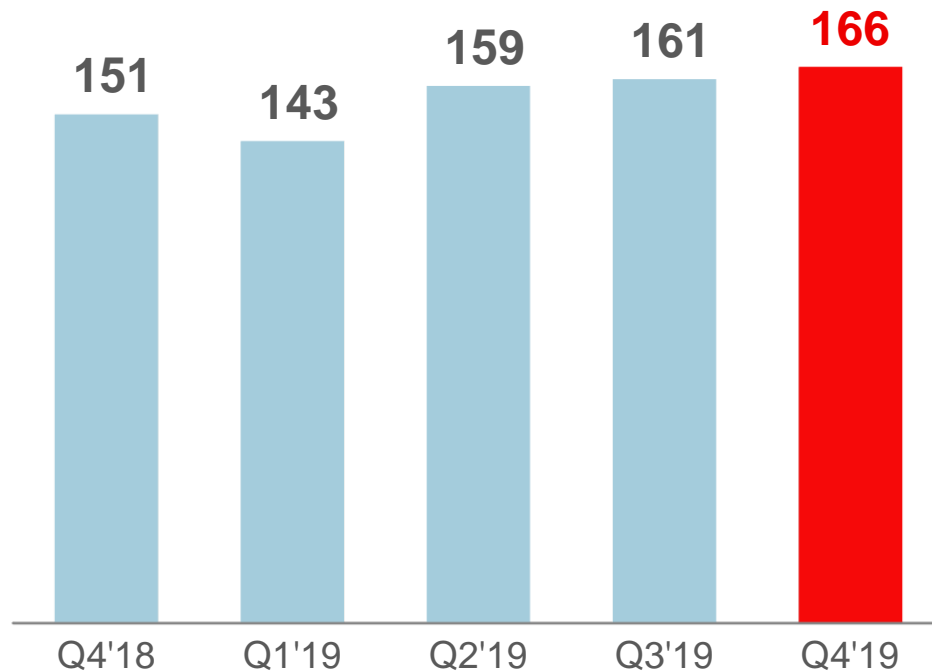


	2019	2018	YoY(%)	QoQ(%)
Net operating income	1,508	1,433	5.2	7.3
LLPs	(443)	(456)	-2.8	28.0
Net op. income after LLPS	1,065	980	9.0	-0.6
NPL ratio	4.64%	4.66%		
Coverage ratio	56%	61%		



Underlying profit up 6.8% YoY with an RoTE of 18%

Underlying profit (Constant EUR mn¹)



	2019	2018	YoY(%)	QoQ(%)
PBT	1,129	1,077	4.8	-1.2
Tax on profit	(210)	(211)	-0.5	-20.5
Consolidated profit	919	866	6.1	3.8
Underlying profit	630	590	6.8	3.0
Effective tax rate	18.6%	19.6%		



External and internal uncertainty affecting growth in 2019

Market Environment & Financial System

- ▶ Expectations for 2020 have been revised down due to macro environment uncertainty, with exports driving the economy.
- ▶ In Q4, inflation was 0.9%, reaching a total of 2.7% for the whole year.
- ▶ In September, the Central Bank reduced the short term interest rate again by 50 bps and by a further 25 bps in October. It is now expected to remain stable for the first half of 2020.

Strategy & Business

- ▶ *Life* and Superdigital are showing solid growth, helping to increase the customer base in these segments while containing risk.
- ▶ Loyal customers are growing at a healthy pace driven by significant improvements in customer service and digital offering. We achieved record growth in account openings this year and we are now #2 in NPS.
- ▶ Loans increased 8.1% YoY with loans to individuals rising 8.7%, with growth in the high income segment backed by a strong refinancings of mortgage loans.
- ▶ Total customer funds increased 12.2% YoY with demand deposits growing 18.5%, with increasing liquidity in the quarter.

Results

- ▶ Underlying profit grew 6.8% YoY driven by higher gains on financial transactions, stable asset quality, and costs under control.
- ▶ Expense growth of 2.2% YoY is in line with the technology development and innovations as well as new product launches in the year.
- ▶ Solid volume growth, customer satisfaction improvement and underlying profit growth. RoTE of 18.1% in 2019.

Appendix



04

Balance sheet



Constant EUR million ¹	31-Dec-19	31-Dec-18	Variation	
			Amount	%
Loans and advances to customers	38,584	35,620	2,964	8.3
Cash, central banks and credit institutions	7,557	3,990	3,567	89.4
Debt instruments	5,062	2,919	2,144	73.4
Other financial assets	7,856	2,973	4,883	164.2
Other asset accounts	3,091	2,336	754	32.3
Total assets	62,151	47,839	14,312	29.9
Customer deposits	27,344	24,345	3,000	12.3
Central banks and credit institutions	8,224	5,514	2,709	49.1
Marketable debt securities	10,722	9,215	1,508	16.4
Other financial liabilities	9,662	3,321	6,340	190.9
Other liabilities accounts	1,294	864	430	49.8
Total liabilities	57,246	43,259	13,987	32.3
Total equity	4,905	4,580	325	7.1
Other managed customer funds	10,149	9,126	1,023	11.2
Mutual funds	8,035	6,971	1,064	15.3
Pension funds	—	—	—	—
Managed portfolios	2,114	2,155	(42)	(1.9)

Income statement



Constant EUR million ¹	2019	2018	Variation	
			Amount	%
Net interest income	1,867	1,872	(5)	(0.3)
Net fee income	404	408	(4)	(0.9)
Gains (losses) on financial transactions	266	144	122	85.2
Other operating income	2	18	(16)	(87.3)
Total income	2,539	2,442	97	4.0
Operating expenses	(1,031)	(1,009)	(22)	2.2
Net operating income	1,508	1,433	75	5.2
Net loan-loss provisions	(443)	(456)	13	(2.8)
Other gains (losses) and provisions	63	99	(36)	(36.1)
Underlying profit before tax	1,129	1,077	52	4.8
Tax on profit	(210)	(211)	1	(0.5)
Underlying profit from continuing operations	919	866	53	6.1
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	919	866	53	6.1
Non-controlling interests	(289)	(276)	(13)	4.6
Underlying attributable profit to the parent	630	590	40	6.8

Income statement

Constant EUR million¹

	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
Net interest income	461	467	472	472	424	488	462	492
Net fee income	104	110	100	94	99	95	102	108
Gains (losses) on financial transactions	28	26	44	46	53	57	80	76
Other operating income	9	2	4	3	2	0	1	(1)
Total income	603	605	620	614	578	641	645	675
Operating expenses	(244)	(257)	(253)	(255)	(246)	(263)	(260)	(262)
Net operating income	359	348	367	359	332	378	385	413
Net loan-loss provisions	(114)	(108)	(115)	(118)	(99)	(103)	(106)	(136)
Other gains (losses) and provisions	20	30	19	30	36	(1)	15	13
Underlying profit before tax	265	270	271	271	269	274	294	291
Tax on profit	(56)	(52)	(55)	(48)	(58)	(42)	(61)	(48)
Underlying profit from continuing operations	209	218	216	223	211	232	233	242
Net profit from discontinued operations	—	—	—	—	—	—	—	—
Underlying consolidated profit	209	218	216	223	211	232	233	242
Non-controlling interests	(68)	(70)	(67)	(72)	(68)	(73)	(72)	(76)
Underlying attributable profit to the parent	141	148	149	151	143	159	161	166

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



FTSE4Good