Santander Chile

CONFERENCE CALL ON SANTANDER CHILE'S RESULTS FOR THE 3Q26

[Patricia Pérez:]

Good morning, everyone, and thank you for joining us today. I'm Patricia Pérez, CFO of Banco Santander Chile, and I'm joined by Cristián Vicuña, Head of Strategy and Investor Relations, and Andrés Sansone, Chief Economist. The third quarter confirms the resilience of our franchise. We delivered strong year-to-date profitability despite low inflation in the quarter, while maintaining disciplined cost management, stable capital and positive commercial momentum. Andrés will begin with an overview of the economic and regulatory environment. Cristián will then discuss our strategy, third-quarter results and initial guidance for 2027. We will conclude with a Q&A session. With that, let me turn it over to Andrés.

[Andrés Trautmann Buc:]

Thank you, Patricia. Let me start with the macro environment. The third quarter took place against a demanding external backdrop. The conflict in the Middle East kept energy prices high, particularly diesel, where refining capacity remains tight, while higher food and freight costs pushed up the price of imported goods. Major central banks maintained a restrictive bias, and global long-term rates rose: the 10-year US Treasury yield is up around 90 basis points this year, and local long-term rates moved in line. Even so, Chile's sovereign spread remained contained, and copper continued to provide important support to the external accounts. Domestically, activity has been weak throughout 2026, for two main reasons. First, mining fell to its lowest level since 1996 in August, due to lower ore grades, maintenance and weather. We now expect mining output to contract by 6–8% this year, against the 2% increase we expected at the start of the year, which explains 1.4 to 1.7 percentage points of the growth downgrade, including spillovers. Second, the oil shock passed through quickly to domestic fuel prices, reducing disposable income and weighing on expectations. Non-mining activity has remained broadly stagnant since the end of 2025, and the labour market has deteriorated. As a result, we expect flat GDP growth in 2026. For 2027, we expect a recovery to 3.5%, with investment as the main driver. Chile has not lost its productive capacity: the normalisation of mining and a low base alone should take growth above 2%. On top of that, the pipeline of large investment projects has been revised up for 2027 and 2028, and the Reconstruction Law should reinforce this through a lower corporate tax rate and faster permitting. We expect gross fixed capital formation to grow by more than 5%. Consumption should recover more gradually, as employment and real wages lag the recovery in activity. On inflation, annual CPI stood at 4.1% in September, while core inflation excluding volatile items eased to 3.2%, consistent with weak domestic demand. Higher fuel and food prices, together with a weaker peso, should lift headline inflation to around 5.5% by the end of 2026, before it returns to target during 2027. We expect the Monetary Policy Rate to remain at 4.5% throughout 2027. With inflation still elevated, there is little room for cuts, and risks are tilted towards a tighter path if the energy shock persists or inflation expectations drift away from 3%. Turning to the regulatory environment, the National Reconstruction and Economic and Social Development Law, Law No. 21,850, was published on 17 October 2026. Its measures will be phased in gradually between November 2026 and 2029. At its core is a tax agenda aimed at boosting investment, improving competitiveness and supporting the economic recovery. The corporate tax rate will be reduced gradually

from 27% to 25.5% in 2027, 24% in 2028 and 23% from 2029, and the tax system will be fully reintegrated from 2027, simplifying the tax structure and lowering the cost of capital. The law also streamlines permitting procedures, investment benefits, a property-tax exemption for senior citizens and a special fund to rebuild areas affected by the wildfires. Over time, these initiatives should contribute to higher private investment, improved business confidence, stronger economic activity and a recovery in commercial loan demand. For households, the first sale of new homes with final municipal approval will be exempt from VAT for twelve months from 1 December 2026. This should help absorb the existing housing stock of more than 100,000 new homes, support real-estate and construction activity and improve access to housing, creating a more supportive environment for mortgage origination. The mortgage interest-rate subsidy programme also continues to support housing demand. It offers a rate subsidy of up to 60 basis points, and together with the FOGAES state guarantee, the total reduction in the mortgage rate can reach up to 100 basis points. In 2026, the programme was expanded from 50,000 to 80,000 subsidies, and the maximum eligible home value was raised from 4,000 to 6,000 UF. According to the ABIF, as of 25 September 2026, 113,781 eligible applications had received commercial approval, and more than 33,000 mortgages had been granted. A second important development is the Capital Markets and Home Financing Reform, or MK4, which was sent to Congress on 9 September 2026. It includes more than 30 measures across four pillars: access to housing and savings, financing for companies of all sizes, modernising financial regulation and strengthening Chile as a regional financial centre. Key measures include FONAVI, a state-backed housing fund administered by Banco Estado. It would issue state-guaranteed bonds to buy mortgages of up to 6,000 UF, originated by banks through competitive tenders, with banks retaining servicing and a first-loss tranche. The bill also includes a voluntary housing savings scheme, in which the State adds 3% of the home's value for households that save 7%, and a Junior segment on the stock exchange for emerging and mining exploration companies. In addition, it eliminates the 4% withholding tax on interest paid to non-resident investors in qualifying fixed-income instruments, extends the stamp-tax exemption to funding from foreign banks, and allows insurance coverage to be incorporated into the framework for payment fraud. For banks, FONAVI could free up balance sheet and generate origination and servicing fees, although its final impact will depend on how the first-loss retention and capital treatment are calibrated. With that, let me hand over to Cristián.

[Cristián Vicuña:]

Thanks, Andrés. Let me take you through our strategy, how we performed in the third quarter of 2026 and a first look at what we expect for 2027. Our strategic ambition remains unchanged: to become a digital bank with a physical presence, combining scalable digital capabilities with the proximity and advice of our Work/Café network. Our strategy is organised around three pillars. Think Customer means offering the best value proposition across segments, attracting more customers, improving NPS and increasing share of wallet. Our ambition is to serve more than 3.5 million active customers, including 400 thousand SMEs. Think Global is about accelerating our digital transformation through global platforms and an AI-powered operating model. This enables a better digital experience, faster deployment of capabilities and greater productivity and efficiency. Think Value focuses on converting our customer franchise and efficient operating model into strong, sustainable returns. We continue to prioritise high-quality revenues, recurring income streams, trading capabilities, long-term ROE above 20% and a dividend payout of 60% to 70%. Furthermore in September we announced our investment plan for the next 3 years for US$ 450 million for technology and branch renewal. This will allow for a deeper use of technology and data to improve the customer experience and simplify processes as well as the continued evolution of our branch network and work cafés. This strategy is supported by five complementary global business lines: Retail and Commercial, Corporate and Investment Banking, Wealth Management and Insurance, Consumer

Banking, and Payments through Getnet. Retail and Commercial remains the core of our franchise. Our focus is on simplifying products and processes, while continuing to scale our Work/Café model. Corporate and Investment Banking adds strength in advisory, FX and transactional banking capabilities, with a clear focus on sustainable solutions and capital optimization. Wealth Management and Insurance strengthens our advisory-led model, renews our private banking proposition and reinforces our position in insurance and mutual funds. Consumer Banking supports our leadership in auto financing, including new and electric vehicles, while also expanding our presence in used-car financing. And through Getnet, our Payments business is helping us reach new client segments with value-added services and simple bundled solutions. Retail, which includes the bulk of our individual clients, remains the backbone of the balance sheet, representing 66% of loans, 48% of deposits and 69% of margin. At the same time, we have meaningful contributions from CIB, Payments, Wealth into the fee business. The diversified mix, combined with AI-enabled global platforms, reinforces scale, efficiency and revenue diversification. Our progress continues to receive external recognition. Euromoney named us Best Bank in Chile, Best Bank for ESG and Best Bank for SMEs in 2026. We were also recognised as Bank of the Year in Chile by LatinFinance and Best Bank in Chile by The Banker for 2025, while Global Finance named us Best Bank for SMEs in 2025. Our annual report was recognised as the best among MSCI Nuam Index companies in Chile, Peru and Colombia. In sustainability, our MSCI ESG rating improved to AAA, we remain the first Chilean bank included in the Dow Jones Best-in-Class World Index, and Sustainalytics continues to classify us as low risk. Santander Arena has been another milestone this year. Since September 2026, our brand has held the naming rights to Chile's 15,000-seat arena at Parque O'Higgins. This strengthens brand visibility and creates additional opportunities to connect customers with our payments and digital ecosystem. Let me now turn to profitability and returns. For the first nine months, attributable net income reached Ch$892.8 billion, increasing 12% year-on-year. ROAE was 19.1% in the quarter and 24.5% year-to-date. Net income attributable to shareholders reached Ch$237.1 billion in the third quarter. This was 38% lower quarter-on-quarter, reflecting the normalisation of inflation after the exceptionally high UF variation in the second quarter, and 4% lower year-on-year. So, even with quarterly UF variation of only 0.58%, the Bank maintained solid profitability, while year-to-date returns remained above our target. On the balance sheet, this was a very encouraging quarter. After several periods of subdued loan growth, lending picked up, led by commercial and auto loans, while customer funds grew even faster. Total loans, which include our loan book at amortized cost and at fair value through OCI, reached Ch$42.8 trillion, up 2.3% quarter-on-quarter and 3.9% year-to-date. The highlight was commercial lending, which grew 4.0% in the quarter and 5.2% year-to-date, a clear sign that business demand is picking up. Mortgages grew 1.8% in the quarter and 4.5% year-to-date while auto loans also kept up their good momentum, rising 1.3% quarter-on-quarter and 6.3% year-to-date. In consumer lending, instalment loans grew 1.0%, while total consumer loans eased 0.5% quarter-on-quarter, mainly reflecting a 3.5% reduction in credit-card balances. On the funding side, deposits grew faster than loans, reflecting healthy customer dynamics. Total deposits reached Ch$33.3 trillion, up 2.8% quarter-on-quarter and 9.0% year-to-date, driven by 5.6% growth in time deposits, while demand deposits declined slightly 0.8%. Mutual funds also performed strongly, reaching Ch$16.8 trillion, up 5.5% quarter-on-quarter and 15.5% year-to-date. As a result, total customer funds reached Ch$50.1 trillion, increasing 3.7% in the quarter, and 11.1% over the last year. Liquidity remains strong, with a Liquidity coverage ratio of 172% and a Net Stable Funding Ratio of 117%, both well above the regulatory minimum of 100%. Turning to net interest income and margins, year-to-date NIM remained strong at 4.1%, 10 basis points higher year-on-year. During the first nine months, net income from interest and readjustments reached Ch$1.62 trillion, increasing 7.0% year-on-year. Net interest income grew 4.5%, while net readjustment income increased 21.8%. We can see here on the graph on the left how our NIM follows the path of inflation. Quarter-on-quarter, net income from interest and readjustments declined 18.1%, mainly reflecting the normalisation of UF variation from 2.46% in the second quarter to 0.58% in the third quarter. Quarterly NIM consequently declined from 4.7% to 3.8%. Overall, the Bank preserved a solid 4.1% year-to-date NIM despite substantial quarterly volatility in

inflation. Looking at the second graph, we can see how the mix of our funding has been improving with a 5.5% year-on-year increase in our demand deposits that do not pay any interest, and a 19.9% in our time deposits that pay the monetary policy rate minus a spread. Meanwhile we have been reducing our bond portfolio, where the majority is in UF with a longer duration. This is in response to our inflation expectations and also the parts of our loan book where we expect to see stronger growth in the near future. On slide 14, customer acquisition remained positive, although slower transactionality at this point in the cycle temporarily affected fee growth. We reached 4.9 million total clients and 2.7 million active clients. Total customers increased 7% year-on-year and active customers increased 2%, with 55% of total clients now active. Checking accounts increased 5% year-on-year, credit-card transactions rose 7% and mutual-fund assets under management increased 10.1%. We also had 378 thousand business current accounts. Year-to-date fees totalled Ch$422.0 billion, decreasing 3.3% year-on-year. Asset management and insurance fees grew 13.0%, partially offsetting weaker payments and card fees. Results from financial transactions reached Ch$216.8 billion, up 0.6% year-on-year. In the quarter, fees declined 7.7% and results from financial transactions decreased 13.2%, reflecting softer transactionality with more competition in the payments market and a more moderate market environment. Efficiency continues to be a clear competitive strength. Our efficiency ratio was 33.0% year-to-date, 290 basis points better than a year ago, and the Bank remained the most efficient in Chile based on industry figures available as of August 2026. Operating expenses decreased 4.2% year-on-year, while core expenses declined 1.3%. Personnel expenses increased 3.4%, but this was more than offset by a 5.5% reduction in administrative expenses and lower other operating expenses. As a reminder, in 2025, we migrated our legacy core servers to cloud servers and so our administrative expenses were inflated in the first semester of 2025, with both servers running in parallel. Our recurrence ratio was 60.8%, meaning that fees generated from clients represented more than 60% of core expenses. Our branch network now totals 219 locations, including 94 Work/Cafés, 115 traditional branches and 10 other locations. This reflects the continued transformation of our distribution model. On asset quality on slide 16, cost of risk remained stable with year-to-date cost of risk at 1.42%, compared with 1.39% in the same period last year. During 2026, risk levels have shown a trend toward normalization, although with some isolated cases in the commercial loan portfolio. Following the increase in non-performing loans and impaired portfolios observed in previous years, in a context of lower economic activity and a weakening labor market, asset quality indicators have begun to stabilize, with the NPL ratio at 3.5% and the impaired ratio at 7.4%. Capital remains stable, and the regulatory environment is evolving positively. Our capital adequacy stood at 16.3% and CET1 at 10.9% as of September 2026. This includes a provision for distributing 70% of 2026 earnings as dividends. CET1 remained above the 2026 minimum requirement of 9.08%. Risk-weighted assets were concentrated 70% in credit risk, 18% in market risk and 12% in operational risk, with an RWA density of 58%. The new regulatory model for market-risk weighted assets was published in the third quarter. Banks may opt to use the duration model for interest-rate risk, and we estimate a positive impact from the new framework. Looking ahead, we are also monitoring the regulation for internal credit-risk models and potential changes to D-SIB charges under the MK4 reform. To conclude, let me present our expectations the coming periods. Firstly we reaffirm our guidance of an ROAE of more than 24% for 2026. This incorporates the one-off expense related to the revaluation of our deferred tax assets due to the upcoming changes in the corporate tax rate, where we expect to incur an expense of around Ch$ 40 bn. With a ROAE YTD of 24.5%, we are confident of reaching our target. For 2027, we assume a GDP growth of 3.5% and UF variation of 3.1%, which the Monetary Policy Rate should remain at 4.5%. Against that backdrop, we expect loan growth of 6% to 7%, driven by commercial lending, where we have already begun to see incipient signs of a reactivation of demand. With the normalized inflation environment we should see a NIM of around 4.0%. Non-interest income should grow in the mid- to high-single digits and we expect efficiency to remain in the low 30s with a stable cost of risk. This should lead to an ROAE of between 22% and 24% for 2027. The main drivers are a more supportive growth environment, improving commercial demand, a diversified revenue base and continued operating discipline. At the same time, we

will maintain a prudent approach to risk and capital allocation. With that, I will conclude the presentation. Thank you very much for your attention, and we will now be happy to take your questions.

[Moderator:]

Thank you. We'll now move to the question and answer section. If you'd like to ask a question, please press star two on your phone and wait to be prompted. If you are dialed in by the web, you can also request to ask a voice question. We'll just wait a moment or two for the questions to come in. Our first question comes from Daniel Ardila from Credicorp Capital. Your line is open. Please go ahead.

[Daniel Ardila:]

Hi, good morning, and thank you for the presentation. I have a couple of questions. The first one is regarding loan growth. You have lost market share on a year-to-date basis. What has driven this performance, and how should we think about loan growth going forward? Do you expect to regain market share, or will competitive pressures keep grow broadly in line with the industry level? That would be my first question. And the second one is regarding fees and get net. So, fees have declined sequentially again, and mainly due to payments and get net. Can you please elaborate a little bit more on the competitive environment of this industry? If you think that competition has stabilized, or should we expect further pressures in the coming quarters for payment fees? Thank you so much.

[Cristián Vicuña:]

Hi, Daniel. Thank you for your questions. I will pass the word to Patricia for the loan growth expectations, and I'll take the fee question.

[Patricia Pérez:]

Thanks, Daniel, for your question. Regarding loan growth, as Cristián already mentioned in the presentation, we are already started to see early signs of the lending recovery. We have been discussing throughout the year. As we mentioned, loan growth grew during the quarter 2.3%, with the commercial loans leading that improvement, increasing 4% during the quarter and 5.2% year-to-date. Mortgages have been growing as well above inflation, and on the commercial side, commercial lending, consumer, sorry, remains the weaker part of the portfolio. In that sense, auto loans is the outlier, right, with a strong performance during the year, with an improvement of 6.3% year-to-date. This is consistent with our view of a gradual and sequential recovery of the loan growth. Going forward, we are expecting the same trend with commercial lending leading that improvement, right? So, as we already shown, we are expecting mid to high single digits in terms of loan growth for next year, in line with the recovery of the economy for next year.

[Cristián Vicuña:]

Yeah. To complement a bit, we saw a milder first half of this year, which was expected, and we're seeing a final part of the year with stronger dynamics, with what was also the path that we were seeing for the year. So, all in all, we have increased the distance with our most- ... closer peer. So I think the first position in the Chilean industry is still safely on our side. So regarding the fees, what we're seeing is a weakness that is concentrated in specific transactional categories related to the payment business. So the two main things that are not performing as expected this year are the card business, where we saw quite an impact of the high oil prices in consumer demand and domestic demand in Chile, linked also to a weaker labor market, right? And the second part is a very intense competition in the acquiring business, mostly from the large incumbent and the newcomers that we are seeing. So there is a price competition happening, and at the same time that there is also a customer competition happening, right? So, we are optimistic on the positioning of Getnet in this environment. We have nearly 300,000 POSs and above 240,000 merchants. And we think that most of the impact we are seeing, it's going to not be present next year. So with all that, we are still seeing good dynamics in the wealth management and insurance and the cash management and advisory businesses that provide us with a good backbone for the expectations for next year, right? To give you an example, asset management and insurance have increased 7% in the third quarter and 4% Q on Q, and current account and collection fees are growing 3.4% year over year in the third quarter. So we're guiding mid to high single-digit growth for next year in fees plus financial transactions. Hope this gives you a little bit of flavor here.

[Daniel Ardila:]

Perfect. Thank you. Very clear. If I may, yeah, just one follow-up question regarding loan growth. Beyond the guidance that you already provide, I would like to understand the competitive landscape. You're mentioning that especially commercial loan growth has started to pick up, but I would like to understand if we are going to see an industry in which there's growth for every bank in the industry, or should we see a lot of competitive pressures in tickets and resulting in that, we could see pressures in margins or spreads in that loan growth?

[Cristián Vicuña:]

So, that's the scenario that we have been seeing for the last two years, right? So little demand and very tight spreads, especially in the best names, right? So the competition is already there. What we are seeing for next year is that the picking up of the economy dynamics and the implementation of all the stockpile of projects that Andrés commented in the macro view will create relevant demand from the commercial portfolio. And I think that there's going to be enough for the full industry to grow. So we expect a slightly reduced competition to what we have been seeing in the last two years.

[Daniel Ardila:]

Perfect. Thank you so much. Very clear. Thank you.

[Moderator:]

Thank you very much. Our next question comes from Neha Agarwala from HSBC. Your line is open. Please go ahead.

[Neha Agarwala:]

Hi. Thank you for taking my question. Just wanted to check on, it's good to get a very strong guidance for '27. What are the key areas of risk, downside risk that you, in your view, you see for 2027? And what could be the catalyst for providing upside to the numbers that you already have stated? So just wanted to understand both the upside and downside risk that you have in mind as you give your 2027 guidance. Thank you.

[Cristián Vicuña:]

Hi, Neha. Thank you for your question and comments. So in general terms, the main sources of risks that we are seeing in the last year and that we are expecting also to be the case for next year are coming from the external scenario, right? So the uncertainty that was created in the market dynamics because of high oil prices are things to monitor. Also, the long-term levels of rates from the international environment is also something that it's a risk scenario. The other things that we are seeing as increasing sources of uncertainty are the effects of the El Niño... in the Chilean economy. So we have seen a very abnormal distribution of the rains in the geography and in the different seasons. And the other things that I think are potential upside risks are coming from the pickup of the economy. So we're guiding a 3.5 GDP expansion and a 6 to 7% loan growth environment. But if the mortgage and real estate markets start gaining early traction and the effects of the reforms that the government has already approved and is discussing in Congress start picking up some momentum, there could be a case for stronger growth and a better loan expansion for the industry. So I believe that those are the alternative or the best scenarios that we are not incorporating in our initial guidance.

[Neha Agarwala:]

Very helpful. Thank you so much for that. Any update on any regulatory changes that we should note for 2027 that could impact the numbers?

[Cristián Vicuña:]

So far, there's already in the numbers the reduction in the corporate rate. We also commented on the changes that have already been made into the risk-weighted assets market risk. That's going to be positive for our capital, and we expect the changes to be implemented potentially in the first months of next year. There's the discussion on the capital markets reform that Andrés discussed. There are some interesting things that are aimed towards the financial markets. I believe that the reduction of the stamp tax and duties on overseas issuances from financial corporations could provide a boost for the industry. And, well, there's also this discussion on the reform package to foster the mortgage market and the first home ownership that the government is pushing for, but that is yet to be finished in Congress, so we are not quite certain yet on the final details on how that is going to impact us.

[Neha Agarwala:]

Thank you so much.

[Moderator:]

Thank you. Our next question comes from Juliana Ohara from Goldman Sachs. Your line is open. Please go ahead.

[Juliana Ohara:]

Hi, everyone. Good morning, and thank you for taking my question. I just have two follow-ups. The first one is, I believe the last sensitivity you gave for inflation was a 15 bps impact in the NIM for every 100 bps change in inflation. But next year, you're guiding for only a 10 bps change in NIM, if I'm not mistaken, but a much lower inflation. So I was wondering if you could share the updated sensitivity and what you're seeing as the offsets for keeping the NIM at a higher place. And also, I was wondering if you could share what you're seeing for the tax rate next year, because you already have a lower tax rate than the tax reform presents, and if you can already quantify what would the impact be if you need to charge a one-off impact next quarter. Thank you.

[Patricia Pérez:]

Thanks for your question, Juliana. Regarding NIM and inflation sensitivity, during this year, we have had a US gap position of around 8 billion dollars. And for next year, we are aiming more or less the same sensitivity or the same position, right? So, the sensitivity for next year will keep being 15 basis points to 100 basis point of inflation movement. So, the driver that improves the NIM to 4%, given the lower inflation we are expecting for next year, is the loan growth, right? So, for next year, we are expecting mid to high single digits. This year will be roughly 4 to 5%. So, that is the main driver for the improvement, assuming monetary policy that remains stable at 4.5%, as Andrés already discussed.

[Cristián Vicuña:]

And regarding the tax question, so the first part of the question was how it's going to be the impact of the reduction in the corporate tax rate for next year. So, the statutory tax rate decreases from 27% to 25.5% next year. So, on the one hand, we'll have a positive impact because of the lower corporate tax rate. At the same time, we're expecting a slightly milder inflation scenario for next year. So, for next year, we're expecting that the net effects are pretty much countered between those two. So, we should remain at the levels similar to what we are currently delivering, or slightly higher, but not something very material. In the long run, when all the effects are accounted for and the corporate tax rate reduces to 23%, in normal 3% year scenarios, we should be on the high teens of effective tax rate for the bank. And regarding the impact of this corporate tax rate in the fourth quarter financials, we are going to be seeing in October a one-time non-cash accounting effect of approximately 40 billion pesos in P&L in the tax line, and a little

change of about 5 billion pesos in other comprehensive income, and that's going to take place this month. So, over the long term, of course, the lower tax rate is a positive for earnings and consistent with the pro-investment agenda of the reform. But because we have a relevant position in terms of deferred tax assets, we need to reassess the net present value of those tax assets with the path of corporate tax rate reductions that we're seeing, and that's what's going to impact this fourth quarter. Let me reinforce here that this is a non-cash accounting effect.

[Juliana Ohara:]

Super clear. Thank you. I just have one follow-up, maybe for Patricia on the NIM. So, but I was just wondering if even with the loan growth, given the loan growth should be stronger with corporate loans that usually carry a lower spread, do you think that would present some additional pressures to the NIM?

[Patricia Pérez:]

I mean, the growth that we are targeting for next year is quite balanced between corporate, commercial, considering the whole part of those segments, medium to large companies and mortgages in the individual part. We think that it's enough to offset the potential drag in inflation for next year.

[Cristián Vicuña:]

Part of the better performance in NIM that we have been delivering this year is because of the improvement that we've been able to implement in the funding side, right? So, if you look at the year-over-year growth of our demand deposits, it has been 5.5%. So, that's been stronger than our loan growth. And also, at the same time, there has been an uptick in the time deposit portfolio at the expense of the bond portfolio, which tends to be slightly more expensive in terms of rates. So, all in all, there has been a better performance of the funding side that's allowing us to sustain the interest margins.

[Patricia Pérez:]

And just to complement, liquidity ratios remain quite above the minimum. So, we have an LCR as of September 26 of 172% and an NSFR of almost 117. So, we have room for improving and optimizing our funding mix within the balance sheet.

[Juliana Ohara:]

Got it. Super clear. Thank you so much.

[Moderator:]

Thank you. Just a reminder, if you'd like to ask a question, please press star two on your phone and wait to be prompted. If you are dialed in by the web, you can also request to ask a voice question. Our next question comes from Yuri Fernandes from JP Morgan. Your line is open. Please go ahead.

[Yuri Fernandes:]

Hey, guys. Thank you very much. Hi, Andrés, Patricia, Cristián. I have one on the guidance also on cost of risk being stable. I think stable means maybe the 1.4, right, that we are seeing now, around the 1.4. My question is, what is driving that? Because the economy looks better, right? The GDP, as you put out, like three and a half, inflation is moving lower. So, my question is, are you being conservative on your cost of risk, or is this just you, I don't know, increasing the coverage back to a higher level than the levels we are seeing on the coverage ratio now, and then you are just building more provisions? Or no, you still have some impaired loans for you to provision? Just trying to understand, because I know 1.4, 1.3, like those levels of cost of risk, for historical standards, they look a little bit higher than the numbers you used to have in the past. So, just trying to understand if this is maybe a potential upside risk for your thesis. Thank you.

[Cristián Vicuña:]

Thank you, Yuri, for the question. No, we're not seeing a potential upward risk. We're being, if you ask me, a bit on the more conservative side. We haven't seen any sector-specific problems. It's more the story this year has been some additional provisioning on names that we haven't already seen struggling. But all in all, I'll say that when you compare our positioning of the balance sheet to what we had some years ago, to your point, there is a more retail portfolio that will structurally demand some slightly higher cost of risk. So, we don't see going back to levels of 1.1s, so maybe 1.2s in the long run. I think that's the area where we are aiming for. We tend to expect some improvement in NPLs next year, but we are still thinking of a 1.35 to 1.4 area, which is where we have been in the last two to three quarters, on average.

[Yuri Fernandes:]

No, super clear. Thank you, Cristián.

[Moderator:]

Thank you very much. Just a final reminder, if you'd like to ask a question, please press star 2 on your phone and wait to be prompted. If you are dialing by the web, you can also request to ask a voice question. We'll just wait a moment or two for more questions to come in. I'm not seeing any more questions, so perhaps I can hand it back to the Santander Chile team for the closing remarks.

[Patricia Pérez:]

Thank you all very much for taking the time to participate in today's call. We look forward to speaking with you again soon.

[Cristián Vicuña:]

Thank you, everybody.

[Moderator:]

That's all for today. Thank you, and have a nice day.