

Banco Santander Chile

Solid business and client profitability trends

March 2017



Simple | Personal | Fair

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 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**
- **Banco Santander Chile: the nation's leading bank**
- **Healthy balance sheet**
- **Positive results in 2016**
- **Summary**

Macroeconomic environment

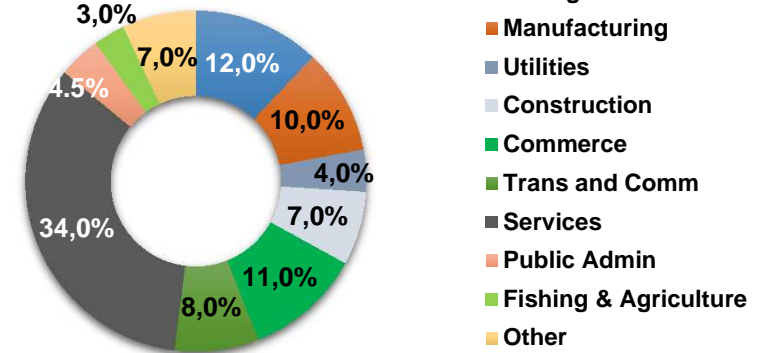
Chile: a stable and diversified economy

Chile: key economic indicators^{1,2}

Population:	18.4 mn
GDP:	US\$234bn
GDP per capita (PPP):	US\$24,000
Exports / GDP:	26%
Investment / GDP :	22.3%
Net public debt / GDP:	-0.1%
Sovereign ratings:	AA-/A+/Aa3

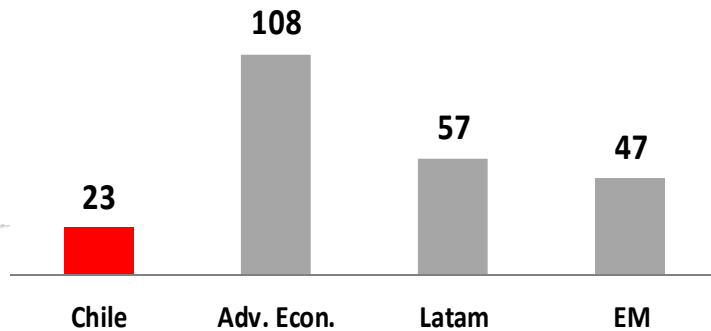
Chile's economy is well diversified¹

GDP by economic sector, %

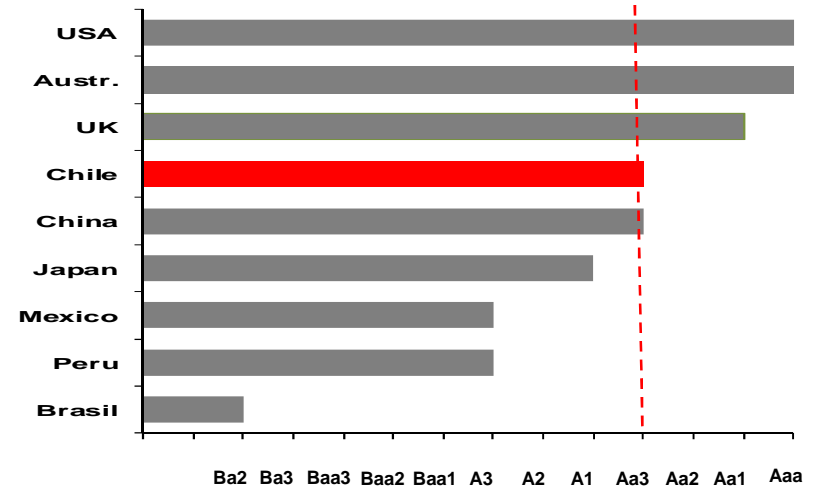


Low public debt²

Gross public debt, % GDP



High Sovereign rating³



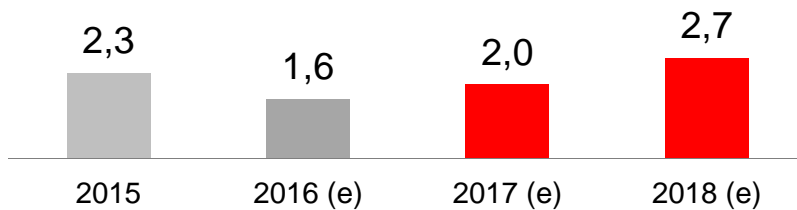
1. Source: Central Bank of Chile, BCCh, and National Statistics Institute, 2016. 2. Source: International Monetary Fund, 10/2016. 3. Source: Moody's

Macroeconomic environment

GDP growth to rise in 2017 and 2018

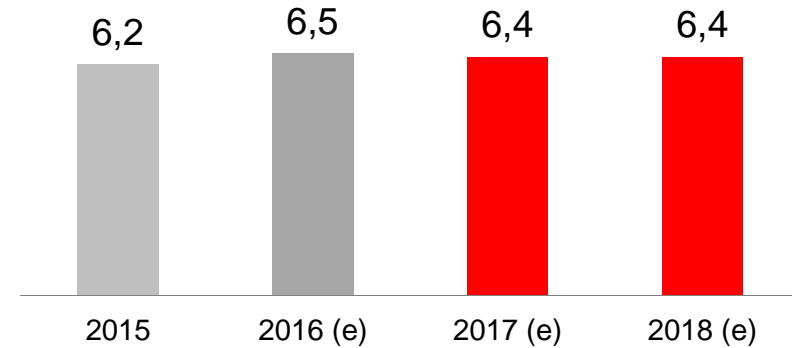
GDP

YoY real growth, %



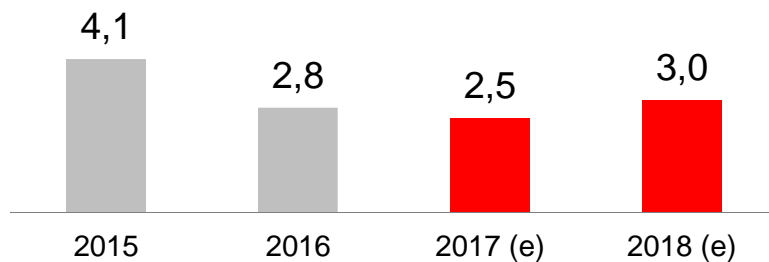
Unemployment

% of workforce, %



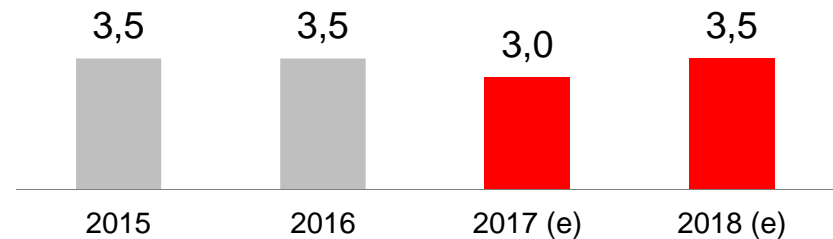
Inflation

Annual change in UF inflation, %



Central Bank ST Reference Rate

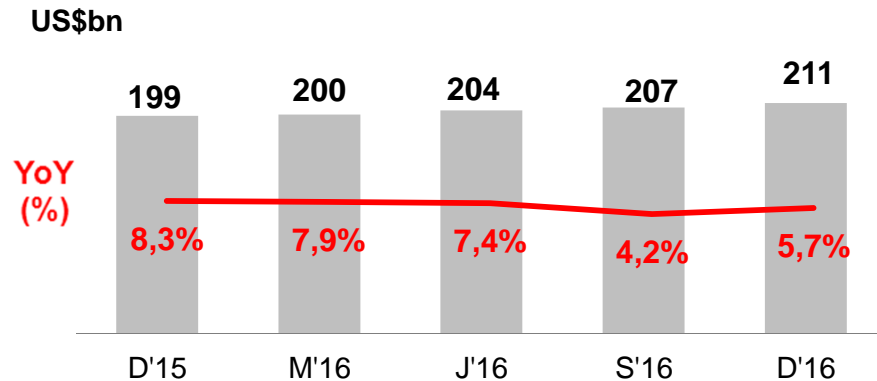
%



Financial system: loan and deposit growth

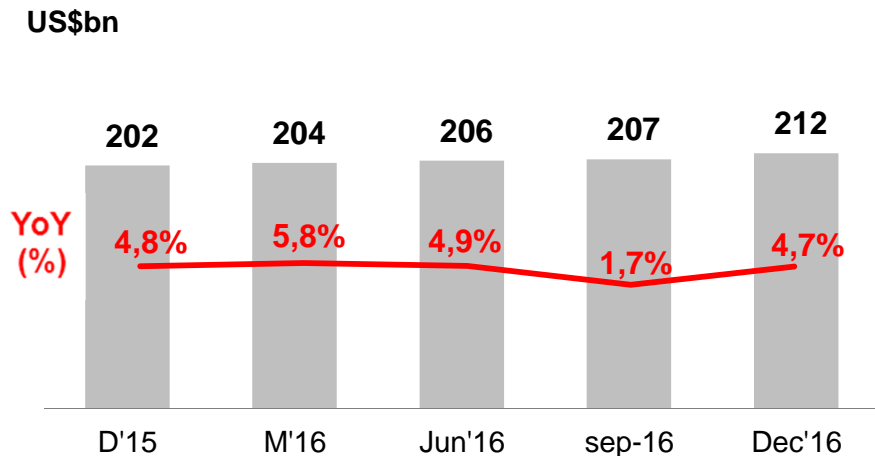
Financial system with stable growth due to low exposure to mining

Total Loans¹



- Mortgage lending leading deceleration after extraordinary growth in 2015
- Growth of retail banking and non-copper sectors drives loan growth
- Stable asset quality

Customer funds^{1,2}

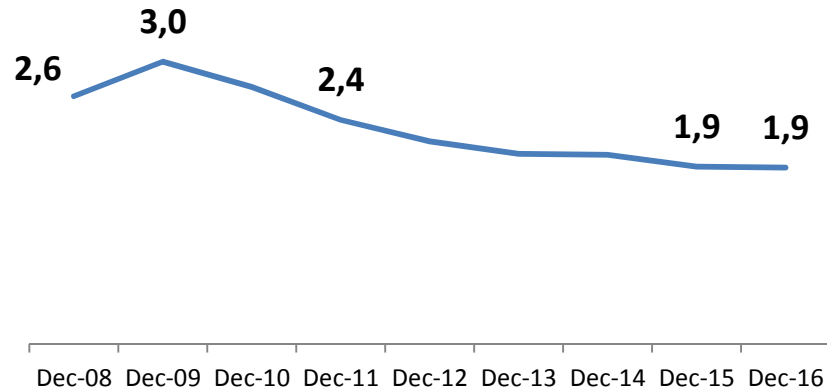


- High liquidity in the system to fund business growth
- Deceleration of customer fund growth due to shift of investment flows away from deposits to bonds given low interest rates

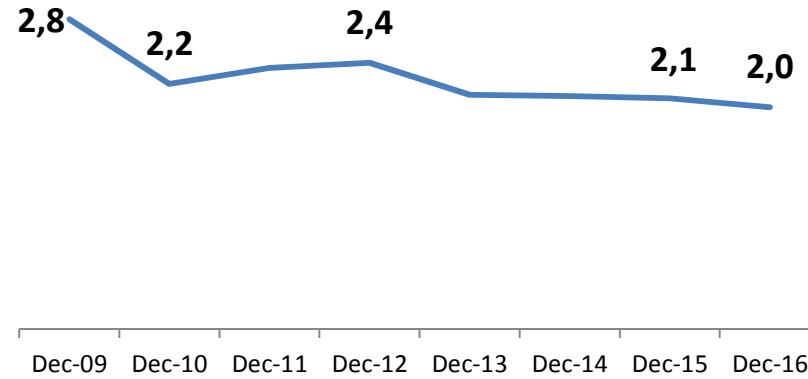
Financial system: risks metrics

Improving risk profile

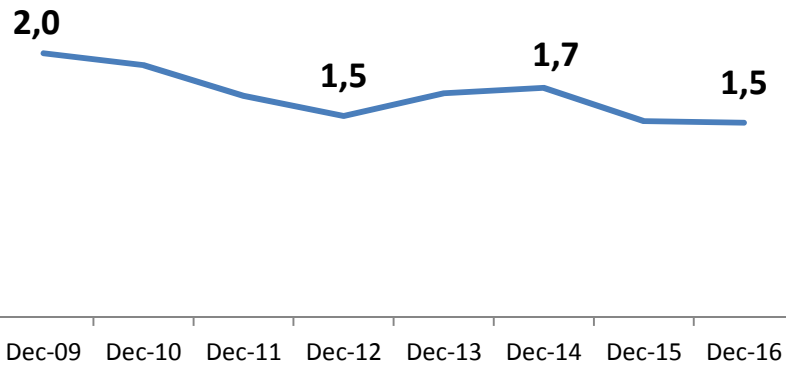
Non-performing loan ratio (%)¹



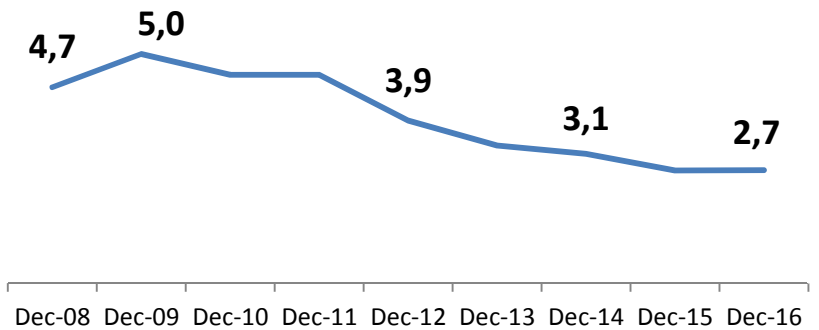
Consumer NPL (%)



Commercial NPL (%)



Mortgages NPL (%)



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A leading bank

Santander Chile is the nation's leading bank

Figures in US\$



Business and Results		
	12M'16	Var. YoY
Gross Loans	40.9bn	7.5%
Deposits	31.1bn	5.9%
Equity	4.3bn	4.9%
Net inc. business segments	906mn	25.6%
Net income	713mn	5.0%

Network and Customers		
	12M'16	Mkt. share ¹
Clients	3.6 mn.	21.6% ²
Internet banking	1.8mn	40.0% ³
Branches	434	19.7%

Market Share¹		
	%	Rank
Loans	19.4%	1
Deposits	18.8%	1
Checking accounts	21.6%	1
Bank credit cards ⁴	30.0%	1

1. As of Dec. 2016 or latest available figures using the period-end exchange rate. Excludes Chilean bank loan and deposits held abroad. 2. Market share of clients with checking accounts. Source: SBIF. 3. Market share over clients that enter a website with a passkey. Excludes Banco de Estado. Source: Superintendency of Banks of Chile. YTD avg as of Nov. 2016 4. Market share in terms of credit card purchases.

A leading bank

Solid corporate governance standards

Independent Board

COMMITTEE MEMBERSHIP

Chairperson

Member

Financial Expert

Vice Chair

	Analysis & Resolution Committee	Human Resources Committee	Audit Committee	Asset & Liability Committee	Market Committee	Risk Committee	Strategy Committee
Vittorio Corbo Lioi		Member		Member	Member		Member
Oscar Von Chrismar		Member		Member	Member	Member	Member
Roberto Méndez Torres						Member	Member
Marco Colodro Hadjes			Member	Member	Member		
Roberto Zahler Mayanz				Member	Member	Member	
Mauricio Larrain Garcés		Member	Member				
Orlando Poblete Iturrate			Member				
Juan Pedro Santa María Pérez	Member					Member	
Lucía Santa Cruz Sutil							Member
Raimundo Monge Zegers	Member			Member		Member	Member
Blanca Bustamante Bravo		Member					

Grup Santander owns 67.2%. We are listed on the Santiago Stock Exchange and the NYSE

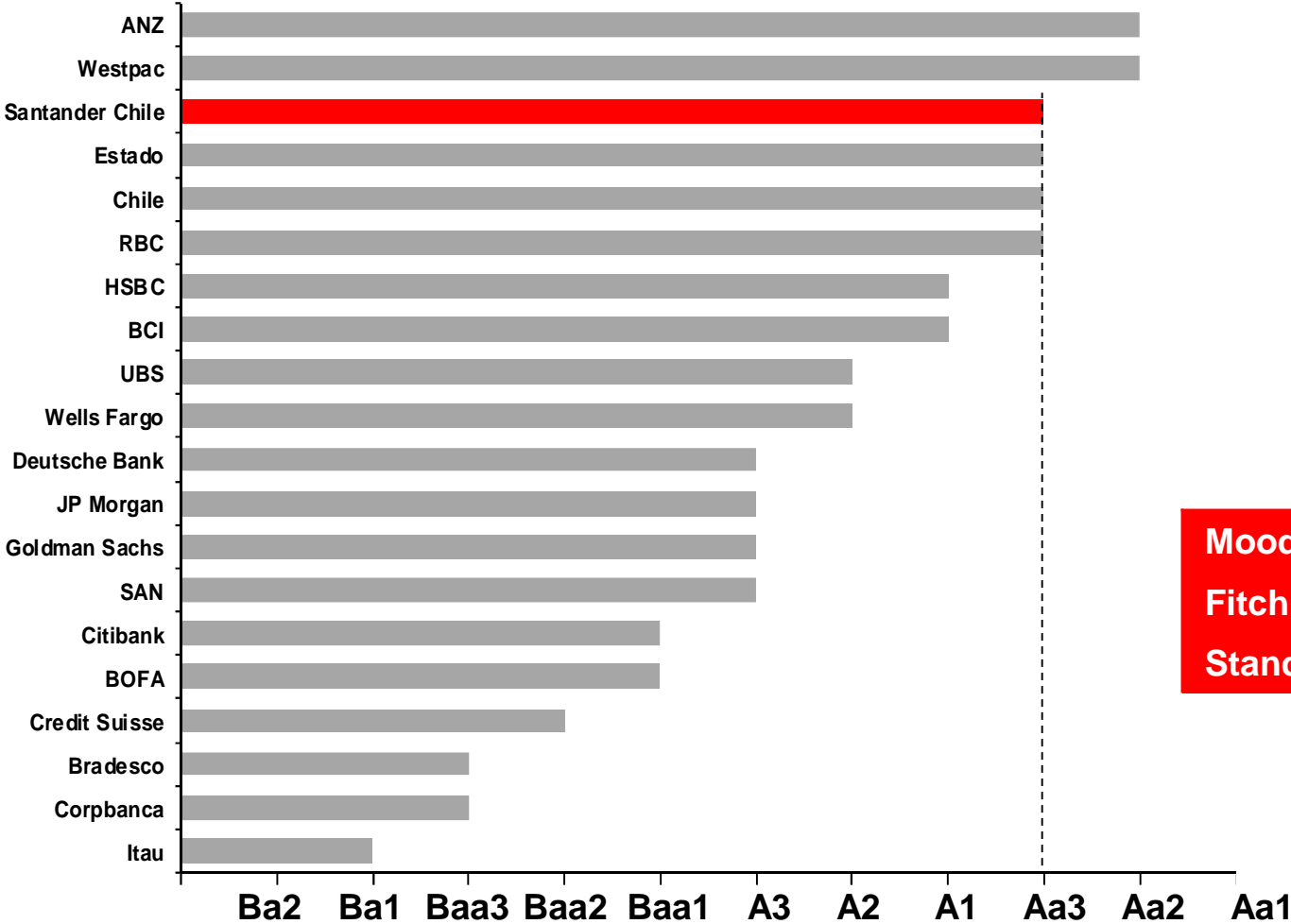
Corporate Governance Standards

- ✓ **Independent Board of Directors:** 7 Board members unrelated to Grupo Santander with active participation of board members in main committees
- ✓ **Liabe:** The directors of a Bank who propose the payment of dividends in violation of the provisions of Title IV of the General Banking Law shall liable to the refund of the dividend distributed under such circumstances (Art. 58)¹.
- ✓ **Legal limits:** Related party lending: Limited to 5% of total equity (unsecured) or 25% (w/ collateral). Deposits in related party entities abroad: limited to 25% of regulatory capital. Too big to fail regulations. Santander Chile's BIS ratio >11% vs 8% legal limit
- ✓ **Audit Committee:** At least 3 independent Board member by law
- ✓ **Compliance:** Compliance Division that oversees the fulfillment of the Bank's codes of conduct. Comply with SEC and NYSE Corporate Governance Guidelines & SOX. Autonomous Internal Auditing Area

A leading bank

Among banks with best international rating

Risk rating: Moody's scale



Moody's (stable)	Aa3
Fitch (neg.)	A+
Standard & Poor's (neg.)	A

Source: Moody's via Bloomberg

Agenda

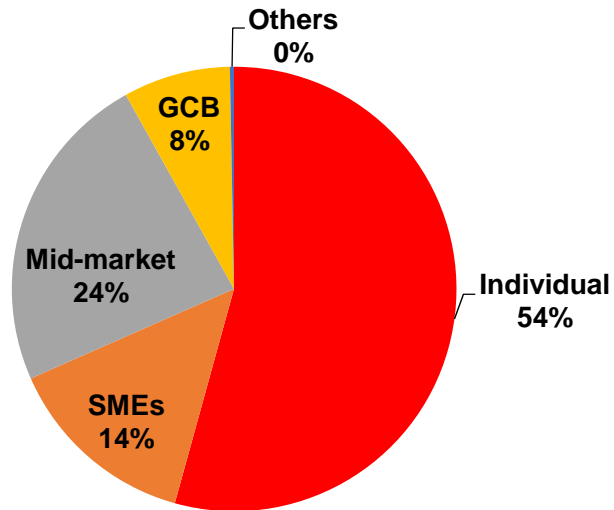
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A healthy balance sheet

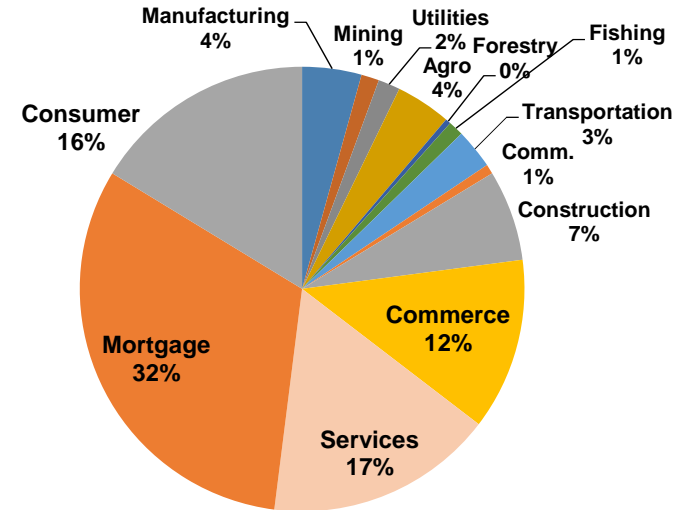
A diversified loan book

Figures as of Sept. 2016

Loans by segment



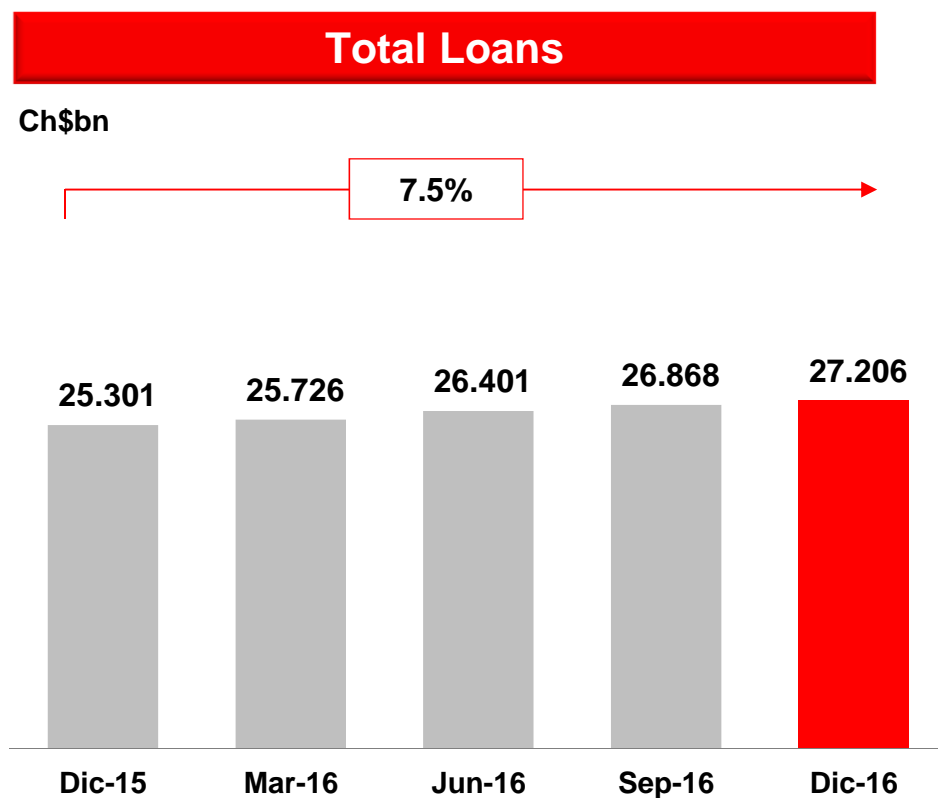
Loans by sector



- **54% Individuals / 46% companies**
- **High diversification by sector**
- **Individual:** focus on growing in the mid-high income segments. Selective growth in lower-end (massive) segments
- **SMEs:** focus on larger SMEs, especially with a balanced flow of income (lending and non-lending products)
- **Middle-market:** focus on non-lending business activities. Loans as part of an integral client relationship
- **GCB:** strong focus on non-lending activities

A healthy balance sheet

Loans grow 7.5% YoY in 2016

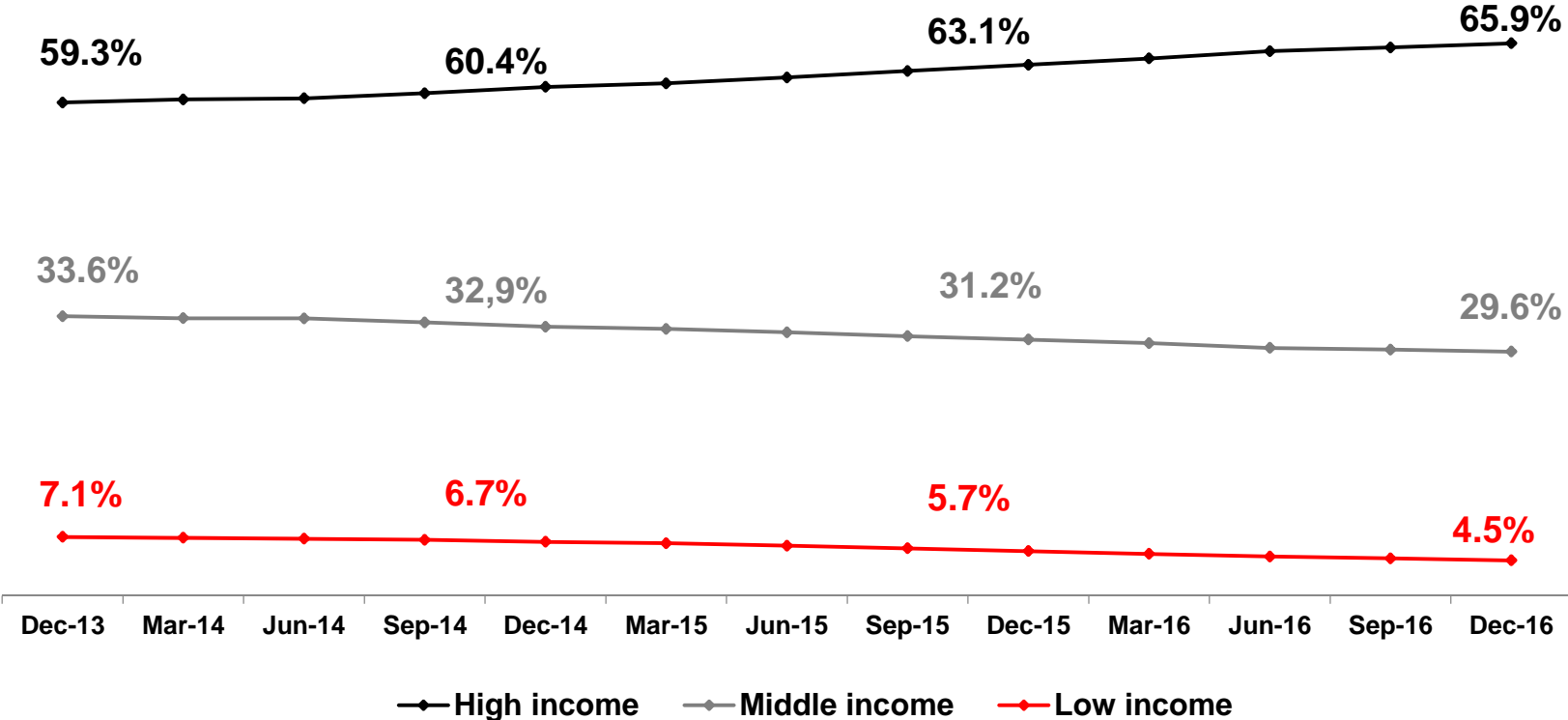


Ch\$bn	12M'16	YoY (%)
Individuals¹	14,774	9.3
Consumer	4,446	7.1
Mortgages	8,619	10.3
SMEs	3,830	9.6
Retail	18,605	9.2
Middle Market	6,396	6.5
GCB²	2,121	-2.6
Total³	27,206	7.5

A healthy balance sheet

Changing the loan mix in retail banking

Loans to high, middle and low income individuals¹



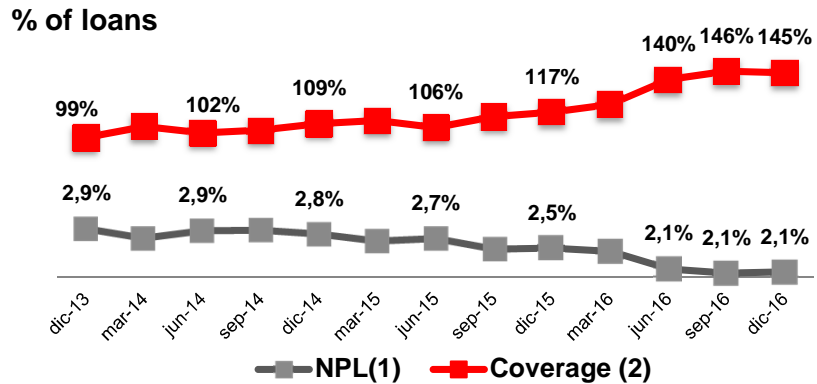
Focus on mid-upper income segments. Loans to low income fall 13% in 2016

1. As a percentage of loans to individuals

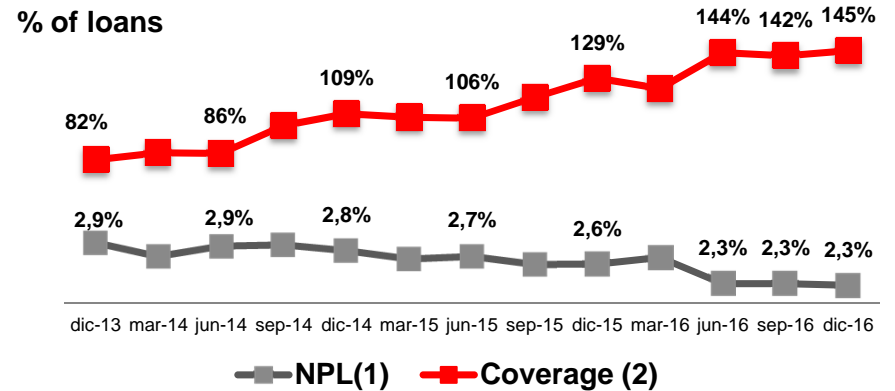
A healthy balance sheet

Asset quality and coverage ratios improving

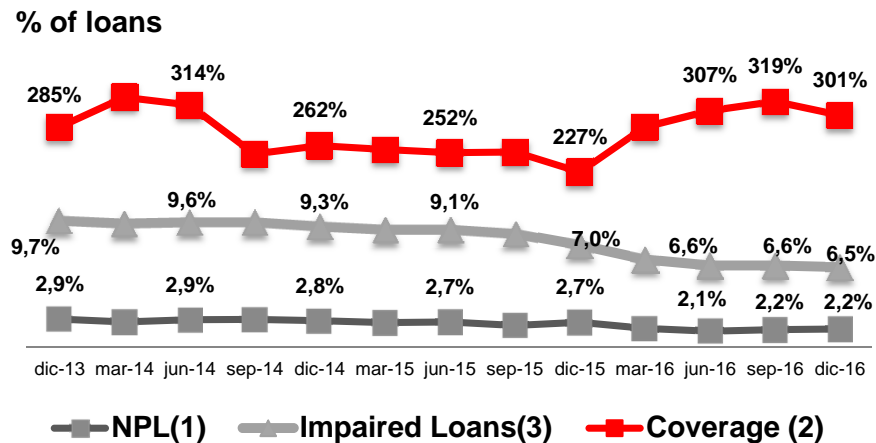
Total loans



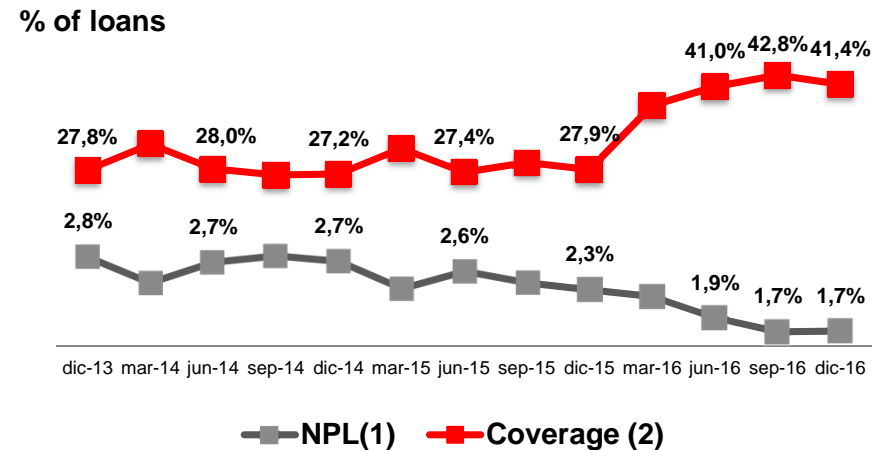
Commercial loans



Consumer loans



Mortgage loans

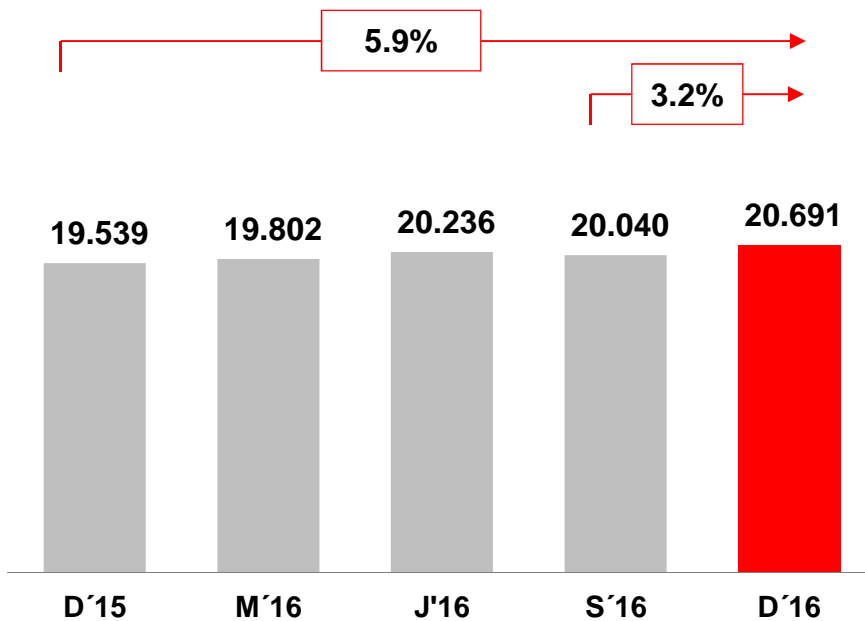


A healthy balance sheet

Healthy deposit growth

Total Deposits

Ch\$bn



Ch\$bn

Demand

Time

Total deposits

Mutual funds¹

Customer funds

Loan to deposit²

12M'16

YoY(%)

7,539 2.5

13,152 8.0

20,691 5.9

5,026 11.4

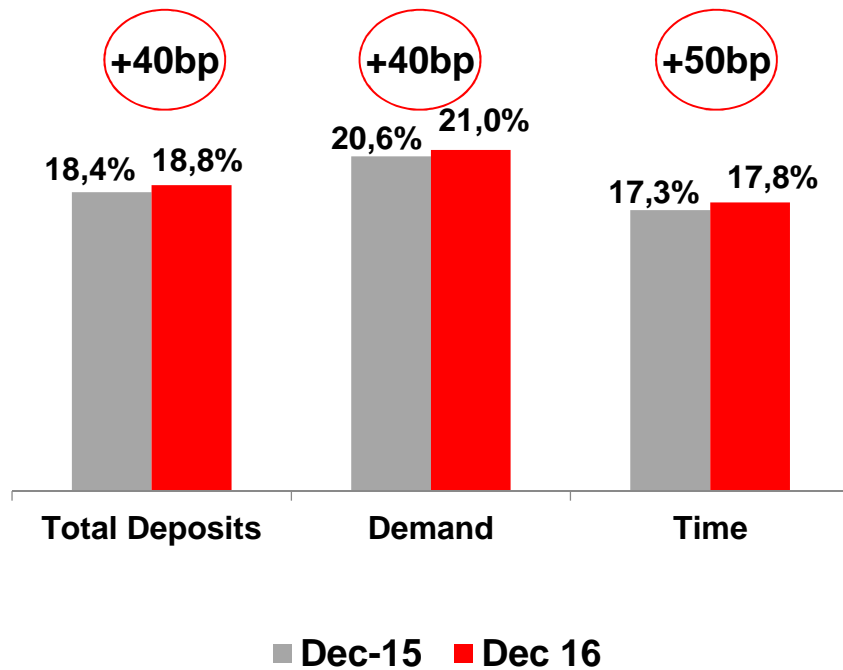
25,717 6.9

98.5%

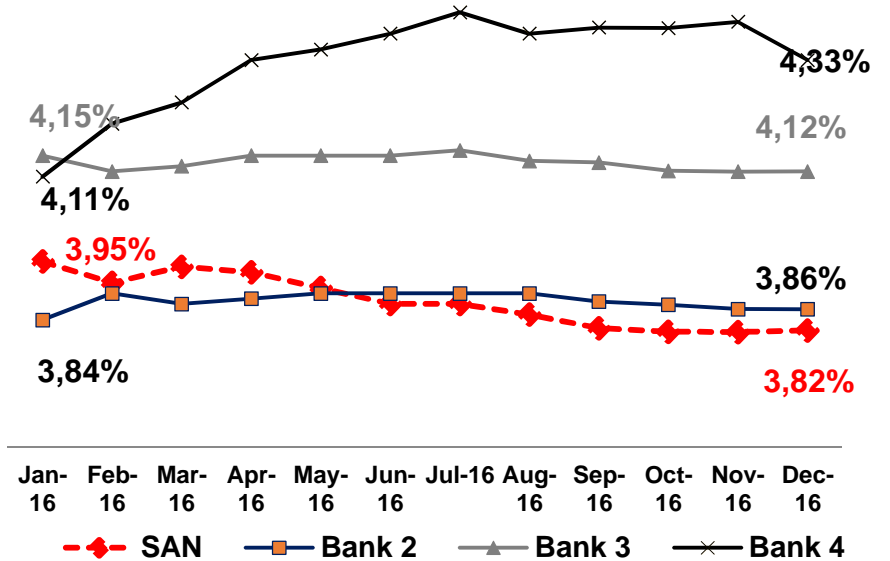
A healthy balance sheet

Gaining market share in deposits while improving time deposits costs

Total deposits market share (%)



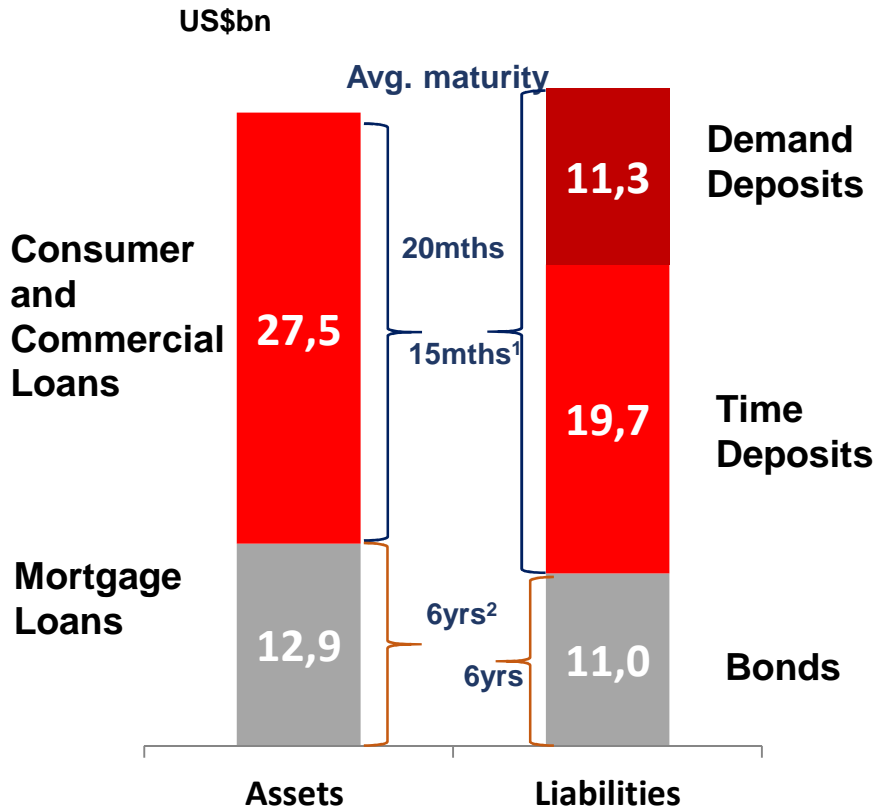
YTD CLP time deposit cost²



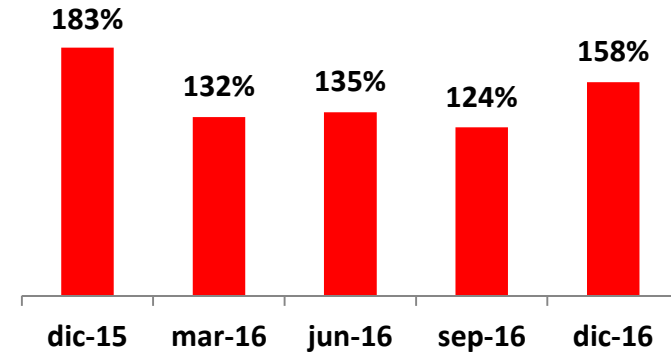
A healthy balance sheet

Solid balance structure and liquidity levels

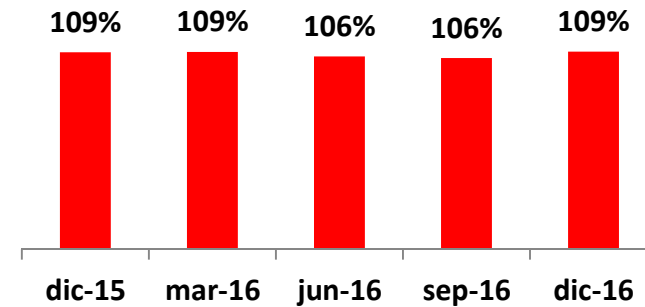
Structural Balance Sheet



LCR ECB³



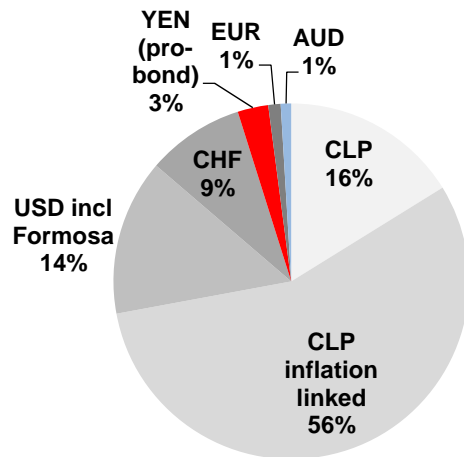
NSFR ECB³



A healthy balance sheet

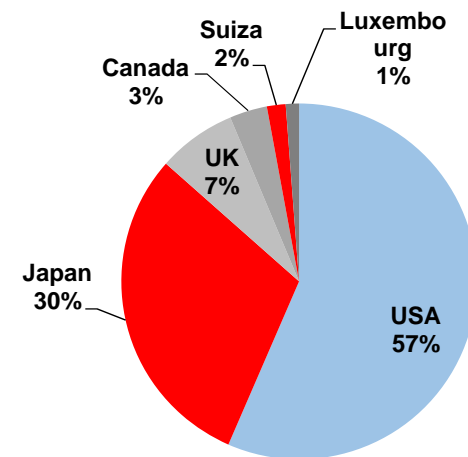
We are an active issuer in international markets

Bonds



- Total outstanding: US\$11bn
- High diversification by country
- MTN program: Private placements or public deals
- All foreign debt is swapped backed to local currency
- We issue Fixed and Floating with a preference for FRNs due to hedge accounting
- We expect to issue US\$2.5-3.0bn in 2017
- Hybrid Tier I still not approved in Chile

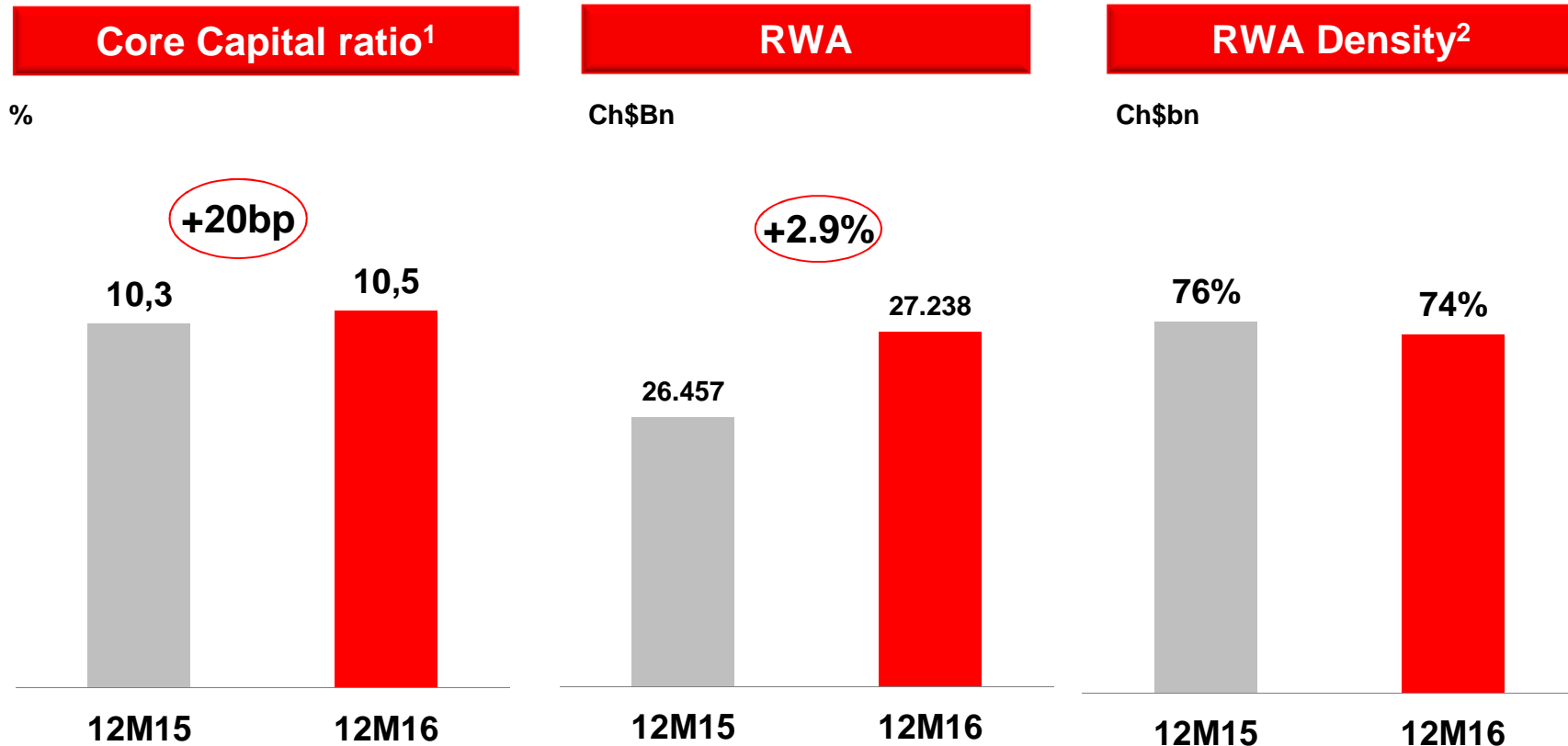
Bilateral loans & syndications



- Total outstanding (02/17): US\$1.8bn
- We are seeking to add more counterparties
- Due to local tax reasons we prefer trade finance hopefully >1yr.

A healthy balance sheet

Solid capital levels for further growth



Under BIS III (ECB model) our core capital ratio is 12.1%

Agenda

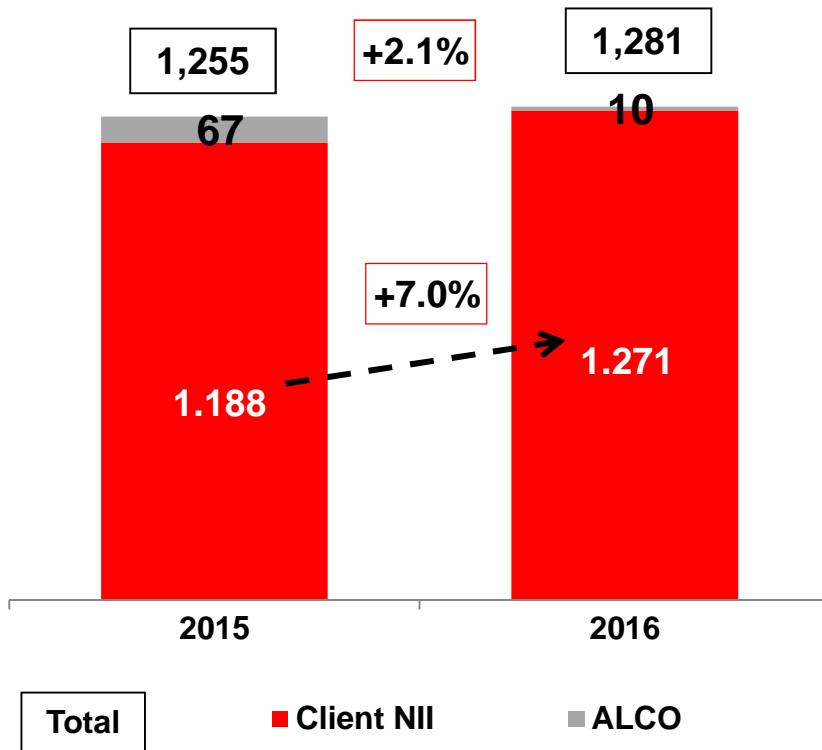
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Positive results in 2016

Client NII rises 7.0% YoY. Lower inflation reduces total NIM

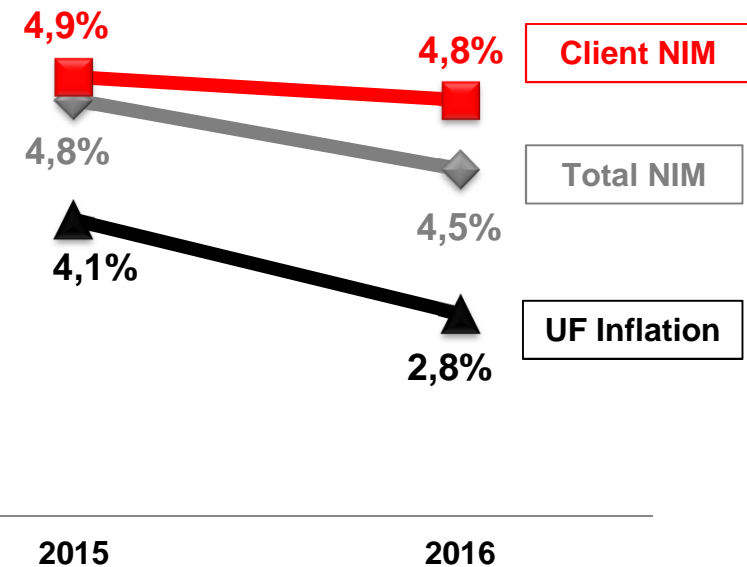
Client and total net interest income¹

Ch\$bn



NIM & Client NIM

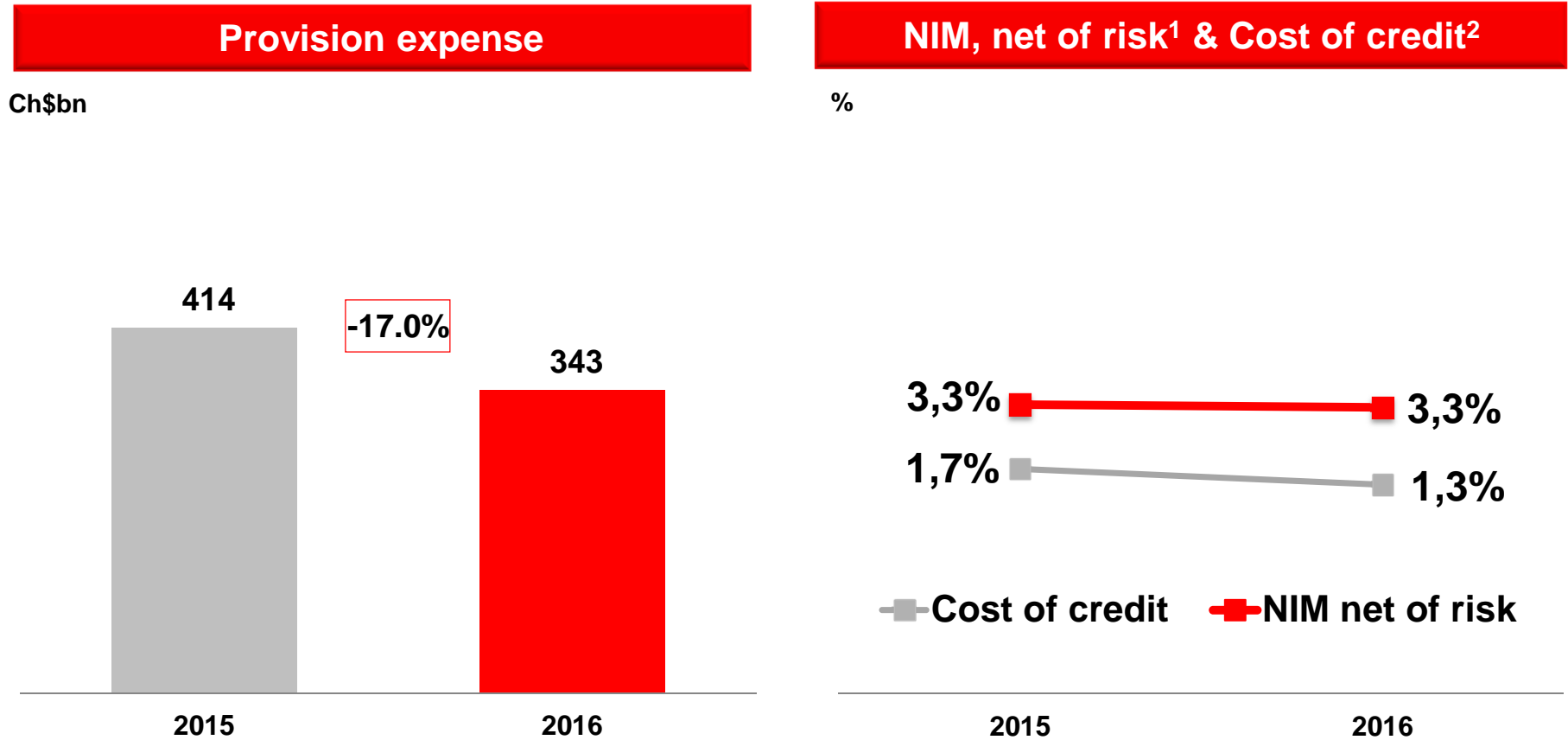
Net Interest Margin (NIM), %



Stable Client NIMS & rate cuts should help to stabilize NIMs in 2017

Positive results in 2016

NIM net of risk stable as the cost of credit falls

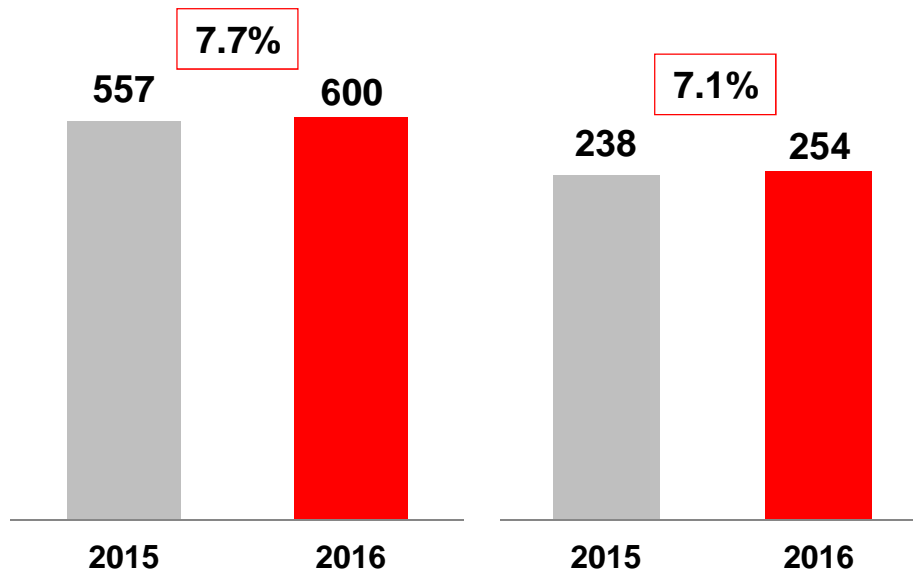


Positive results in 2016

Greater customer loyalty is driving fee income

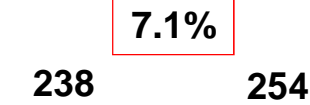
Loyal customers¹

Ths of clients



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
GCB	25.0	64.6
Subtotal	252.7	8.0
Others	1.7	--%
Total	254.4	7.1%

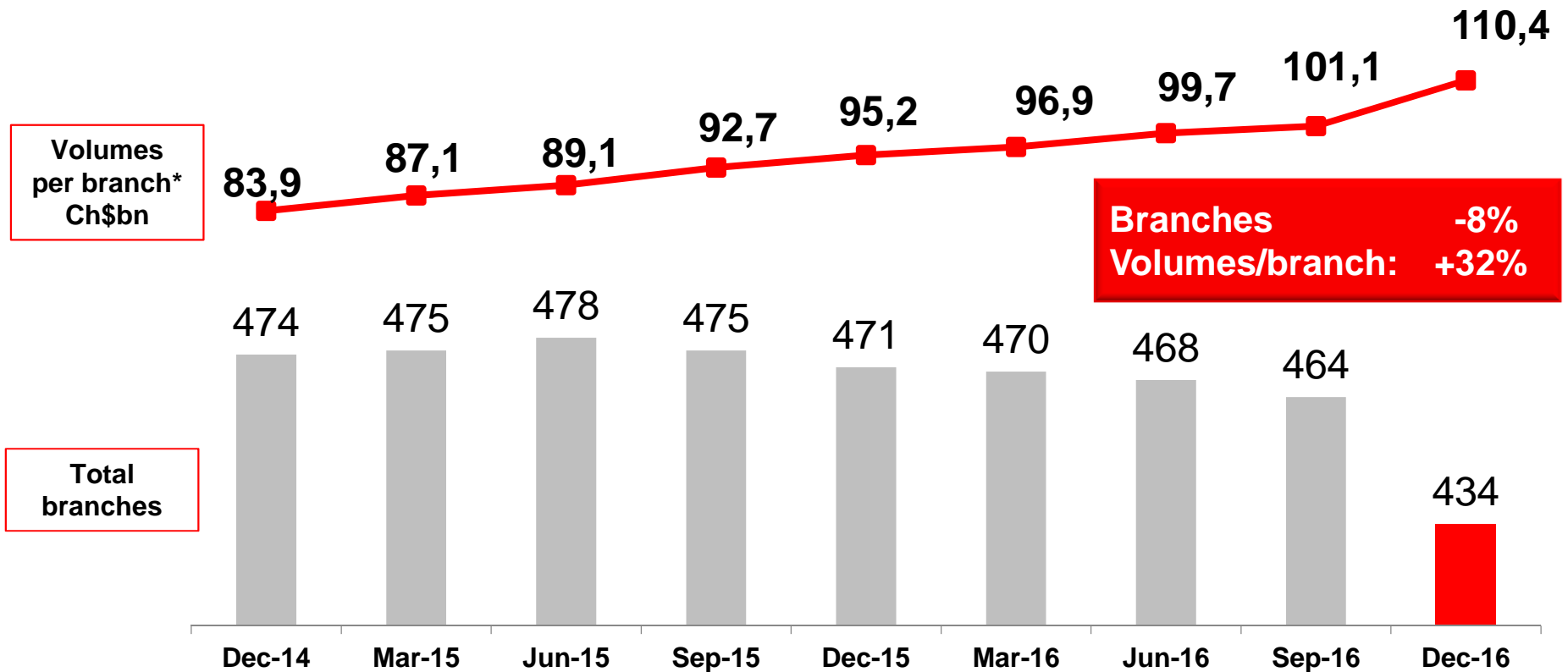
Increase in cash management services is driving fee income in GCB

Positive results in 2016

Digital transformation is boosting productivity...

Business volumes per branch 2014-2016

Ch\$ billion per branch

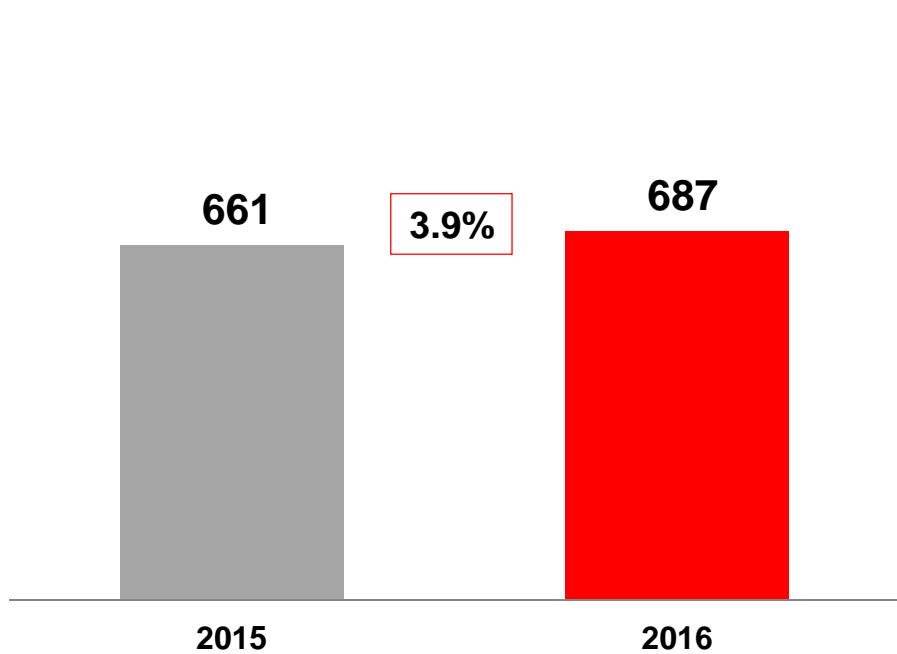


Positive results in 2016

...and lowering the growth of costs

Operating expenses

Ch\$bn

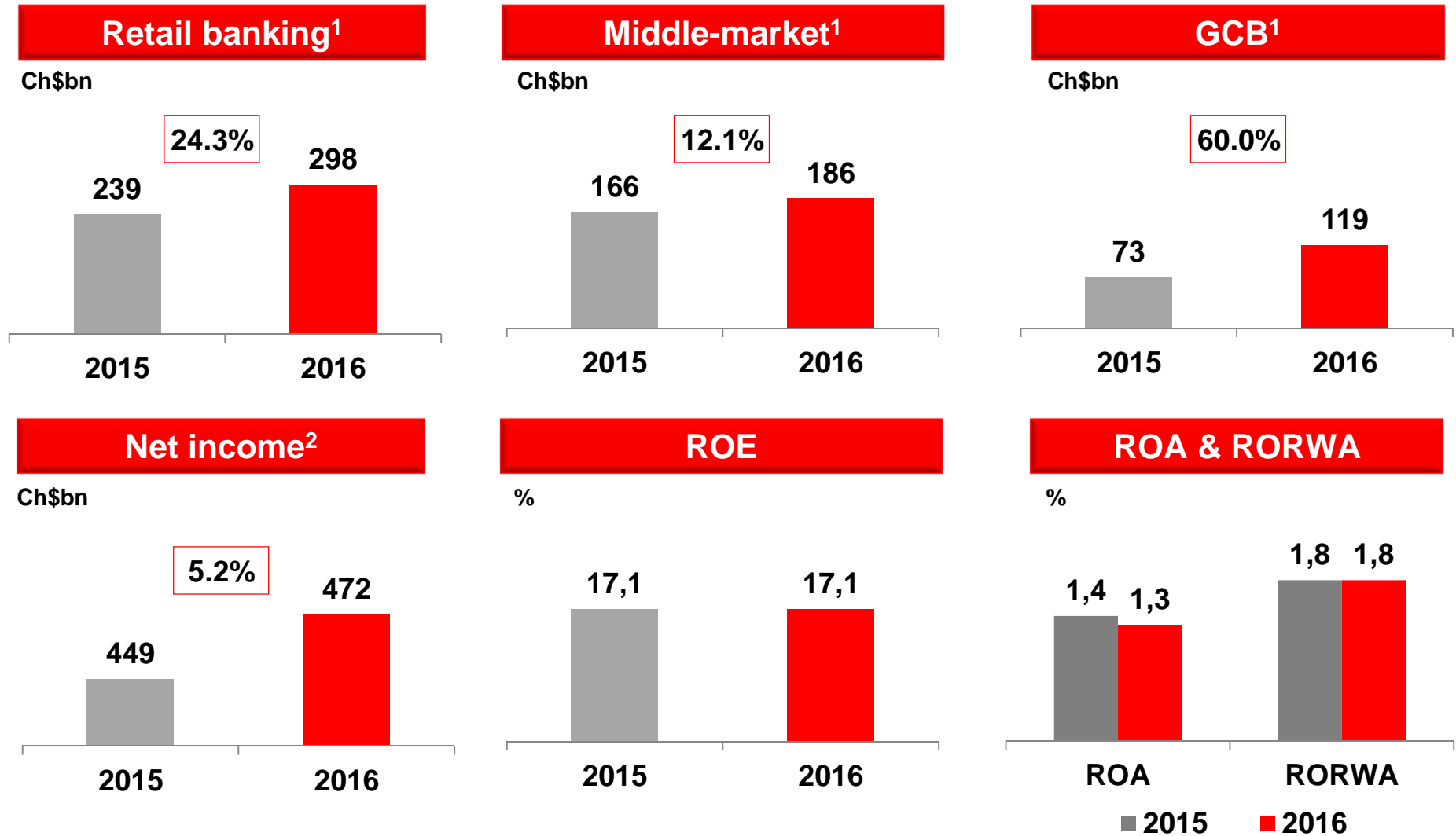


	12M16	YoY%
Personal exp.	395	2.1
Adm. exp.	226	2.7
Depreciation	65	21.9
Op. expenses	687	3.9
Efficiency Ratio ¹	42.7%	+137 bp
Cost / Assets	2.2%	+1 bp

Santander Chile is one of the most efficient retail banks globally

Positive results in 2016

ROE reached 17.1% & RORWA: 1.8% in 2016



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Summary

- **Chile: economy expected to rebound in 2017 and 20178**
- **Financial system with stable growth and risk trends**
- **Santander Chile: Strong balance sheet and positive results:**
 - **Diversified loan mix**
 - **Loan growth up 7.5% YoY, especially in segments with higher risk-adjusted contribution**
 - **Solid deposit growth of 5.9% YoY**
 - **Healthy balance sheet with high liquidity levels**
 - **Strong Capital ratio: 10.5%**
 - **Client NII grew 7.0% YoY in 12M16**
 - **Customer loyalty and satisfaction continue to improve driving the 7% growth of fees**
 - **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. Digital banking optimization plans underway**
 - **Positive results in all business segments**
 - **ROE of 17.1% in 2016**



Sound outlook for 2017

Agenda

Annexes

Balance sheet

Unaudited Balance Sheet	Dec-16	Dec-16	Dec-15	Dec. 16 / Dec. 15
Assets	US\$ths	Ch\$ million		% Chg.
Cash and deposits in banks	3,422,506	2,279,389	2,064,806	10.4%
Cash items in process of collection	743,668	495,283	724,521	(31.6%)
Trading investments	596,077	396,987	324,271	22.4%
Investments under resale agreements	10,114	6,736	2,463	173.5%
Financial derivative contracts	3,754,928	2,500,782	3,205,926	(22.0%)
Interbank loans, net	409,362	272,635	10,861	2410.2%
Loans and account receivables from customers, net	39,209,437	26,113,485	24,535,201	6.4%
Available for sale investments	5,088,447	3,388,906	2,044,411	65.8%
Held-to-maturity investments	-	-	-	--%
Investments in associates and other companies	35,706	23,780	20,309	17.1%
Intangible assets	87,215	58,085	51,137	13.6%
Property, plant and equipment	386,455	257,379	240,659	6.9%
Current taxes	-	-	-	--%
Deferred taxes	559,608	372,699	331,714	12.4%
Other assets	1,262,011	840,499	1,097,826	(23.4%)
Total Assets	55,565,533	37,006,645	34,654,105	6.8%
	Dec-16	Dec-16	Dec-15	Dec. 16 / Dec. 15
Liabilities	US\$ths	Ch\$ million		% Chg.
Deposits and other demand liabilities	11,320,293	7,539,315	7,356,121	2.5%
Cash items in process of being cleared	433,143	288,473	462,157	(37.6%)
Obligations under repurchase agreements	318,974	212,437	143,689	47.8%
Time deposits and other time liabilities	19,747,311	13,151,709	12,182,767	8.0%
Financial derivatives contracts	3,441,683	2,292,161	2,862,606	(19.9%)
Interbank borrowings	2,877,429	1,916,368	1,307,574	46.6%
Issued debt instruments	11,000,559	7,326,372	5,957,095	23.0%
Other financial liabilities	360,384	240,016	220,527	8.8%
Current taxes	43,985	29,294	17,796	64.6%
Deferred taxes	11,541	7,686	3,906	96.8%
Provisions	463,937	308,982	329,118	(6.1%)
Other liabilities	1,194,872	795,785	1,045,869	(23.9%)
Total Liabilities	51,214,111	34,108,598	31,889,225	7.0%

Income statement

YTD Income Statement Unaudited	Dec-16 US\$ths.	Dec-16 Ch\$ million	Dec-15	Dec 16 / 15 % Chg.
Interest income	3,208,775	2,137,044	2,085,988	2.4%
Interest expense	(1,284,802)	(855,678)	(830,782)	3.0%
Net interest income	1,923,973	1,281,366	1,255,206	2.1%
Fee and commission income	647,423	431,184	402,900	7.0%
Fee and commission expense	(265,405)	(176,760)	(165,273)	7.0%
Net fee and commission income	382,018	254,424	237,627	7.1%
Net income (expense) from financial operations	(551,102)	(367,034)	(457,897)	(19.8%)
Net foreign exchange gain	761,850	507,392	603,396	(15.9%)
Total financial transactions, net	210,748	140,358	145,499	(3.5%)
Other operating income	27,476	18,299	15,642	17.0%
Net operating profit before provisions for loan losses	2,544,215	1,694,447	1,653,974	2.4%
Provision for loan losses	(515,444)	(343,286)	(413,694)	(17.0%)
Net operating profit	2,028,770	1,351,161	1,240,280	8.9%
Personnel salaries and expenses	(593,293)	(395,133)	(387,063)	2.1%
Administrative expenses	(339,959)	(226,413)	(220,531)	2.7%
Depreciation and amortization	(98,137)	(65,359)	(53,614)	21.9%
Op. expenses excl. Impairment and Other operating expenses	(1,031,389)	(686,905)	(661,208)	3.9%
Impairment of property, plant and equipment	(351)	(234)	(21)	1014.3%
Other operating expenses	(127,925)	(85,198)	(54,197)	57.2%
Total operating expenses	(1,159,665)	(772,337)	(715,426)	8.0%
Operating income	869,105	578,824	524,854	10.3%
Income from investments in associates and other companies	4,523	3,012	2,588	16.4%
Income before tax	873,628	581,836	527,442	10.3%
Income tax expense	(160,841)	(107,120)	(75,301)	42.3%
Net income from ordinary activities	712,787	474,716	452,141	5.0%
Net income discontinued operations	-	-	-	--%
Net income attributable to:				
Non-controlling interest	3,551	2,365	3,263	(27.5%)
Net income attributable to equity holders of the Bank	709,236	472,351	448,878	5.2%

Key indicators

Profitability and efficiency	Dec'16	Dec'15	Change bp
Net interest margin (NIM) ¹	4.5%	4.8%	-30bp
Efficiency ratio ²	42.7%	41.3%	+140bp
Return on avg. equity	17.1%	17.1%	+0bp
Return on avg. assets	1.3%	1.4%	-10bp
Return on RWA	1.8%	1.8%	0bp

Asset quality ratios (%)	Dec'16	Dec'15	Change bp
NPL ratio ³	2.1%	2.5%	-40bp
Coverage of NPLs ratio ⁴	145.4%	117.3%	+2,850bp
Cost of credit ⁵	1.3%	1.7%	-40bp

Structure (#)	Dec'16	Dec'15	Change (%)
Branches	434	471	-7.9%
ATMs	1,295	1,536	-15.7%
Employees	11,354	11,723	-3.1%

Market capitalization	Dec'16	Dec'15	Change (%)
Net income per share (Ch\$)	2.51	2.38	5.2%
Net income per ADR (US\$)	1.51	1.35	11.9%
Stock price (Ch\$/per share)	37.26	31.79	17.2%
ADR price (US\$ per share)	21.87	17.64	24.0%
Market capitalization (US\$m)	10,303	8,310	24.0%
Shares outstanding (millions)	188,446.1	188,446.1	0.0%
ADRs (1 ADR = 400 shares) (millions)	471.1	471.1	0.0%

1. NIM = Net interest income annualized divided by interest earning assets.

2. Efficiency ratio = (Net interest income + Net fee and commission income + Financial transactions net + Other operating income + Other operating expenses).

3. Capital + future interest of all loans with one installment 90 days or more overdue divided by total loans.

4. Loan loss allowance divided by capital + future interest of all loans with one installment 90 days or more overdue.

5. Provision expense annualized divided by average loans.

Thank you

Our purpose is to help people and businesses prosper.

Our culture is based on the belief that everything we do should be

Simple | Personal | Fair

