

Banco Santander Chile

Solid business and client profitability trends

January 31st, 2016

Simple | Personal | Fair



Important information

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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 2015 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

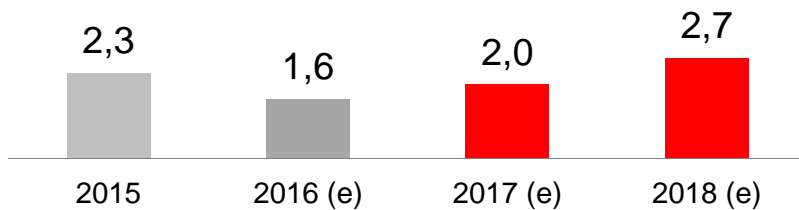
- **Macro-economic environment and financial system**
- **Strategy and results**
- **Outlook**

Macroeconomic environment

GDP growth expectations rise for 2017 and 2018

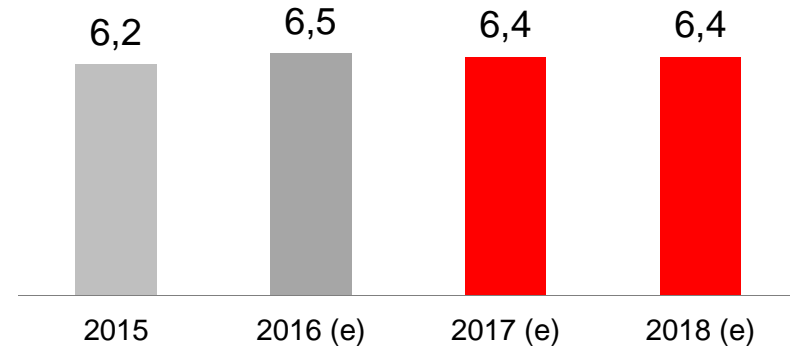
GDP

YoY real growth, %



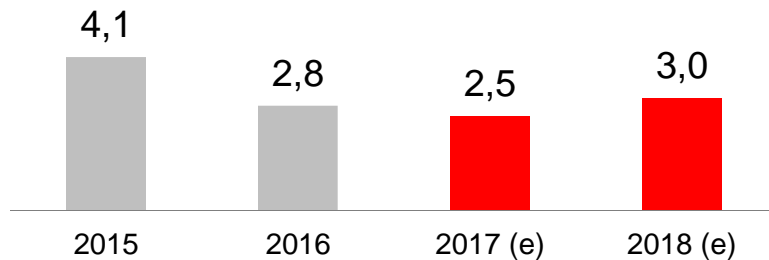
Unemployment

% of workforce, %



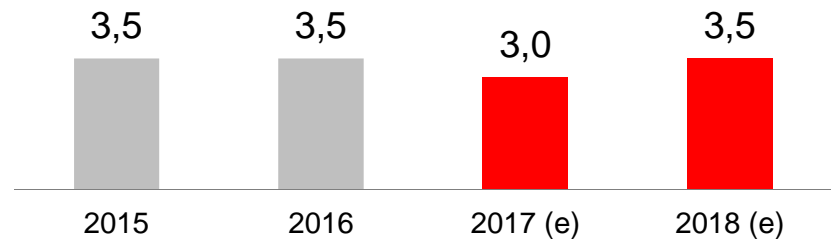
Inflation

Annual change in UF inflation, %



Central Bank ST Reference Rate

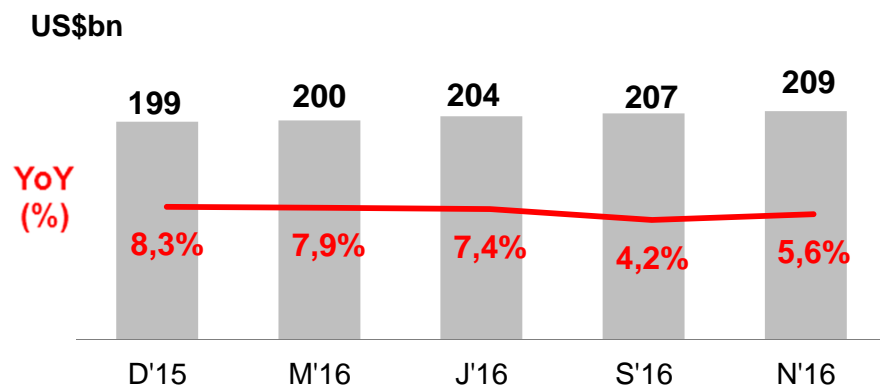
%



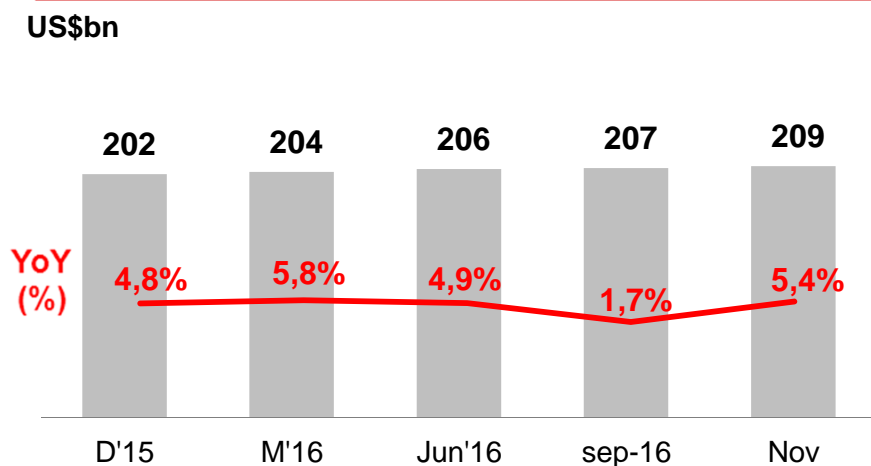
Financial system: loan and deposit growth

Loan growth bolstered by non-mining sectors and consumption

Total Loans¹



Customer funds^{1,2}



Growth by sectors (YoY growth, %)³

Sector	2016e	2017e
Agro / Fishing	3.5	4.1
Transportation	4.2	4.0
Commerce	3.9	4.0
Public adm.	3.5	2.9
Services	2.7	2.6
Utilities	2.1	2.2
Communications	0.6	2.0
Manufacturing	-1	0.5
Construction	-0.5	-0.9
GDP ex-mining	2.2	2.2
Mining	-2.8	1.2
GDP	1.6	2.0

The recent strength in copper prices may result in upside potential to our 2017 GDP forecast

Agenda

- **Macro-economic environment and financial system**

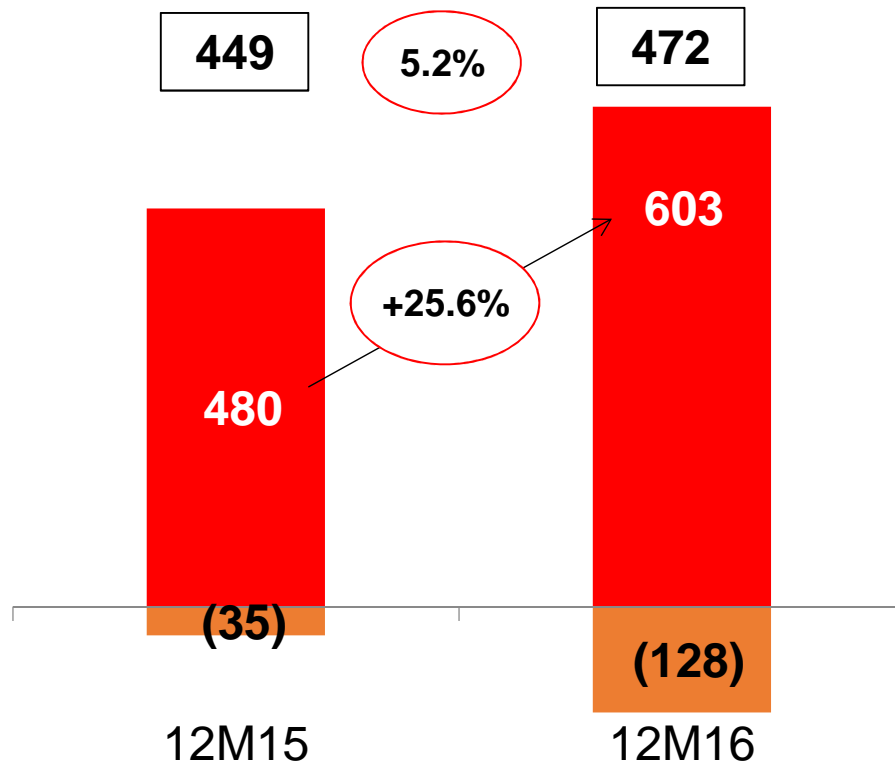
- **Strategy and results**

- **Outlook**

Strategy and results

Stronger Client contribution driving profitability, in line with our strategy

Net income 12M16 / 12M15, Ch\$bn



- Positive core revenue growth in all segments
- Non-client income negatively affected by lower inflation & higher tax rate

- Non-client income**
- Business segment net contribution*

ROE in 12M16 reached 17.1%, in line with guidance despite lower inflation

* Net interest income + Net fee and commission income + Financial transactions, net - Provision expense – Operating expenses from our reporting segments.

** Non-client income includes mainly the results from our Corporate Center, Financial Management and tax.

Strategy and results

4 objectives for healthy growth / higher profitability

I. Focusing growth on segments with the highest contribution, net of risk...



II. ... by increasing client loyalty through an improved client experience and quality of service



III. Deepening ongoing commercial transformation by expanding digital banking capabilities

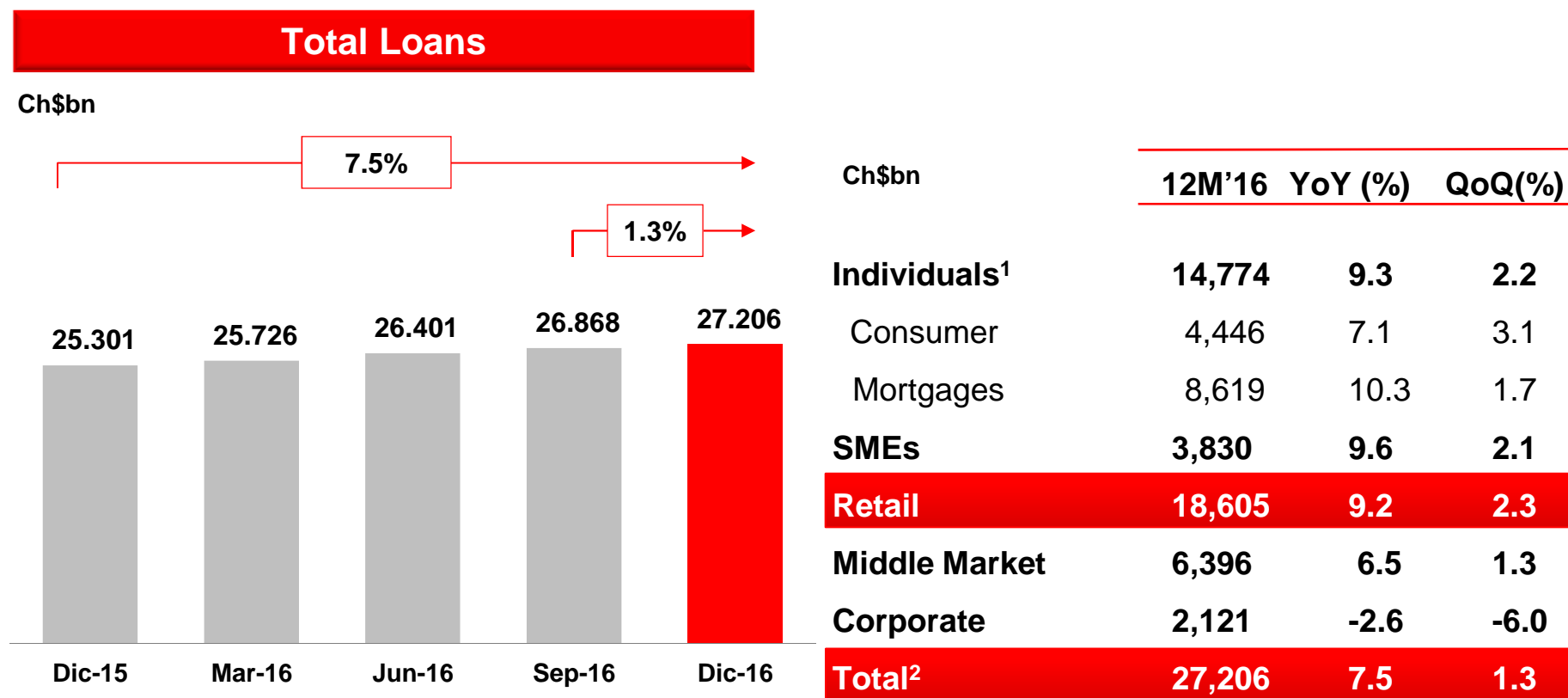


IV. Optimizing profitability and capital use to increase shareholder value in time



Strategy: I. Growth focused on segments with highest contribution, net of risk

Loans grow 7.5% YoY, with retail loans expending 9.2%



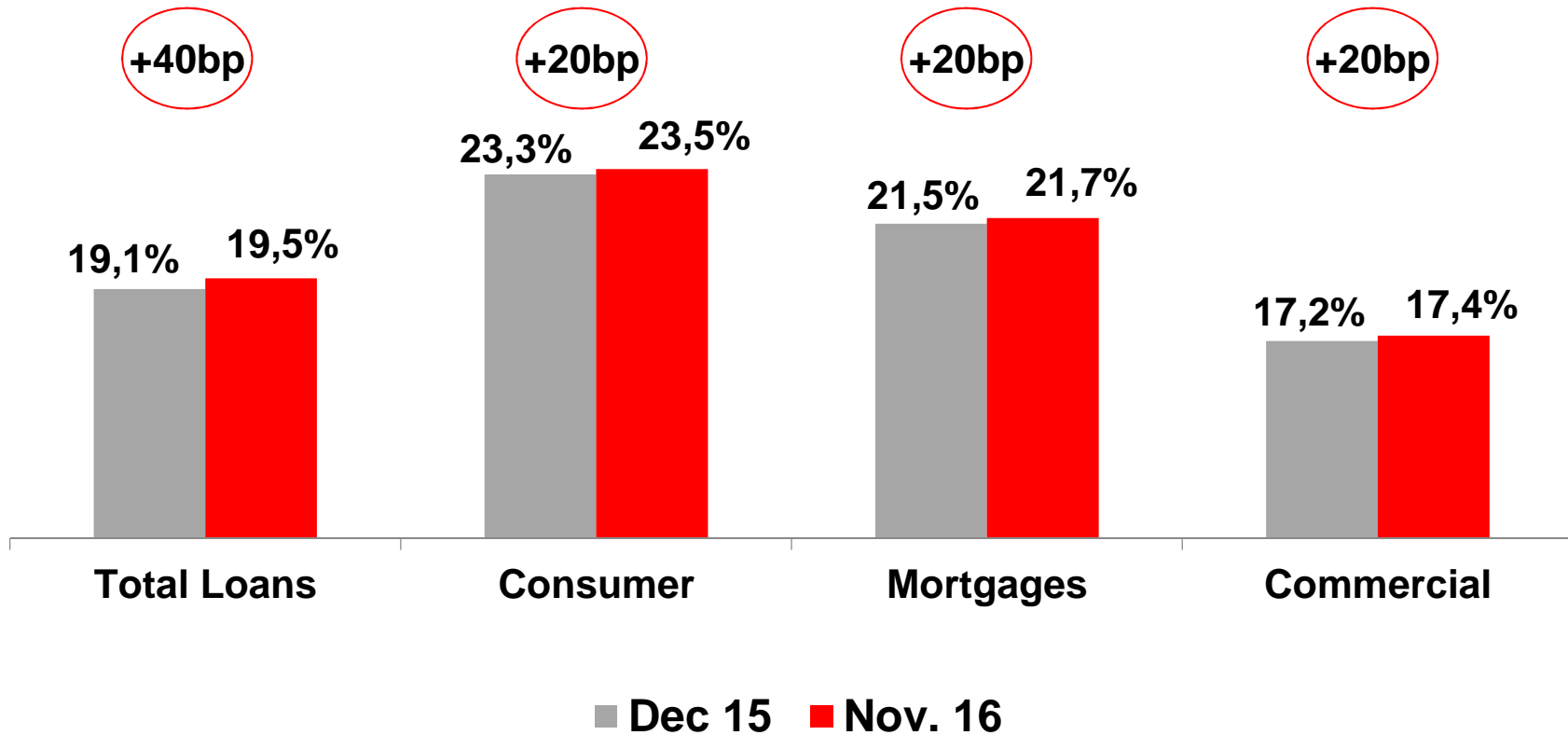
Consumer loan growth accelerates in the quarter

Strategy: I. Growth focused on segments with highest contribution, net of risk

Gaining market share in all loan categories

Banco Santander Chile's market share

Loans market share (%)

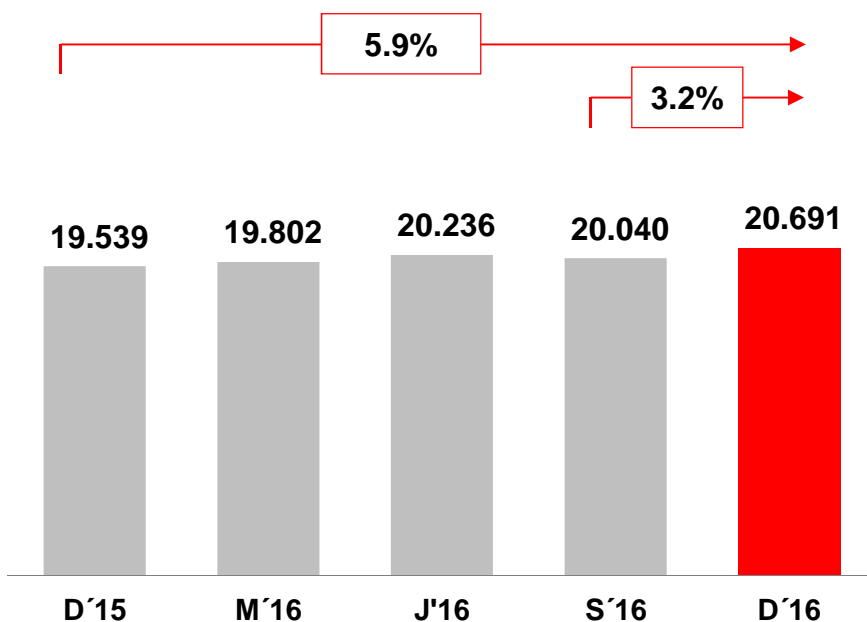


Strategy: I. Growth focused on segments with highest contribution, net of risk

Non-interest bearing demand deposits increase 9.1% QoQ

Total Deposits

Ch\$bn



Ch\$bn

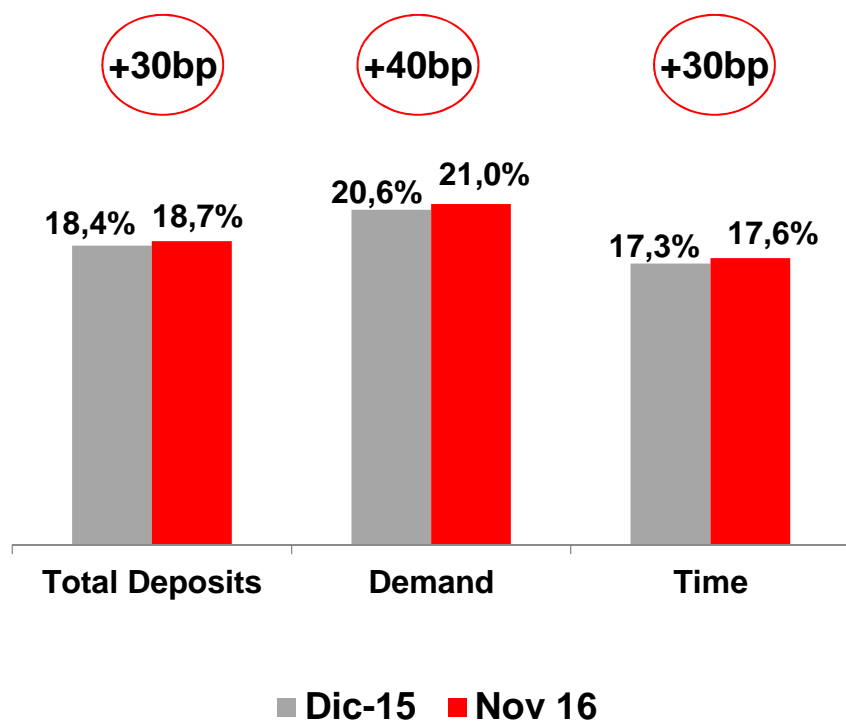
	12M'16	YoY(%)	QoQ(%)
Demand	7,539	2.5	9.1
Time	13,152	8.0	0.2
Total deposits	20,691	5.9	3.2
Mutual funds¹	5,026	11.4	-4.6
Customer funds	25,717	6.9	1.6
Loan to deposit²	98.5%		

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

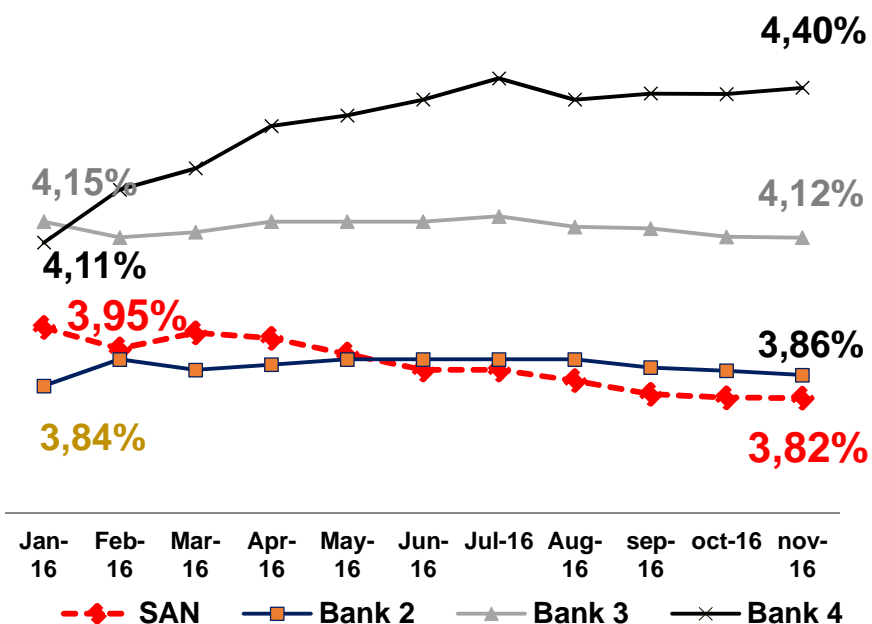
Strategy: I. Growth focused on segments with highest contribution, net of risk

Gaining market share in deposits while improving funding costs

Total deposits market share (%)



YTD CLP time deposit cost²

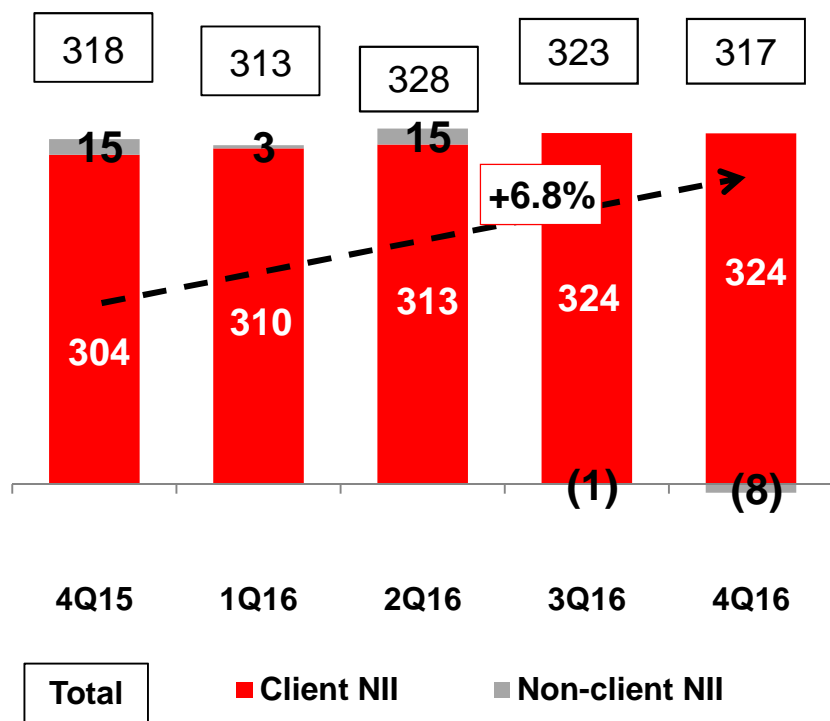


Strategy: I. Growth focused on segments with highest contribution, net of risk

Client NII rises 6.8% YoY. Lower inflation lowers total NIM

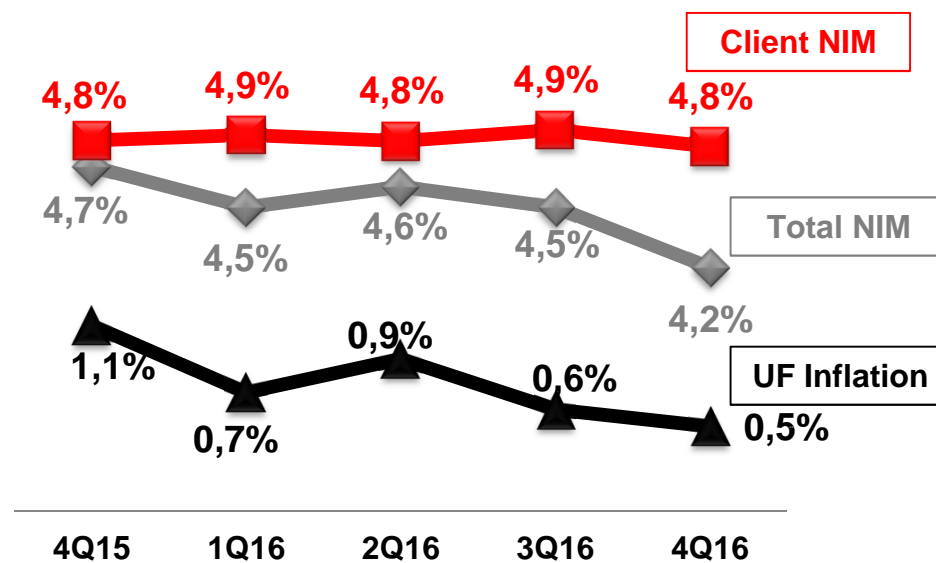
Client and total net interest income¹

Ch\$bn



NIM & Client NIM

Net Interest Margin (NIM), %



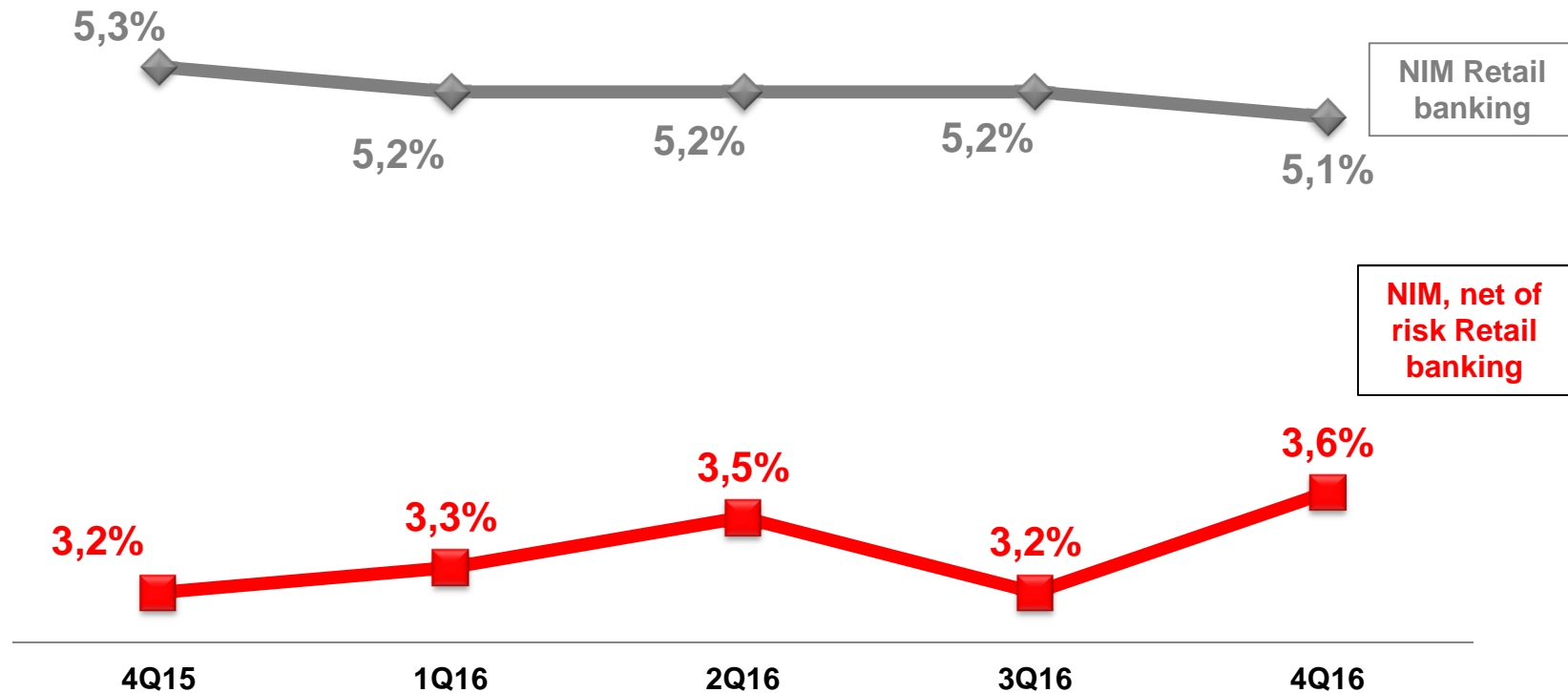
Rate cuts in 2017 should help to stabilize NIMs in 2017

1. Client Net interest income (NII) is NII from Retail, Middle-market and GCB segments Non-client NII is NII mainly from the Bank's ALCO positions and includes the effects of inflation on the Bank's NII

Strategy: I. Growth focused on segments with highest contribution, net of risk

Retail NIMs, net of risk should continue to improve in 2017

Retail: NIM and NIM net of provisions¹

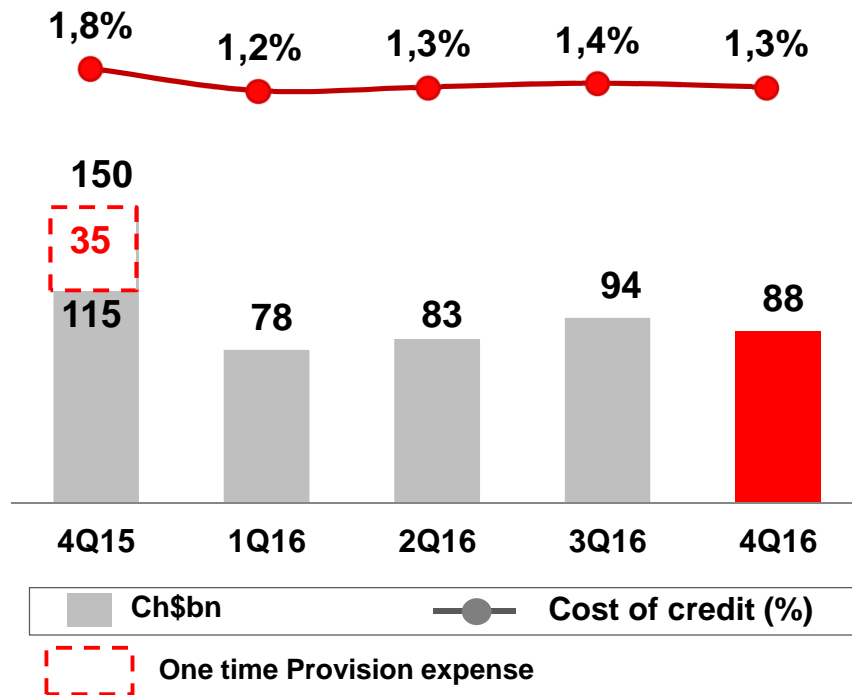


Strategy: I. Growth focused on segments with highest contribution, net of risk

Stable asset quality metrics...

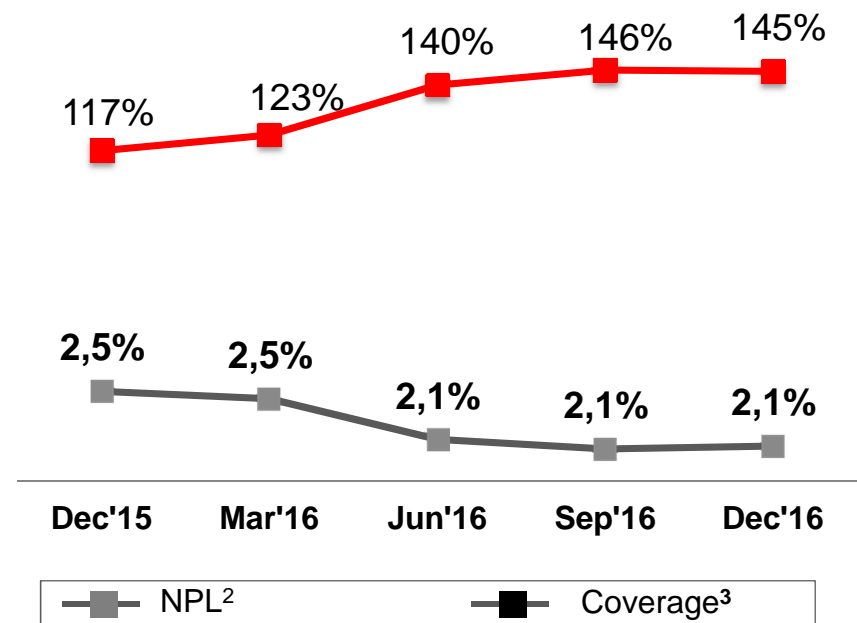
Provision expense & cost of credit¹

Ch\$bn



NPL and coverage ratio

% of loans

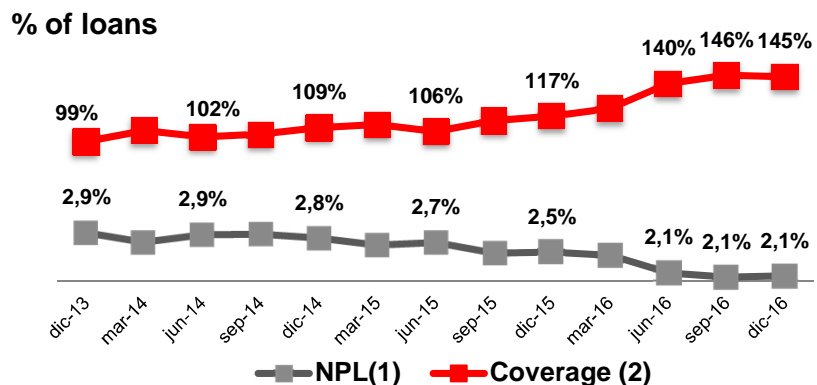


1. Annualized quarterly provisions expense/total loans. 4Q15 excludes the one-time provision of Ch\$35bn 2. 90 days or more NPLs 3. Loan loss reserves over NPLs.

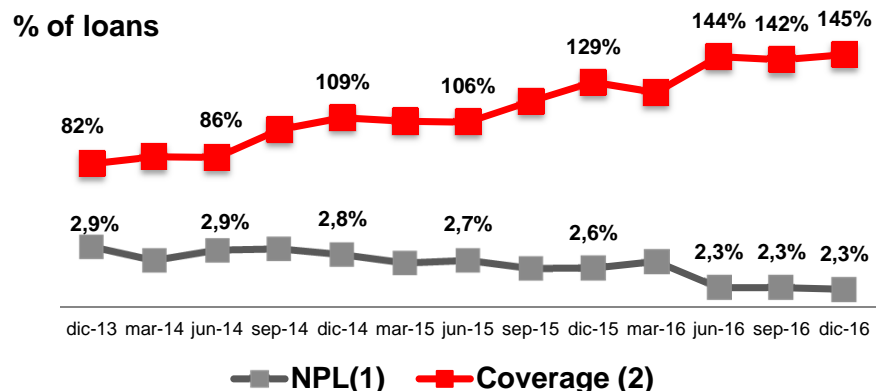
Strategy: I. Growth focused on segments with highest contribution, net of risk

... observable in most products

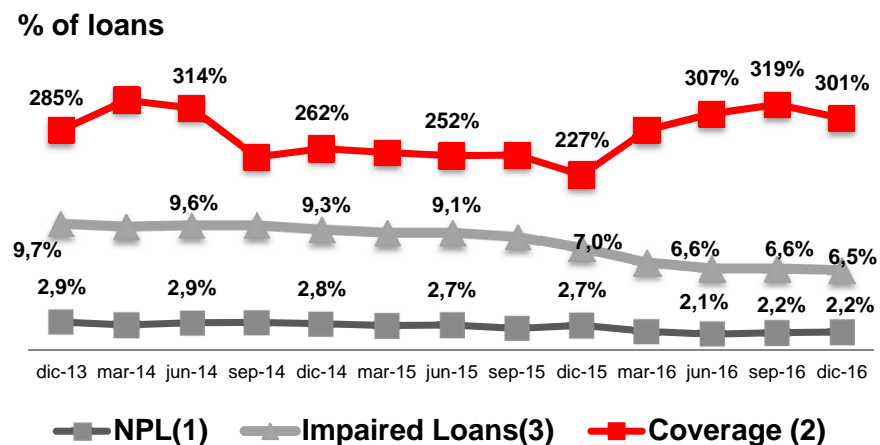
Total loans



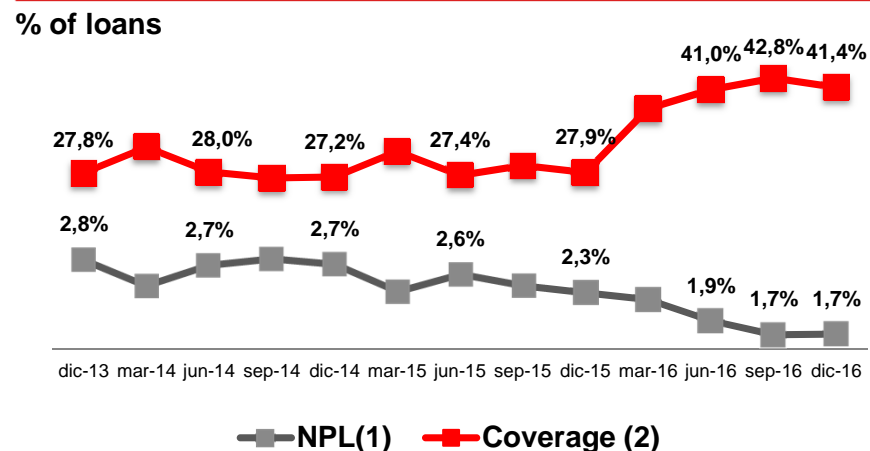
Commercial loans



Consumer loans



Mortgage loans



Strategy and results

4 objectives for healthy growth / higher profitability

I. Focusing growth on segments with the highest contribution, net of risk...



II. ... by increasing client loyalty through an improved client experience and quality of service



III. Deepening ongoing commercial transformation by expanding digital banking capabilities



IV. Optimizing profitability and capital use to increase shareholder value in time

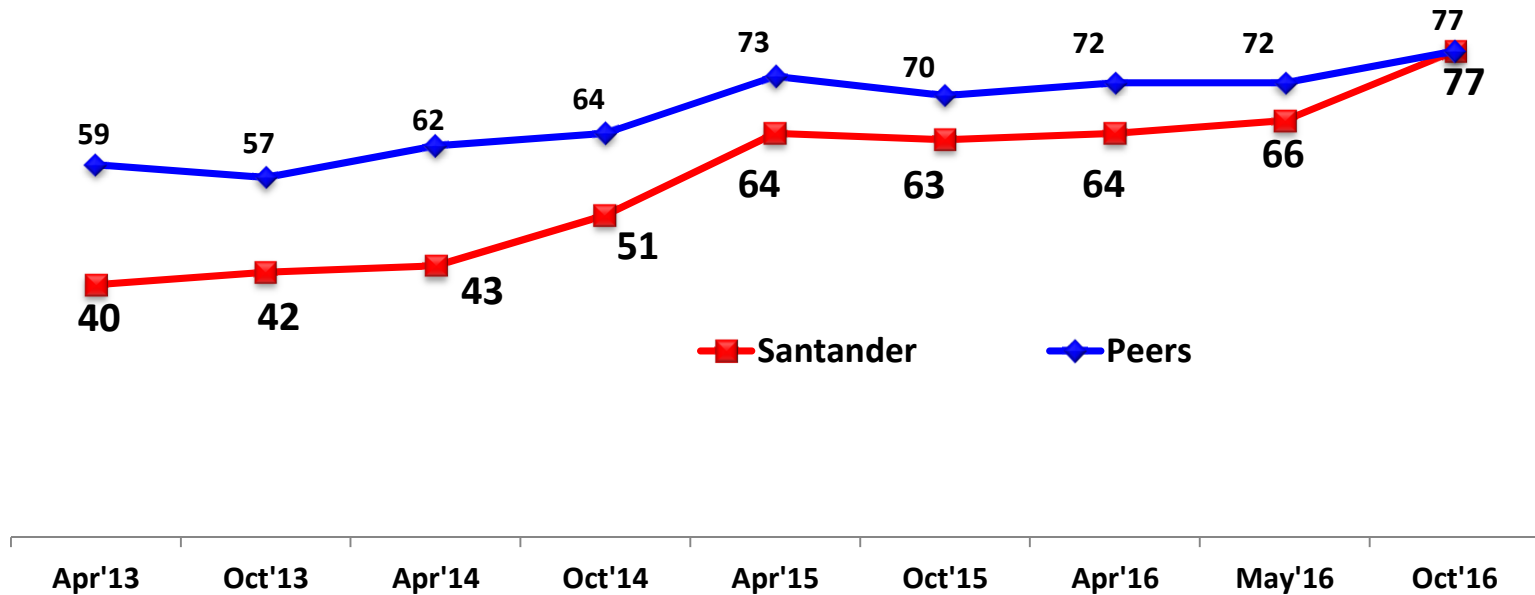


Strategy: II. Increasing client loyalty

Improved customer satisfaction and service...

Customer Satisfaction vs peers (%)¹

% of net satisfied clients



We are aiming at becoming the leader in customer satisfaction by:

- Continuous investing / improving CRM and other IT systems that boost service
- Full indoctrination in new SPF culture

Strategy: II. Increasing client loyalty

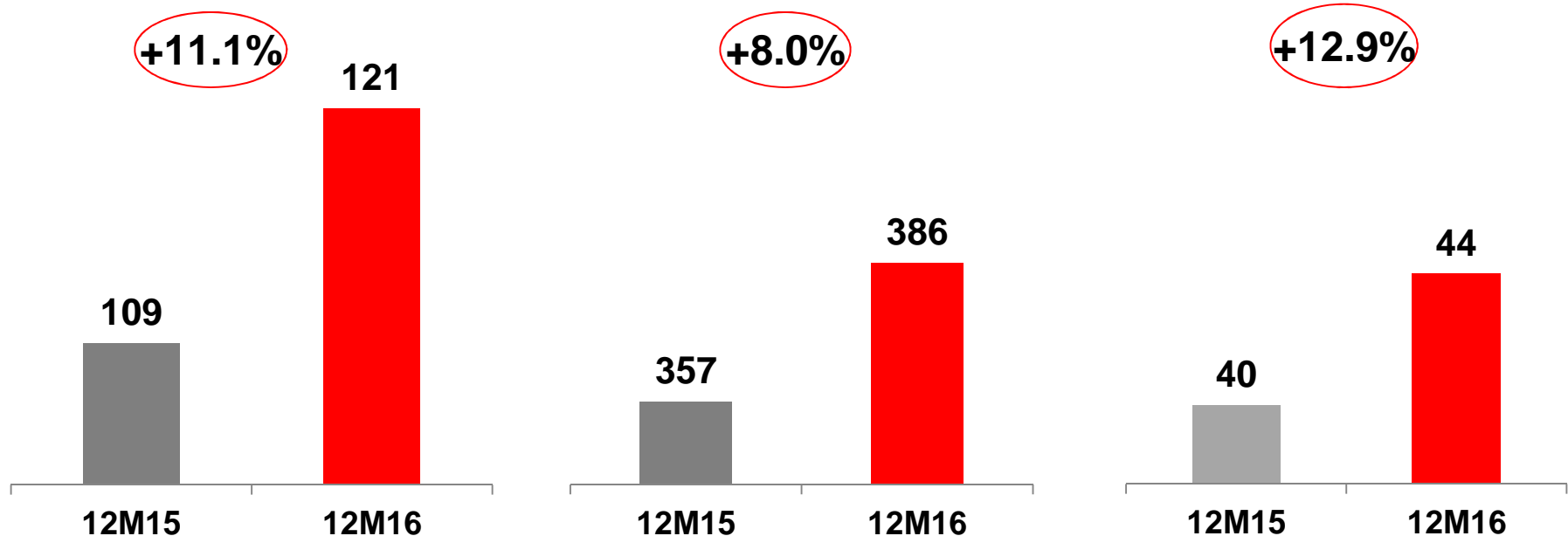
... drives growth in customer loyalty in targeted segments

Loyal High income customers¹

Loyal Middle income customers¹

Loyal SME + Middle market customers²

Loyal customers, thousands

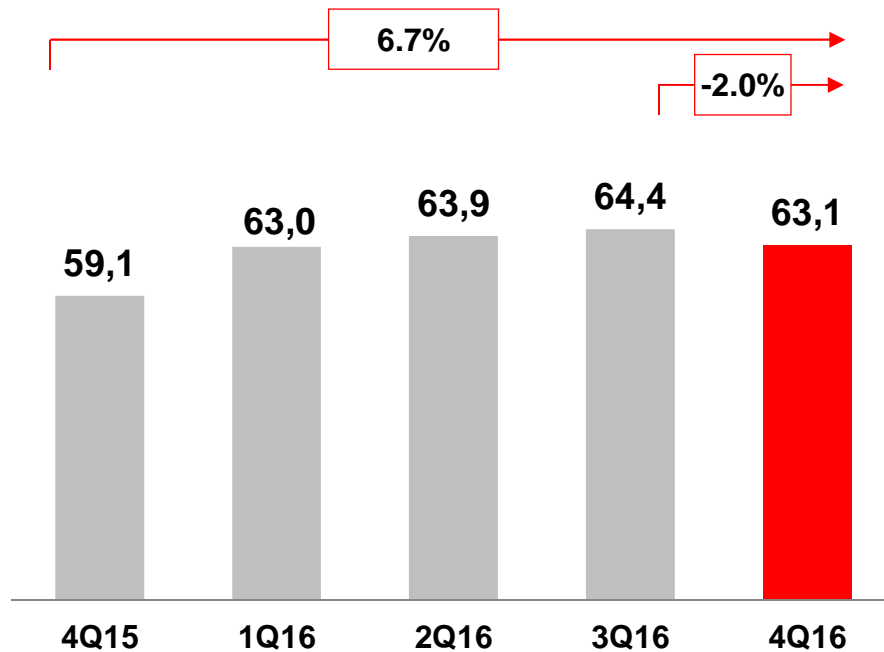


Strategy: II. Increasing client loyalty

This leads to a 7.1% YoY growth in fee income

Net fee income

Ch\$bn



Fee income from business segments

Ch\$bn

	12M'16	YoY (%)
Retail	196.8	3.4
Middle Market	30.9	8.1
Corporate	25.0	64.6
Subtotal	252.7	8.0
Others	1.7	--%
Total	254.4	7.1%

Fees from Corporate are driven by greater financial advisory services

Strategy and results

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Strategy III: Digital transformation

Redesigning our distribution network...

Trx intensive
branch
2013



**HIGHER
EFFICIENCY**

Branch
model 1.0
2014-2016



**MORE
PRODUCTIVITY**

**Business Center / Digital
2016-2019**



**BEST IN CLASS
EXPERIENCE**



**COMFORT
#1 MOBILE**

Strategy III: Digital transformation

... by creating multi-segment business centers



- New Work Cafes
- 100% dedicated to value added activities
- Multi-segment
- No tellers
- No back office
- Paperless
- Fully digital



WIFI



Cafetería



Mesas de trabajo



Todo el tiempo que necesites



Ejecutivos especialistas en asesoría financiera



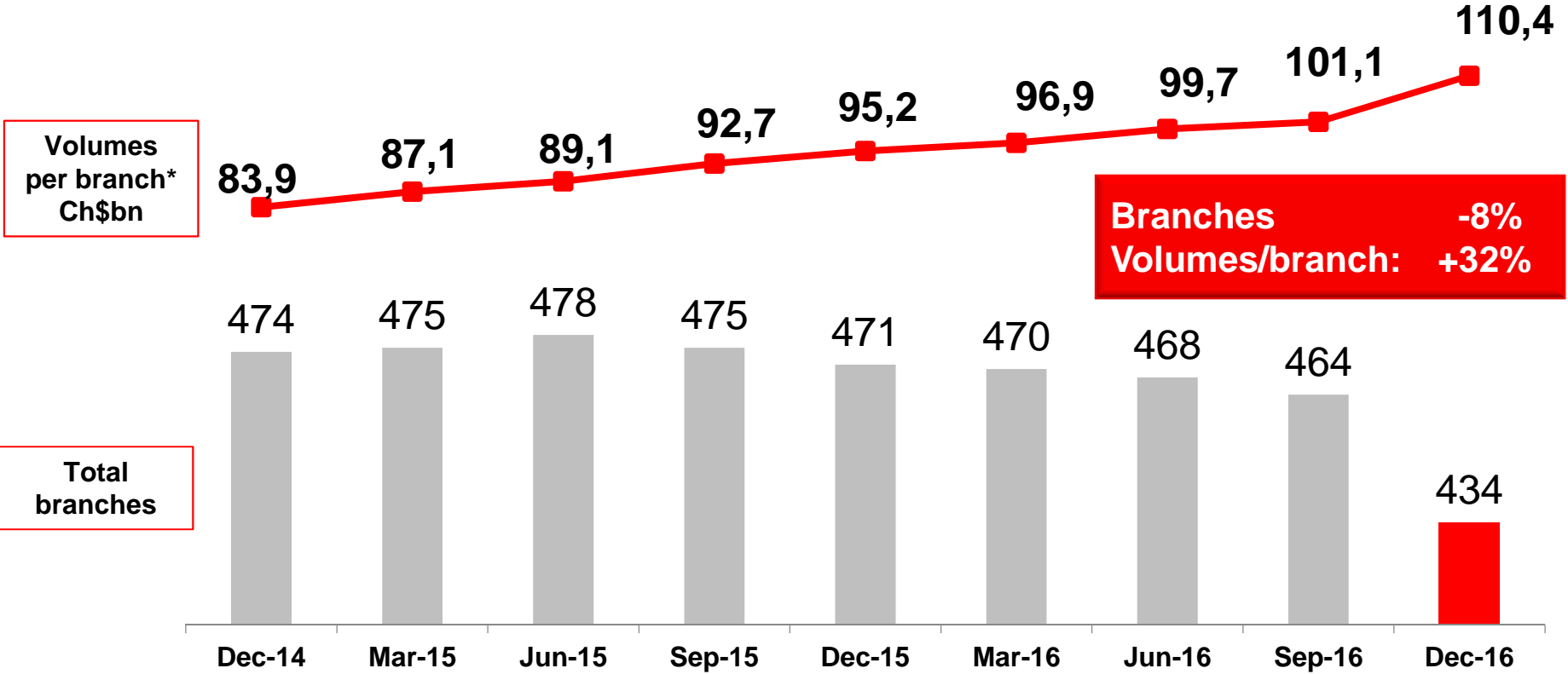
La mejor tecnología de autoservicio

Strategy III: Digital transformation

This transformation is boosting productivity...

Business volumes per branch 2014-2016

Ch\$ billion per branch

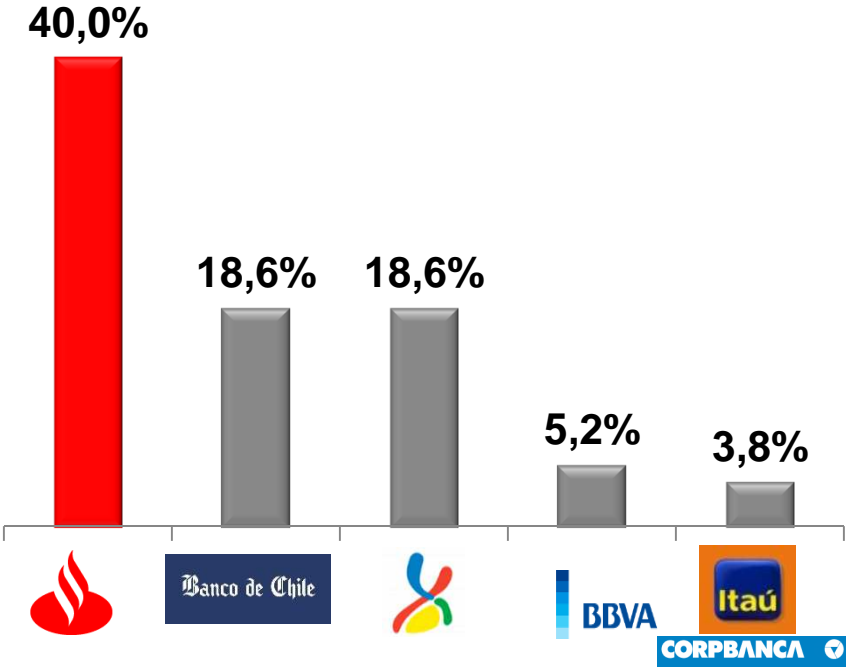


* Ch\$ bn. Includes loans and deposits

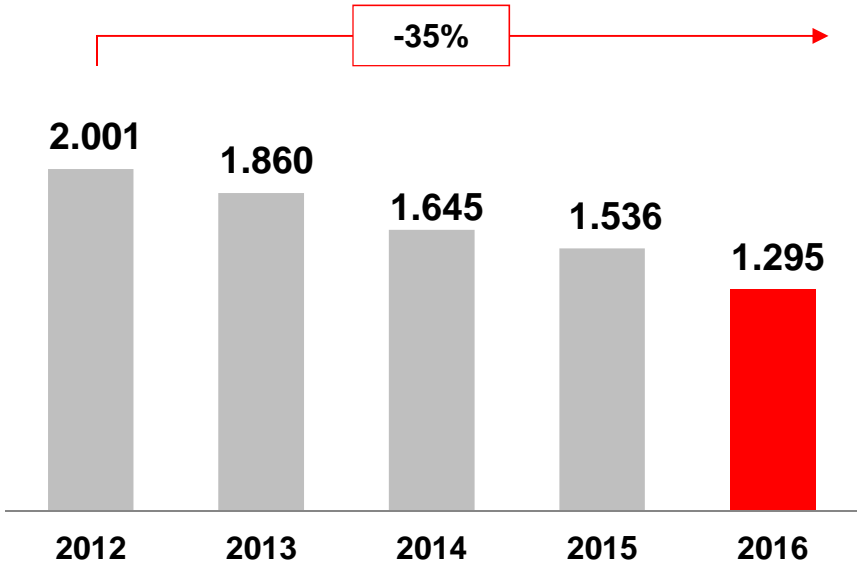
Strategy III: Digital transformation

... and expanding the use of digital banking

Internet usage market share¹



ATMs



The focus in 2017 will be expanding mobile banking capabilities & usage

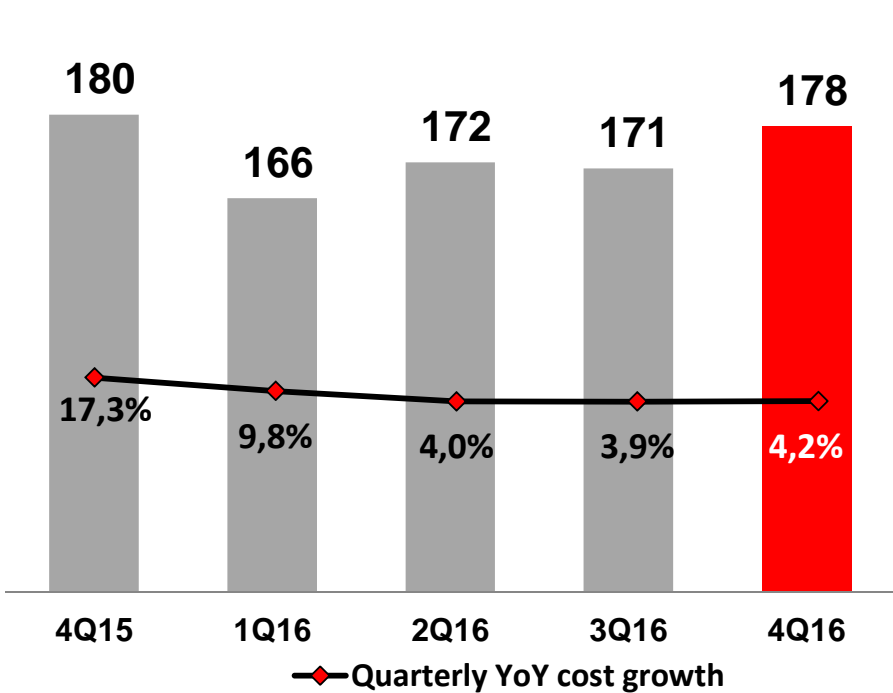
1. Market share over clients that enter a website with a passkey. Excludes Banco de Estado. Source: Superintendency of Banks of Chile. Figures as of Sept. 2016

Strategy III: Digital transformation

The rate of cost growth is descending

Operating expenses

Ch\$bn



	12M16	YoY%
Personal exp.	395	2.1
Adm. exp.	226	2.7
Depreciation	65	21.9
Op. expenses	687	3.9
Efficiency Ratio ¹	42.7%	+137 bp
Cost / Assets	2.2%	+1 bp

1. Efficiency ratio: Oper. Expense excluding impairment / Net interest income + fee income + financial transactions, and Other operating income, net

Strategy and results

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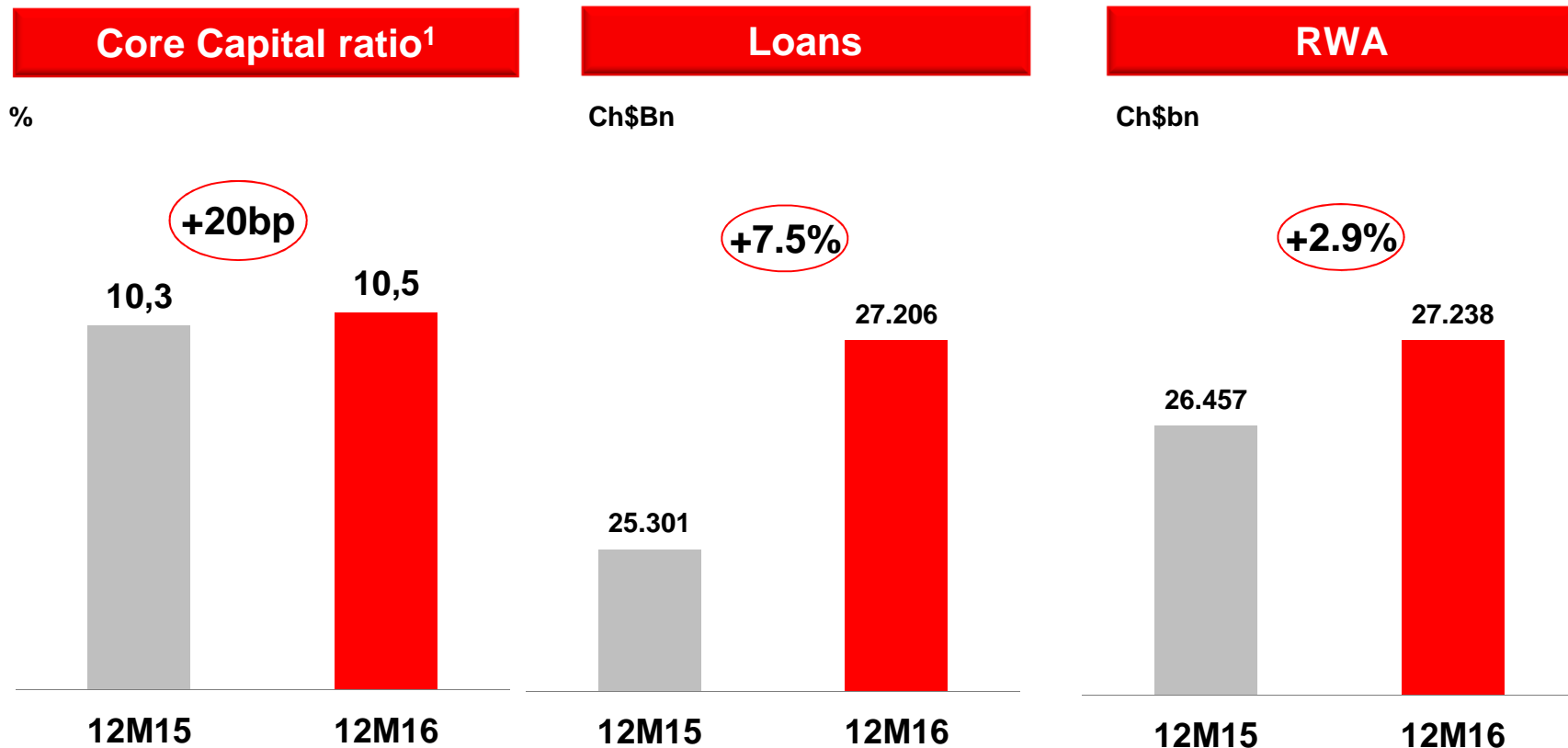


IV. Optimizing profitability and capital use to increase shareholder value in time



Strategy: IV. Optimizing profitability and capital

Solid capital levels for further growth



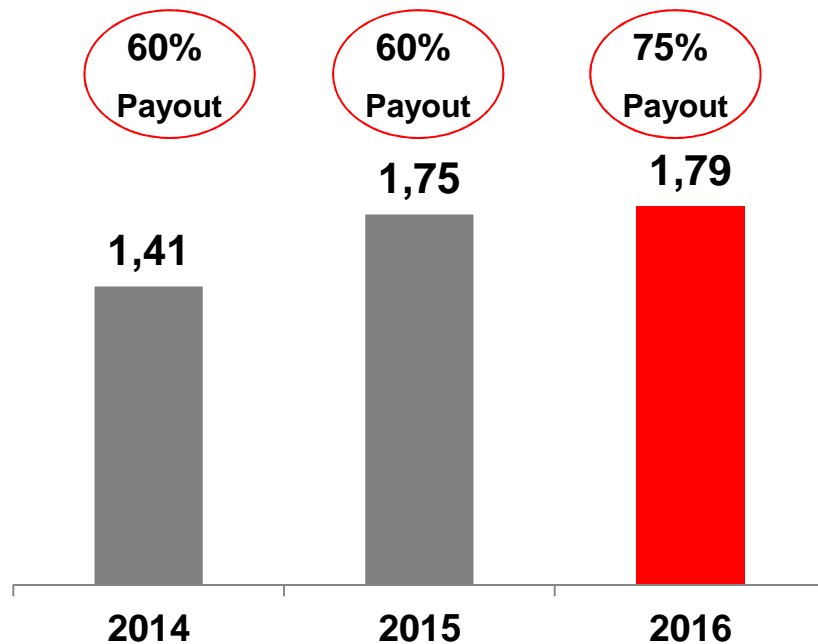
Capital ratios improve with contained RWA growth

Strategy: IV. Optimizing profitability and capital

Our strategy is increasing shareholder value in time

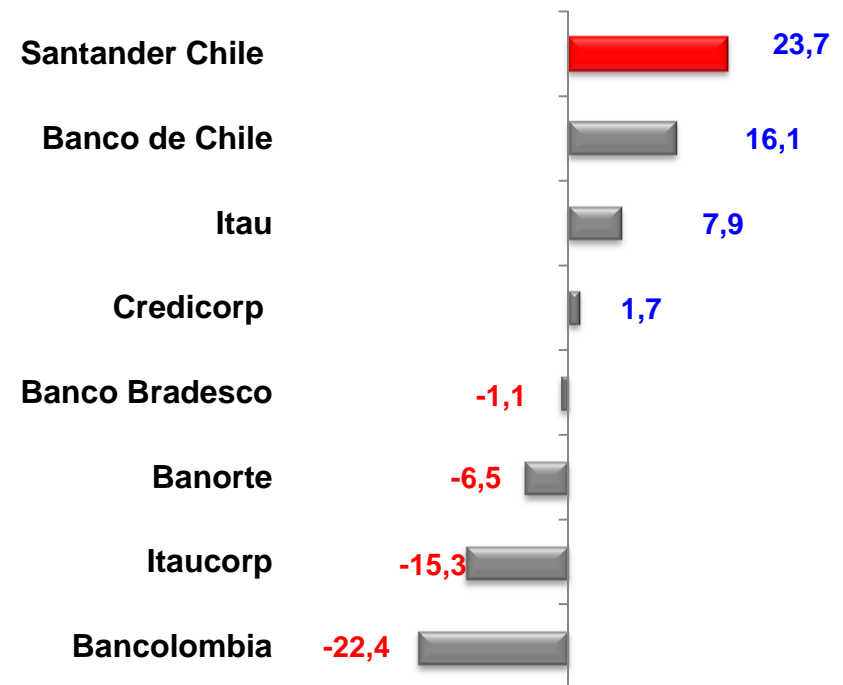
Dividend per share

Ch\$ per share



Total shareholder return

TSR including dividend, 12/31/14 - 12/31/16, %¹



Dividend yield = 5.3% in 2016

Agenda

- **Macro-economic environment and financial system**
- **Strategy and results**
- **Outlook**

Outlook

Sound outlook for Santander Chile

- **BSAC: stronger Client contribution driving profitability in 2016, in line with strategy**
 - Business segment contribution up 25.6% YoY in 12M16
 - Loan growth up 7.5%, led by segments with highest contribution, net of risk
 - Deposits grow 5.9% YoY with improving funding costs
 - Gaining market share in most loan and deposit products
 - Client NII grew 7.0% YoY in 12M16
 - Customer loyalty and satisfaction continue to improve
 - Improved asset quality: coverage rises to 145% / NPLs at 2.1% / cost of credit decreases to 1.3% with a favorable outlook
 - Cost growth under control: up 3.9% YoY in 2016. Branch optimization plans underway
 - ROE reached 17.1% in 2016
- **In 2017 we expect these sound business trends to continue**

ROE of 17%-18 is goal for 2017