

# Banco Santander Chile

## *Solid business and client profitability trends*

May, 2017



## 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 2016 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

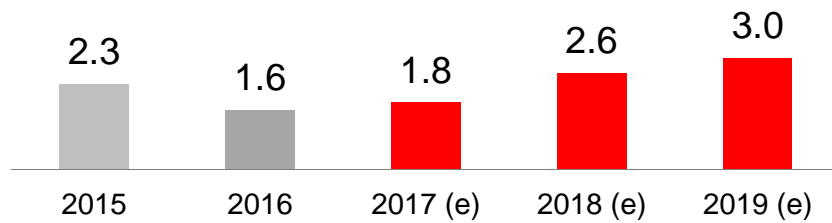
- **Macro-economic environment and financial system**
- **Strategy and results**
- **Outlook**

## Macroeconomic environment

### GDP growth expectations rise for 2018-19

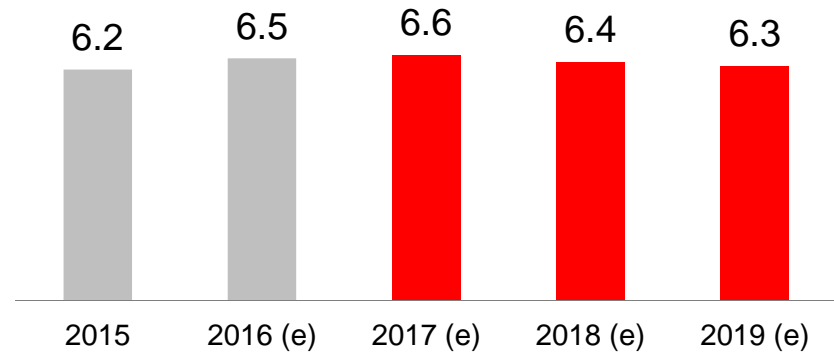
#### GDP

YoY real growth, %



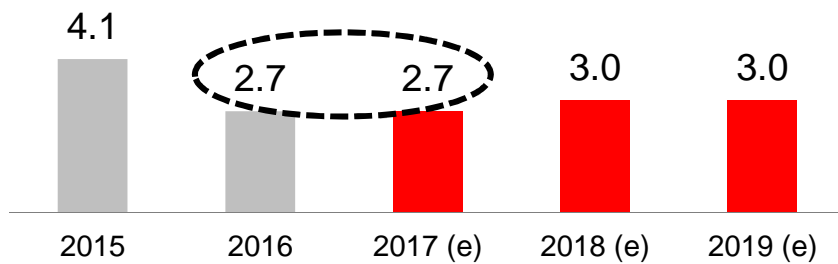
#### Unemployment

% of workforce, %



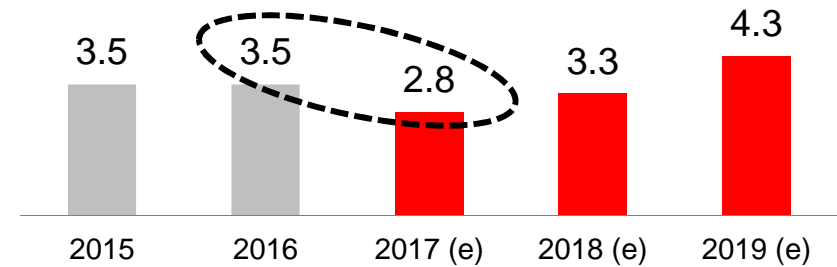
#### Inflation

Annual change in UF inflation, %



#### Central Bank ST Reference Rate

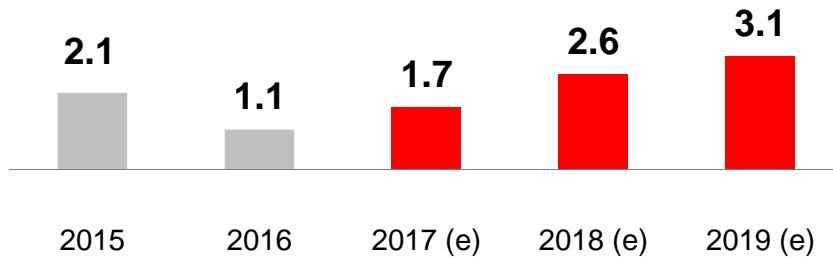
%



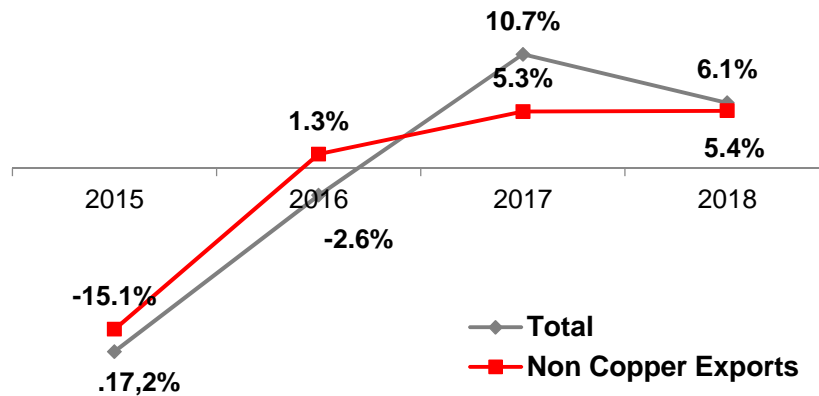
## Macroeconomic environment

### Exports and consumption driving growth in 2017-18

#### Internal Demand (YoY growth, %)



#### Exports (YoY growth, %)



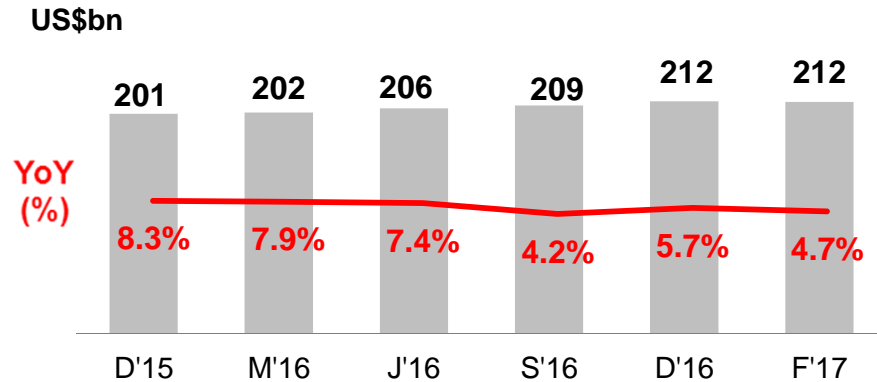
#### Growth by sectors (YoY growth, %)<sup>1</sup>

Sector	2015	2016e	2017e	2018e
Communications	6.1	3.1	1.8	2.9
Agro / Fishing	6.7	4.5	3.5	4.0
Public adm.	3.9	3.0	3.3	2.9
Transportation	3.7	3.3	3.0	3.1
Services	2.3	2.3	2.1	2.7
Construction	3.9	2.5	-1.1	1.2
Manufacturing	0.2	-0.9	0.0	1.0
Commerce	2.3	3.4	3.7	4.2
Utilities	3.5	1.6	2.5	3.0
Mining	0.0	-2.9	1.0	2.5
<b>GDP</b>	<b>2.3</b>	<b>1.6</b>	<b>1.8</b>	<b>2.6</b>

## Financial system: loan and customer funds

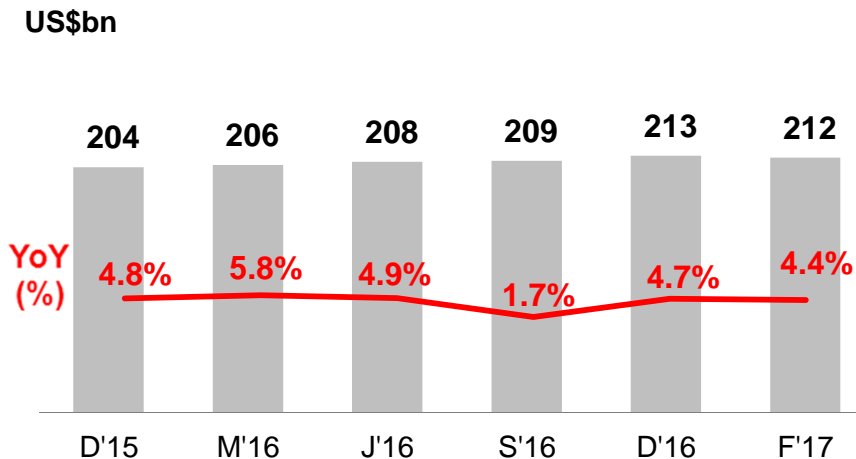
### Financial system outstripping GDP growth

#### Total Loans<sup>1</sup>



- Growth of consumer loans and export sectors drives loan growth
- Mortgage lending leading deceleration after extraordinary growth in 2015-16
- Stable asset quality

#### Customer funds<sup>1,2</sup>



- 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

# Agenda

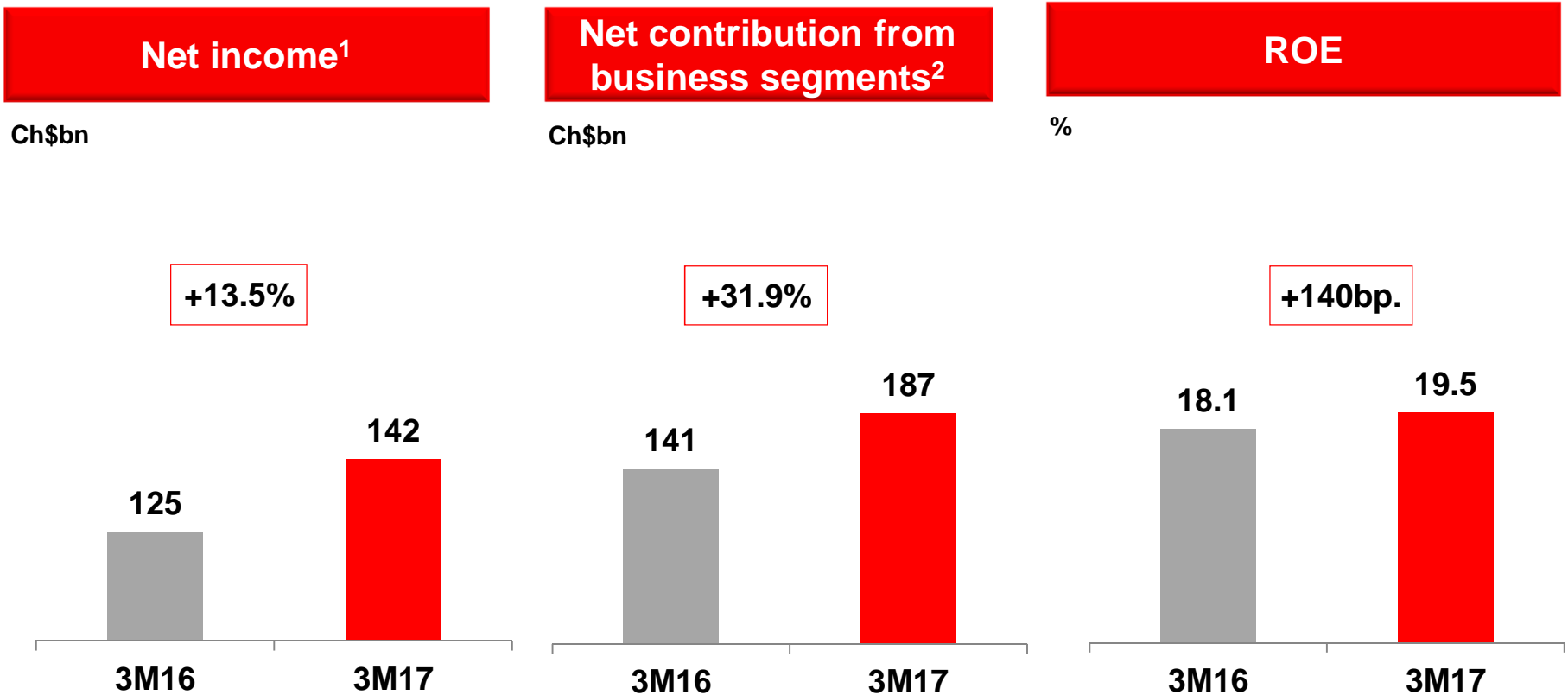
- **Macro-economic environment and financial system**

- **Strategy and results**

- **Outlook**

## Results in 1Q17

**Sound results in 1Q17 driven by client activities. ROE reached 19.5%**



1. Net income attributable to shareholders

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

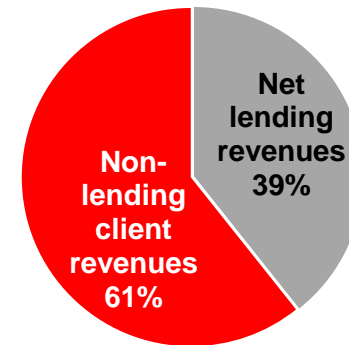
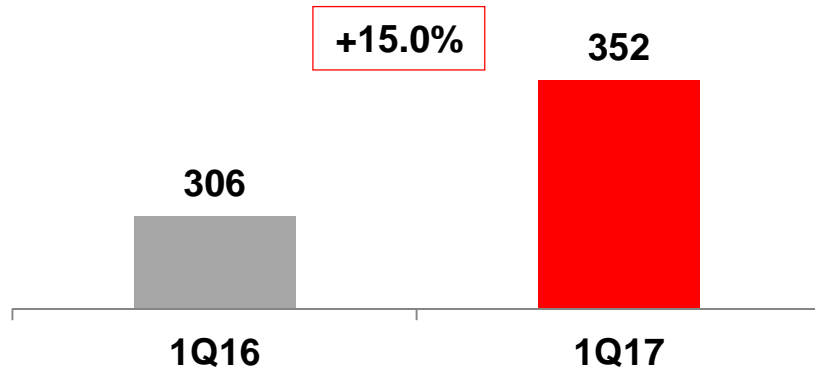


## Results in 1Q17

**61% of our client revenues are generated by non-lending activities**

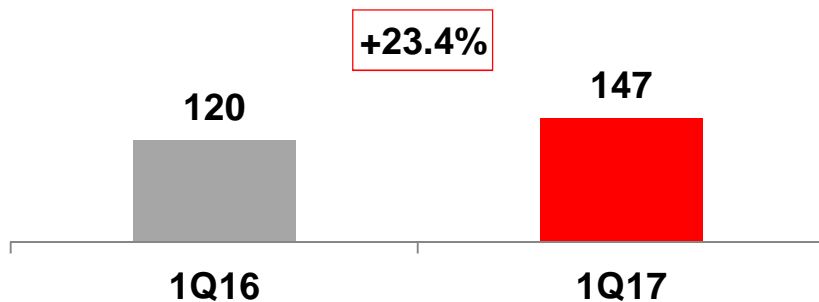
### Net operating profit from business segments<sup>1</sup>

Ch\$bn



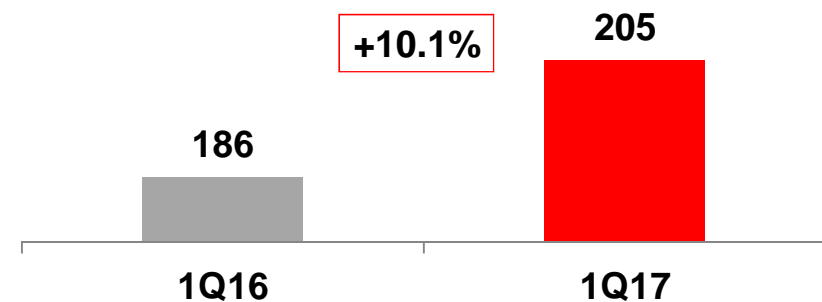
### Net lending revenues<sup>2</sup>

Ch\$bn



### Client non-lending revenues<sup>3</sup>

Ch\$bn



## 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**

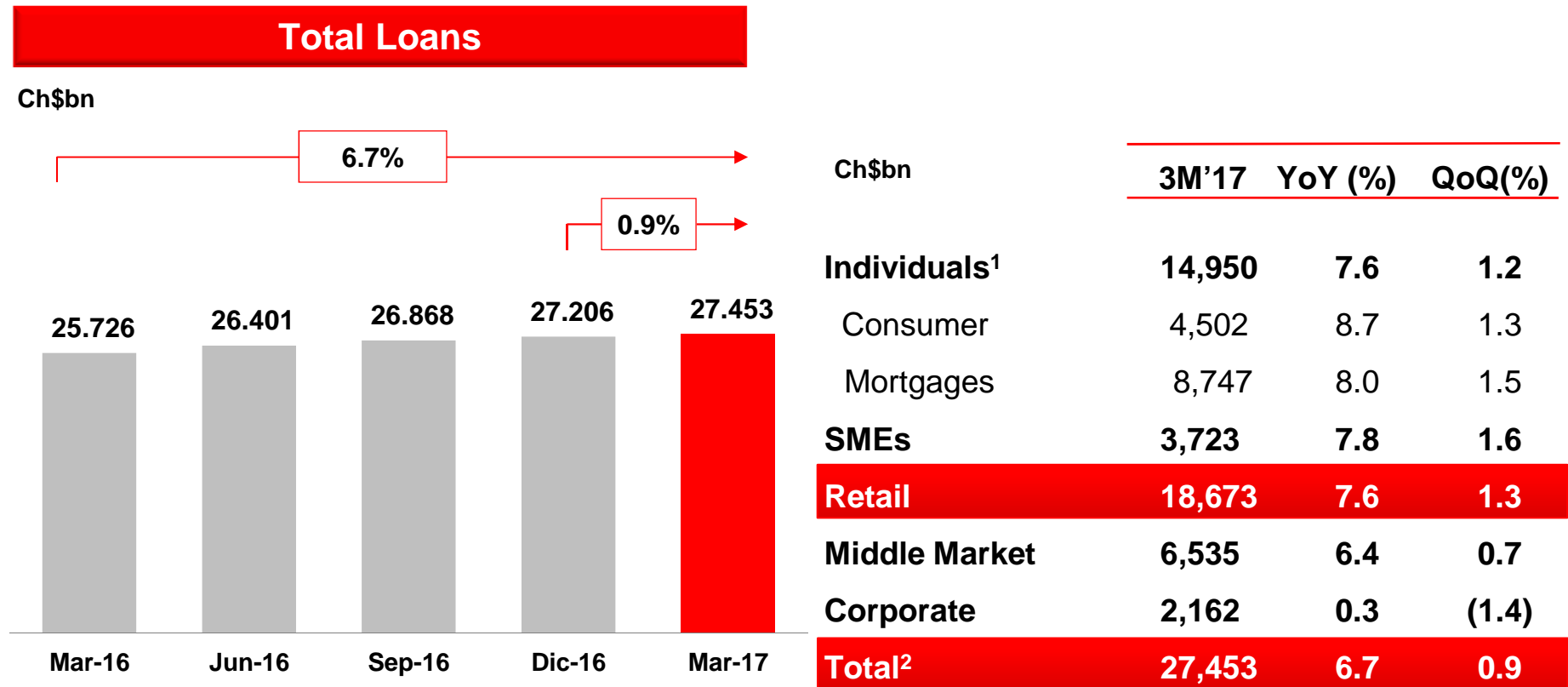


**IV. Optimizing profitability and capital use to increase shareholder value in time**



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

**Loans grow 6.7% YoY, with retail loans expanding 7.6%**

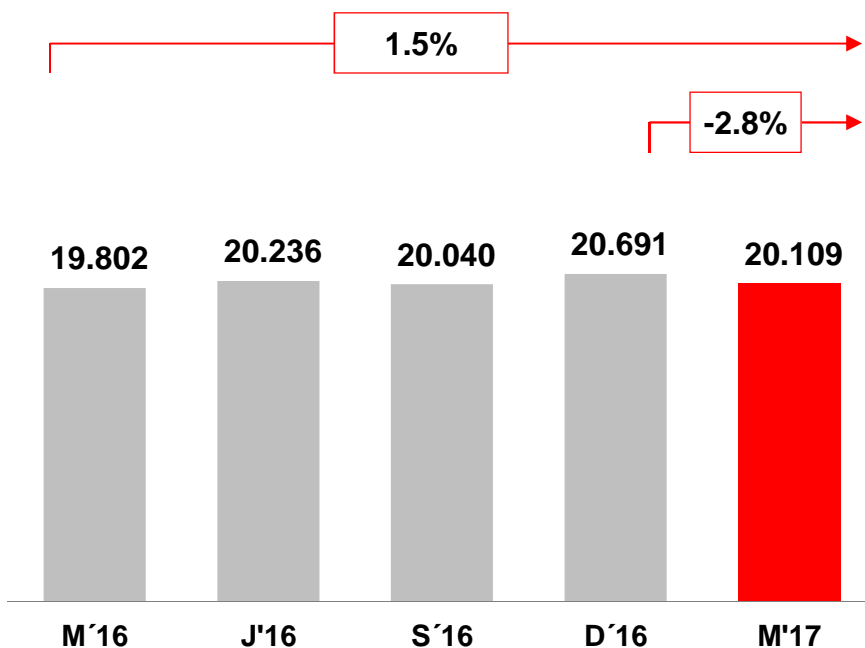


Strategy: I. Growth focused on segments with highest contribution, net of risk

## Non-interest bearing demand deposits increase 4.7% YoY

### Total Deposits

Ch\$bn



Ch\$bn

Demand

Time

**Total deposits**

**Mutual funds<sup>1</sup>**

**Customer funds**

	3M'17	YoY(%)	QoQ(%)
Demand	7,409	4.7	(1.7)
Time	12,700	(0.2)	(3.4)
<b>Total deposits</b>	<b>20,109</b>	<b>1.5</b>	<b>(2.8)</b>
<b>Mutual funds<sup>1</sup></b>	<b>5,490</b>	<b>16.9</b>	<b>9.2</b>
<b>Customer funds</b>	<b>25,599</b>	<b>4.5</b>	<b>(0.5)</b>

7,409

4.7

(1.7)

12,700

(0.2)

(3.4)

**20,109**

**1.5**

**(2.8)**

**5,490**

**16.9**

**9.2**

**25,599**

**4.5**

**(0.5)**

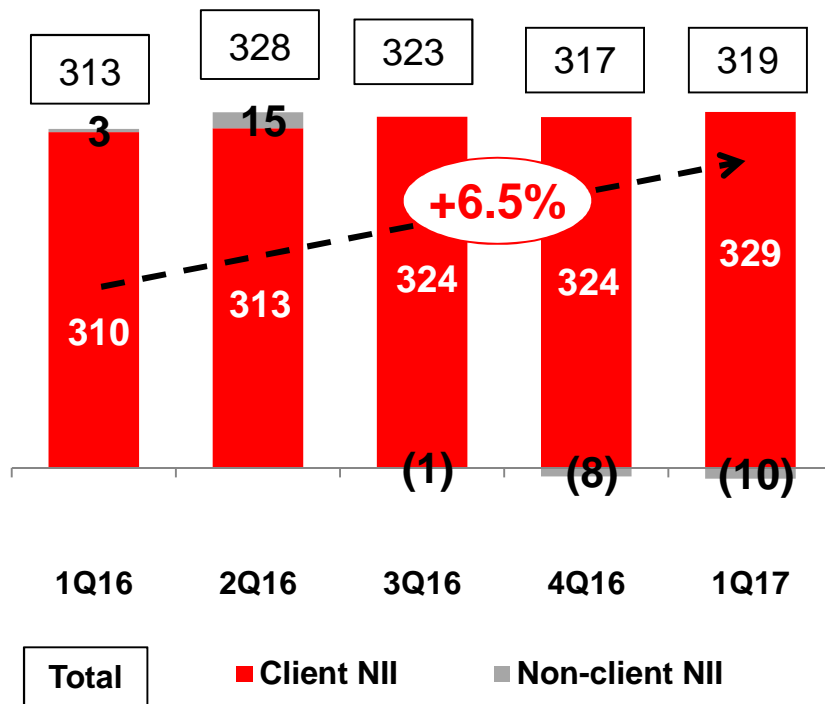
**Rate cut drives shift of time deposits towards fee generating mutual funds**

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

**Client NII increased 6.5% YoY. Lower inflation lowers total NIM**

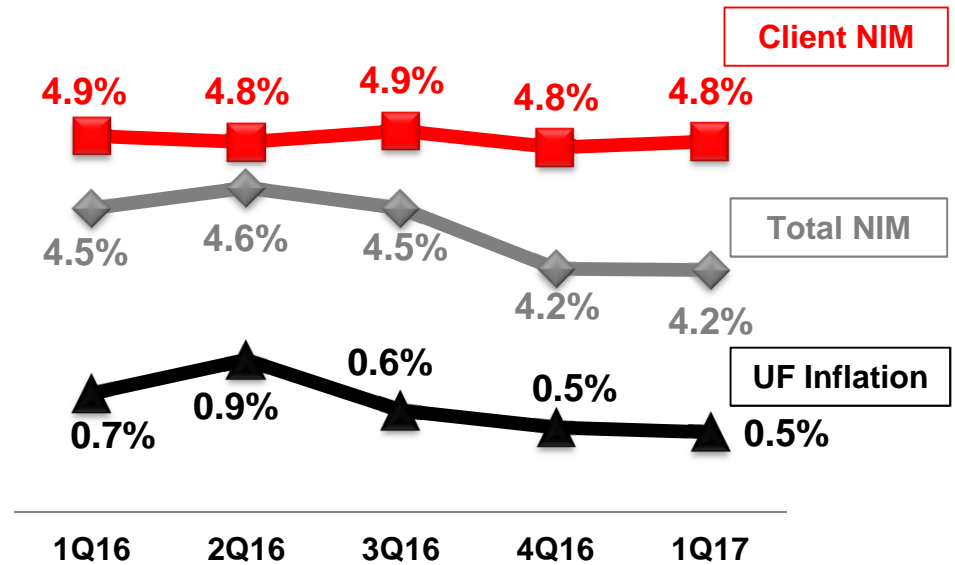
**Client and total net interest income<sup>1</sup>**

Ch\$bn



**NIM & Client NIM**

Net Interest Margin (NIM), %



**Rate cuts and higher inflation should support NIMs during the rest of 2017**

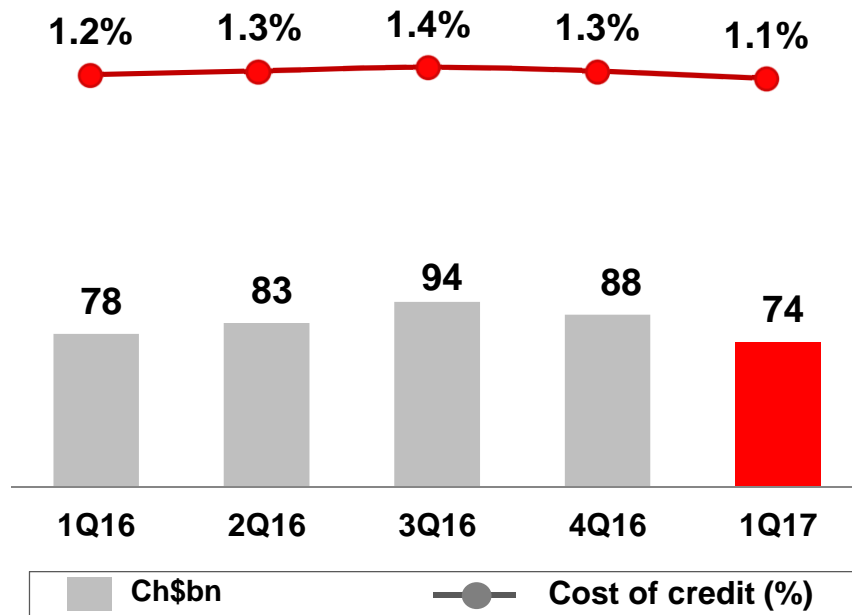
1. Client Net interest income (NII) is NII from Retail, Middle-market and GCB segments Non-client NII is NII mainly from the Bank's ALCO positions and includes the effects of inflation on the Bank's NII

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

**Sound asset quality indicators. Cost of credit at 1.1%**

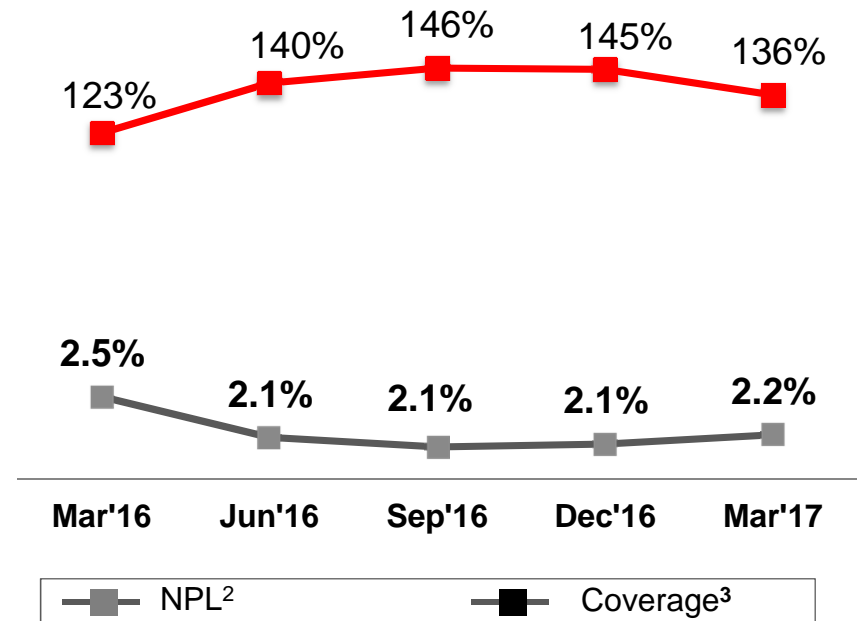
**Provision expense & cost of credit<sup>1</sup>**

Ch\$bn



**NPL and coverage ratio**

% of loans

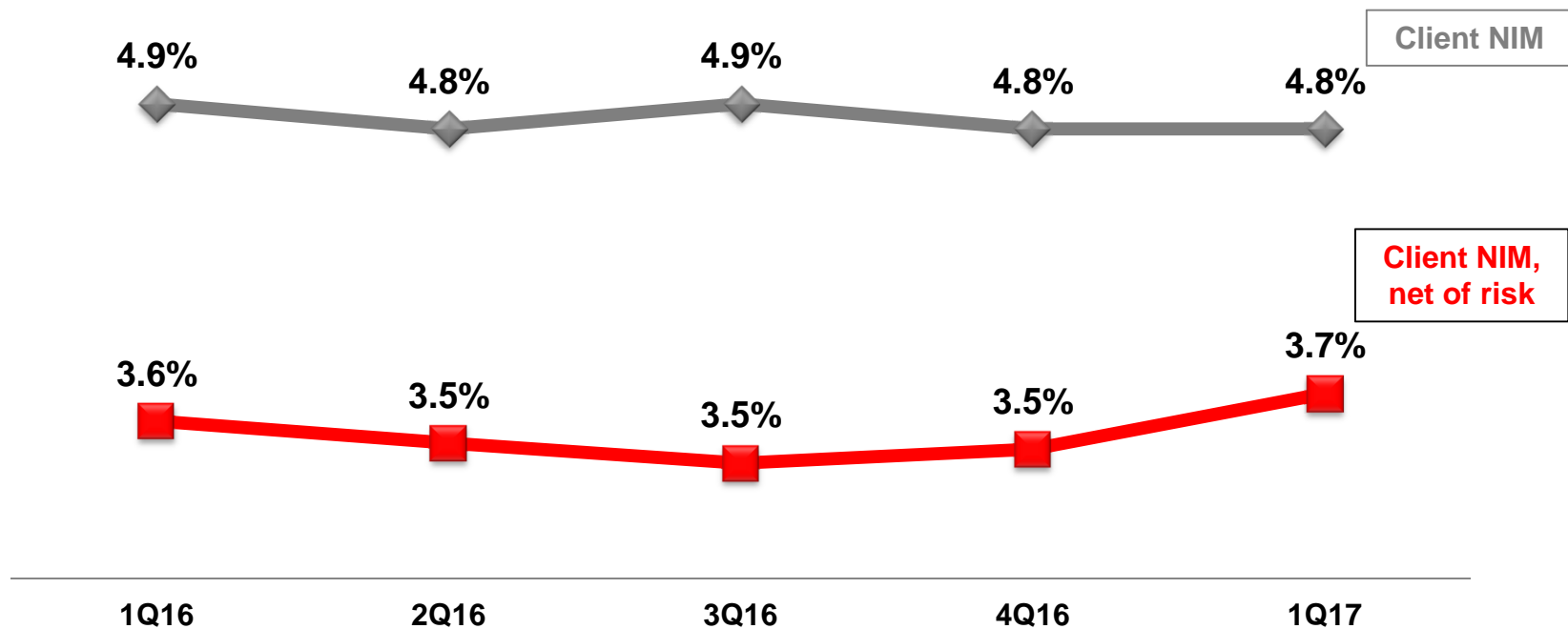


1. Annualized quarterly provisions expense/total loans. 2. 90 days or more NPLs 3. Loan loss reserves over NPLs.

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

**Client NIMs, net of risk starting to rise, in line with strategy**

**Client NIM and Client NIM, net of provisions<sup>1</sup>**



1. Net interest margin from clients and net of provisions

## 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

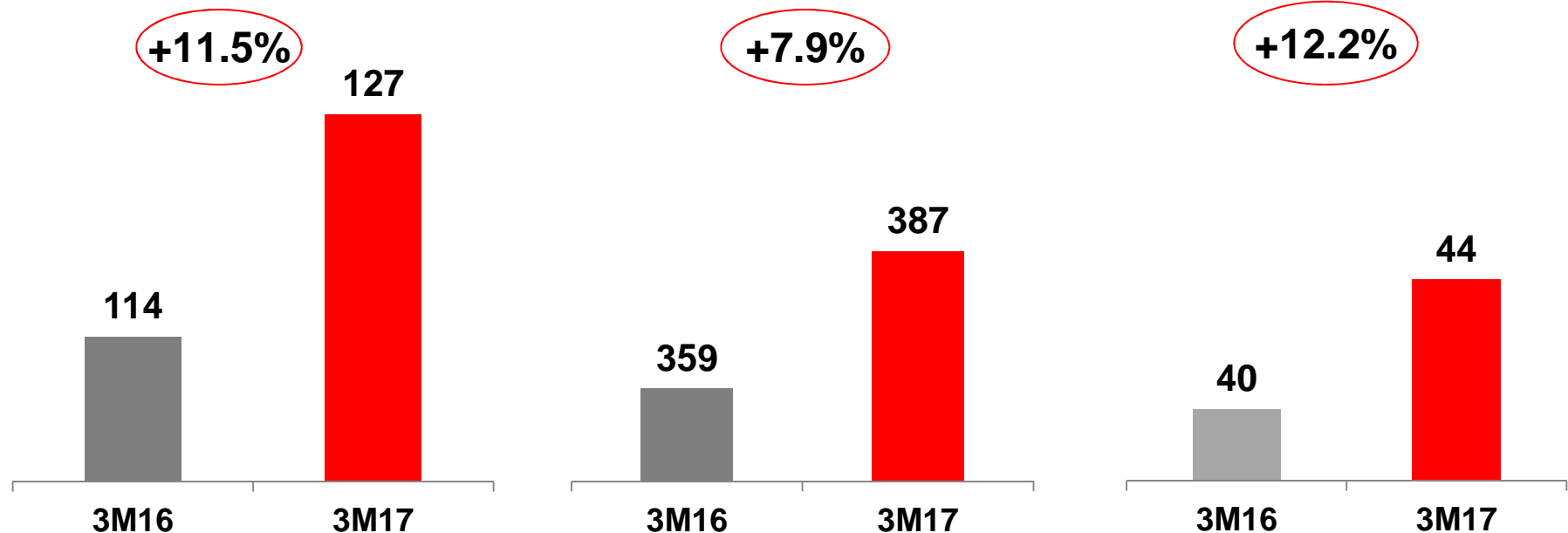
### Rising customer loyalty...

Loyal High income customers<sup>1</sup>

Loyal Middle income customers<sup>1</sup>

Loyal SME + Middle market customers<sup>2</sup>

Loyal customers, thousands



## Strategy: II. Increasing client loyalty

### ... and various product and channel innovations

#### New *WorkCafé* branches



- Productivity >50%
- Front / Back 3:1
- 70% of space for sales
- Cost/income 14% vs 24%

#### Credit card with exclusive benefits

##### *World Member Limited* Santander



*World Member Limited* - New exclusive credit card  
– 33% more kms. on total purchases per month of between Ch\$1.5 million and Ch\$4 million and other exclusive benefits.

#### 1-2-3 Click



Crédito 123 Click

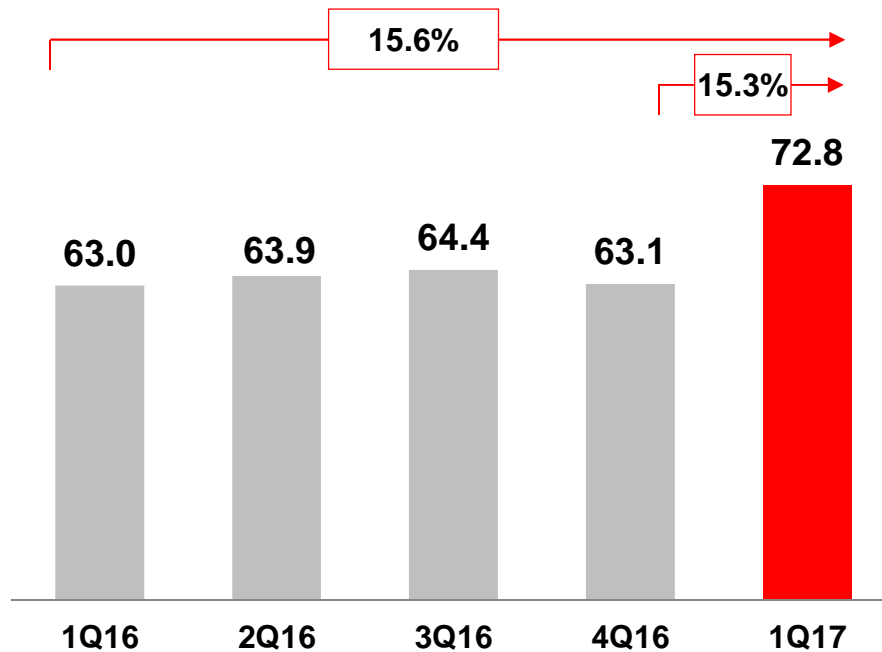
- Consumer loans 100% digital
- 3 simple steps via App or [www.santander.cl](http://www.santander.cl)
- Money transferred in an instant to client
- Already represents >20% of consumer loan sales
- Spread +400bp higher than average consumer loans

## Strategy: II. Increasing client loyalty

... is driving fee income

### Net fee income

Ch\$bn



### Fee income from business segments

Ch\$bn

	3M'17	YoY (%)
Retail	52.2	14.2
Middle Market	9.1	-2.3
Corporate	10.6	50.2
<b>Subtotal</b>	<b>72.0</b>	<b>13.6</b>
Others	0.9	--%
<b>Total</b>	<b>72.8</b>	<b>15.6%</b>

Fees from Corporate are driven by greater financial advisory services

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Strategy III: Digital transformation

**Our distribution network is evolving...**



## Strategy III: Digital transformation

... by creating friendlier and more productive 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

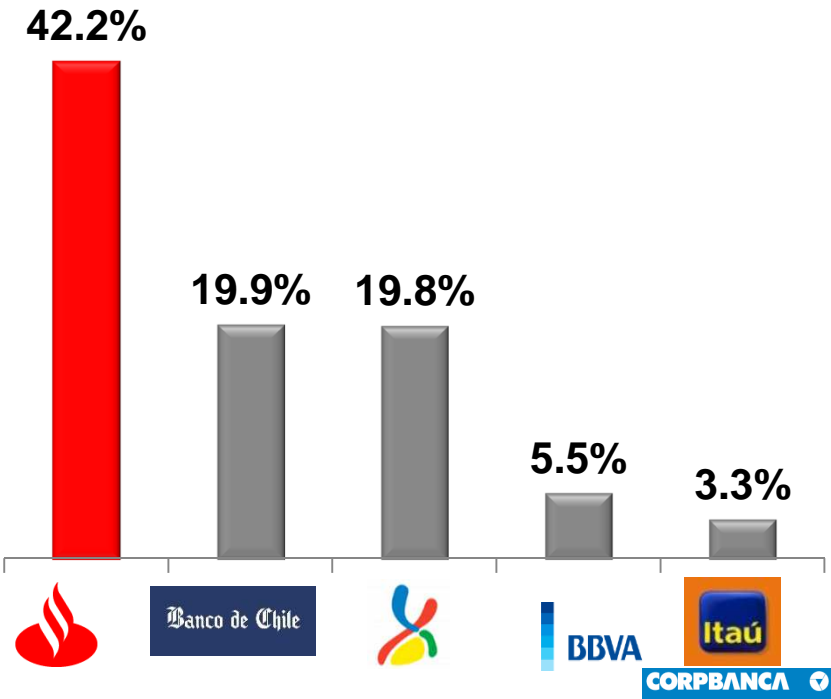


La mejor tecnología de autoservicio

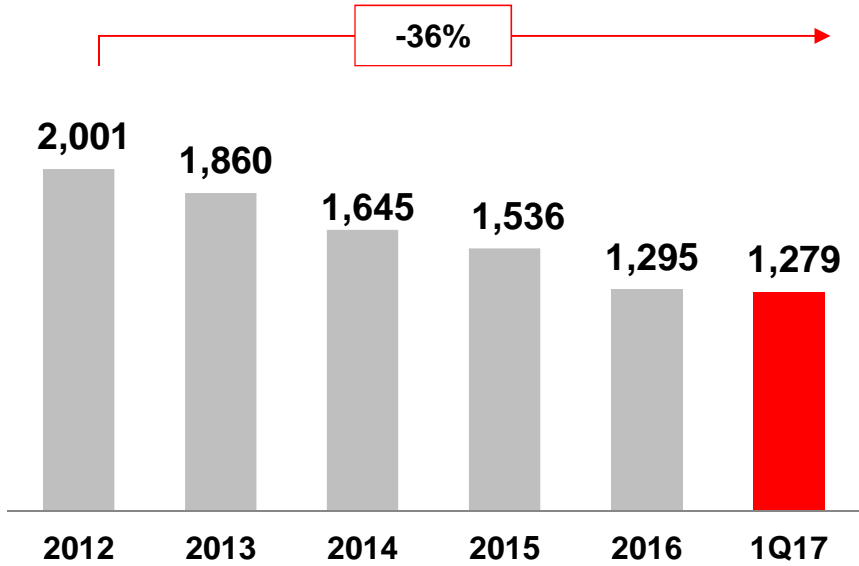
Strategy III: Digital transformation

We continue to expand the use of digital banking...

Internet usage market share<sup>1</sup>



ATMs



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

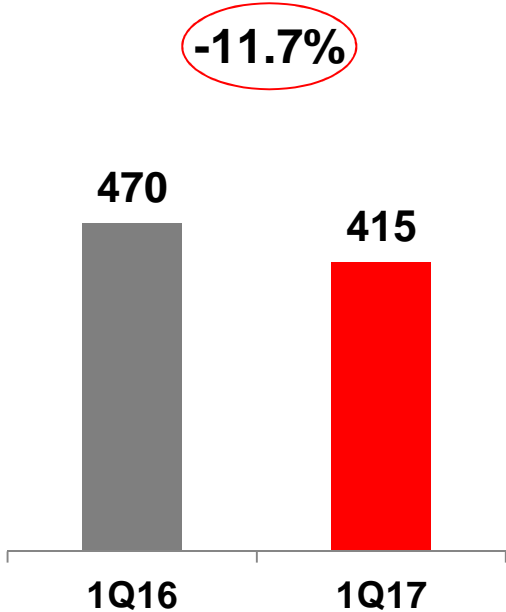
1. Market share over clients that enter a website with a passkey. Excludes Banco de Estado. Source: Superintendency of Banks of Chile. Yearly average

# Strategy III: Digital transformation

... which is boosting productivity

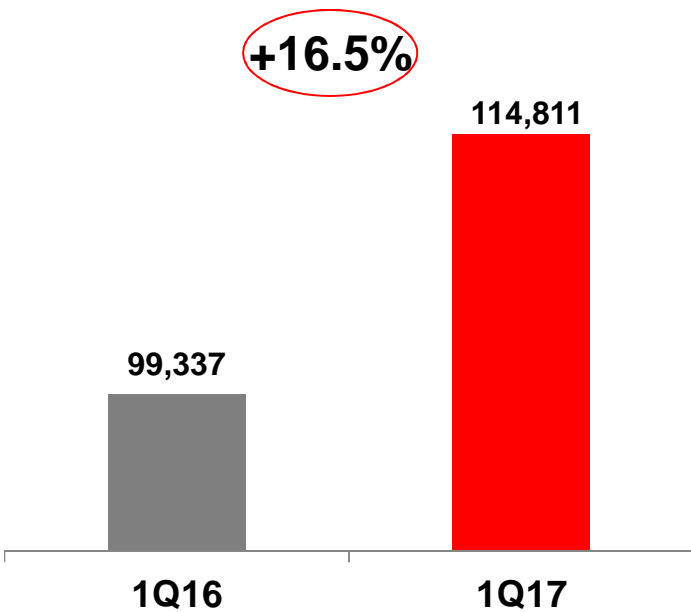
## Branches

Number of branches



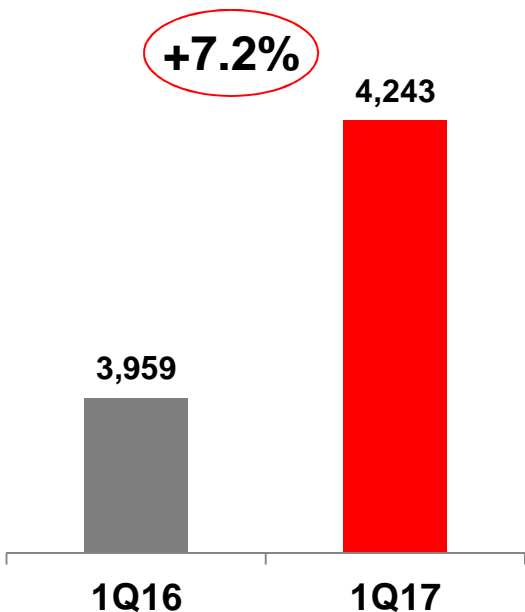
## Productivity per branch

Volumes\* per branch, Ch\$m



## Productivity per employee

Volumes\* per employee, Ch\$m



\* Loans + deposits

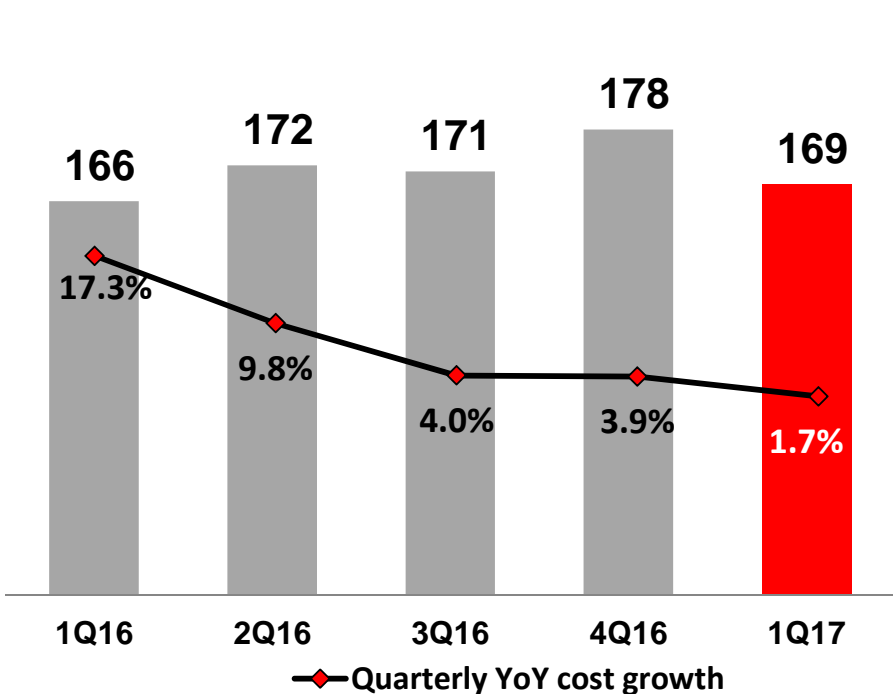


# Strategy III: Digital transformation

**Cost growth is falling. Efficiency reaches 40.0% in 1Q17**

## Operating expenses

Ch\$bn



	3M17 YoY%	
Personal exp.	93	(0.3)
Adm. exp.	58	(0.4)
Depreciation	18	22.8
<b>Op. expenses</b>	<b>169</b>	<b>1.7</b>
Efficiency Ratio <sup>1</sup>	40.0%	+160 bp
Cost / Assets	1.8%	-10bp

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

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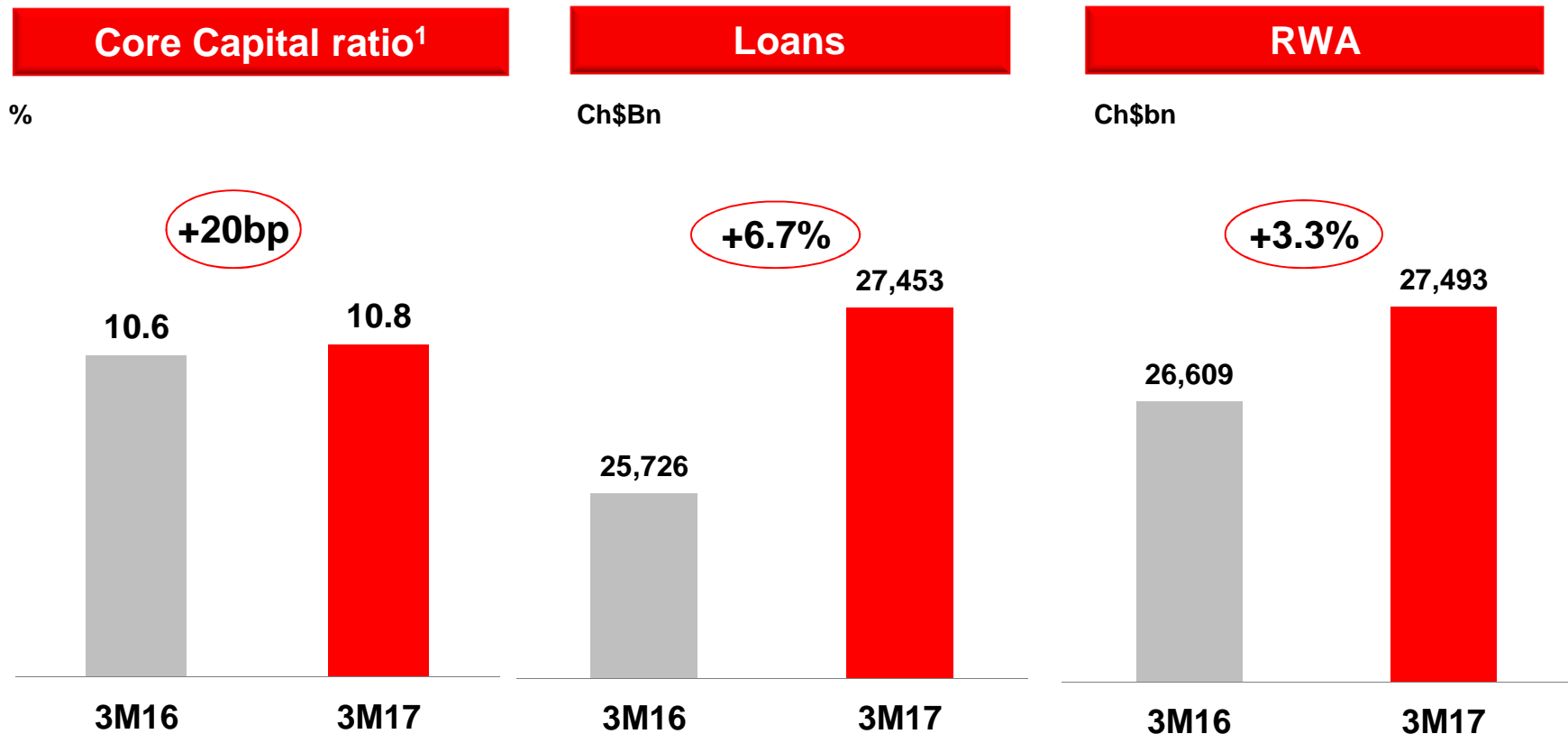


**IV. Optimizing profitability and capital use to increase shareholder value in time**



## Strategy: IV. Optimizing profitability and capital

### Solid capital levels for further growth



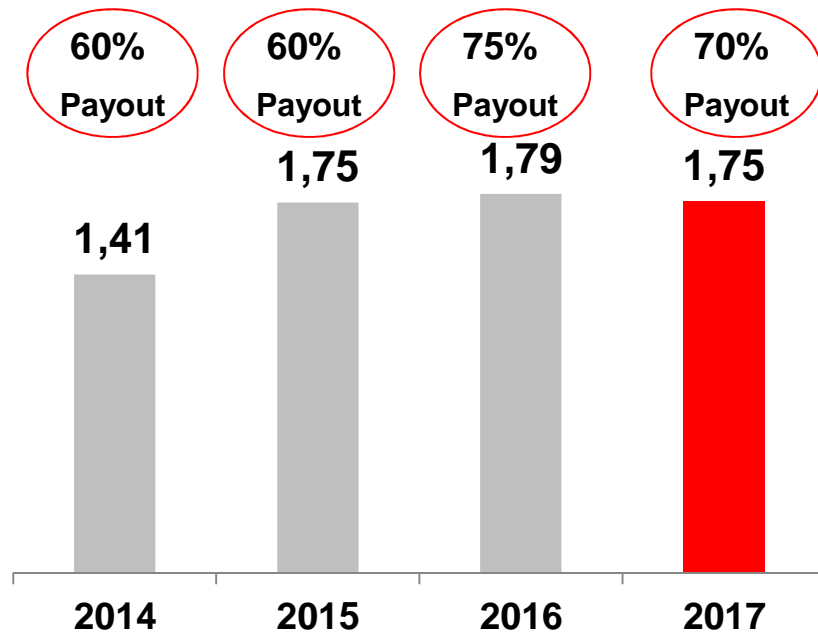
Capital ratios improve, with contained RWA growth

## Strategy: IV. Optimizing profitability and capital

**Our strategy is increasing shareholder value in time**

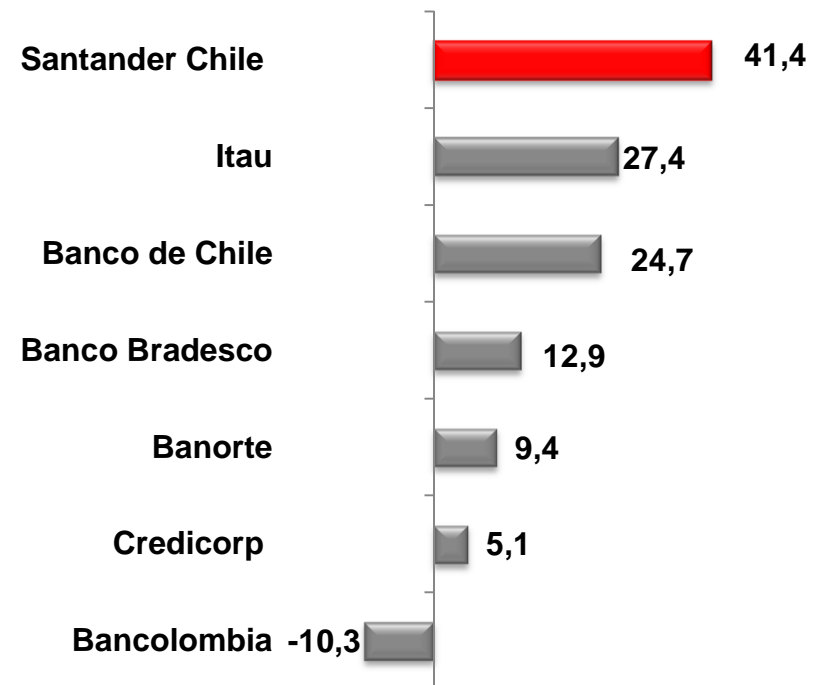
### Dividend per share

Ch\$ per share



### Total shareholder return 12/14 – 03/17

TSR including dividend, 12/31/14 – 03/31/17, %<sup>1</sup>



**Dividend yield = 4.5% in 2017**

# Agenda

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

# Outlook

## Sound outlook for Santander Chile

- **BSAC: stronger Client contribution driving profitability in 2017, in line with strategy**
  - Business segment contribution up 31.9% YoY in 1Q17
  - Loan growth up 6.7%, led by segments with highest contribution, net of risk
  - Demand deposits grow 4.7% YoY with improving funding costs
  - Client NII grew 6.5% YoY in 3M17
  - Customer loyalty and satisfaction continue to improve, driving double digit fee growth
  - Sound asset quality indicators. Cost of credit decreases to 1.1%
  - Digital and branch optimization plans underway. Efficiency ratio reaches 40.0%
  - ROE reached 19.5% in the first quarter
- **In 2017 we expect these sound business trends to continue**