

Banco Santander Chile

Solid business and client profitability trends

May 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 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**
- **Banco Santander Chile: the nation's leading bank**
- **Healthy balance sheet**
- **Positive results in 2016 and 2017**
- **Summary**

Macroeconomic environment

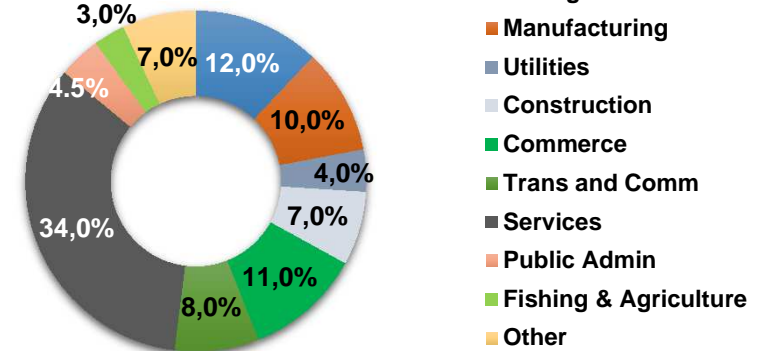
Chile: a stable and diversified economy

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

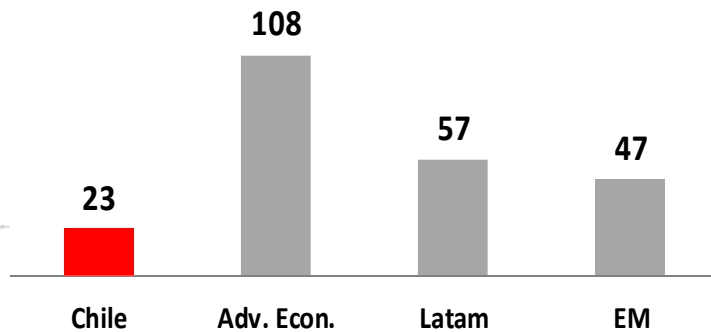
Chile's economy is well diversified¹

GDP by economic sector, %

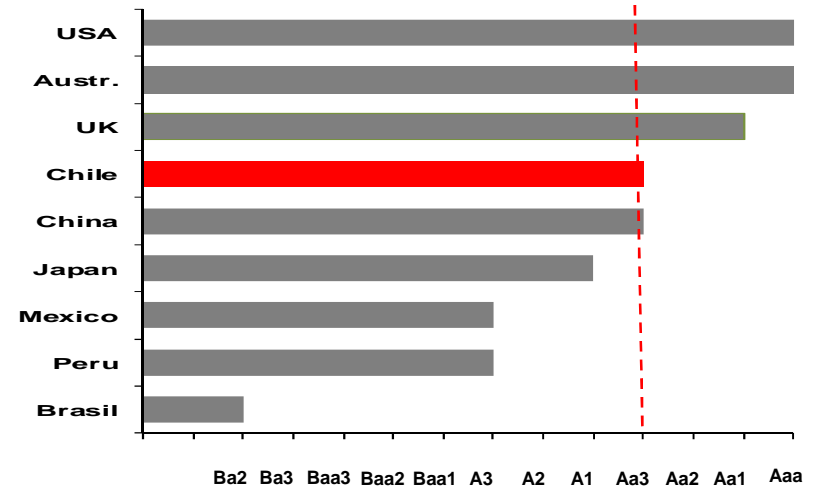


Low public debt²

Gross public debt, % GDP



High Sovereign rating³



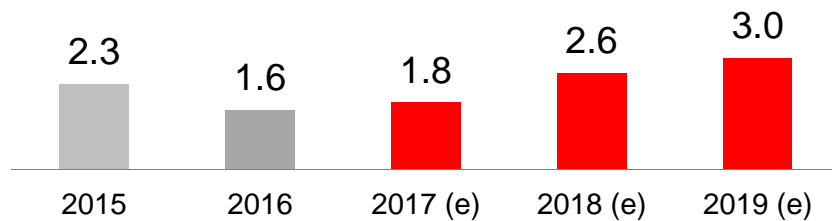
1. Source: Central Bank of Chile, BCCh, and National Statistics Institute, 2016. 2. Source: International Monetary Fund, 10/2016. 3. Source: Moody's

Macroeconomic environment

GDP growth expectations rise for 2018-19

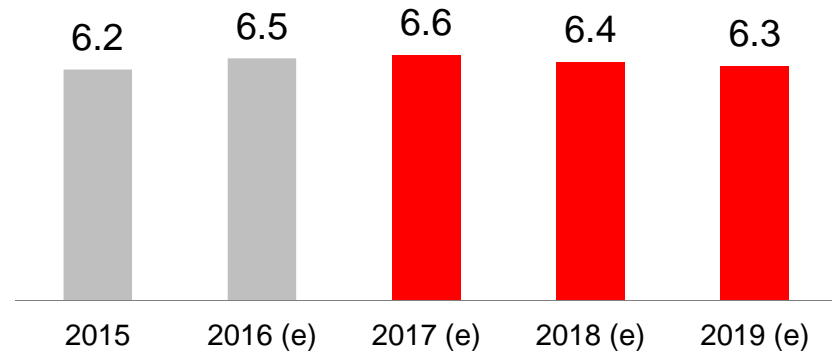
GDP

YoY real growth, %



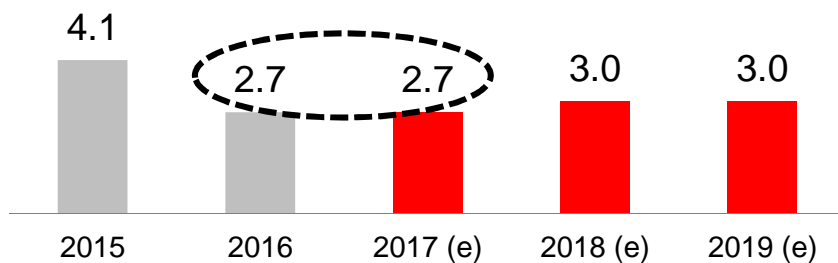
Unemployment

% of workforce, %



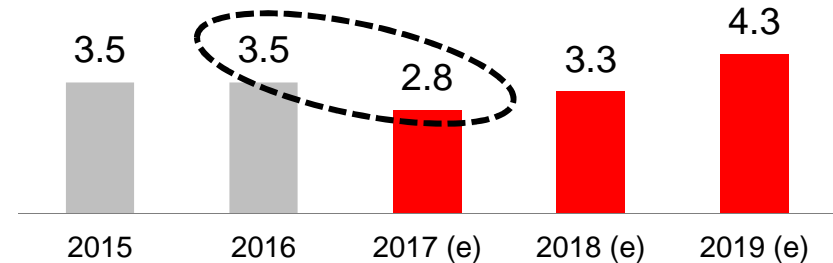
Inflation

Annual change in UF inflation, %



Central Bank ST Reference Rate

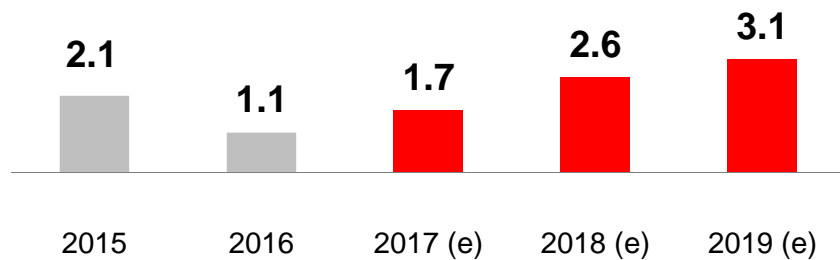
%



Macroeconomic environment

Exports and consumption driving growth in 2017-18

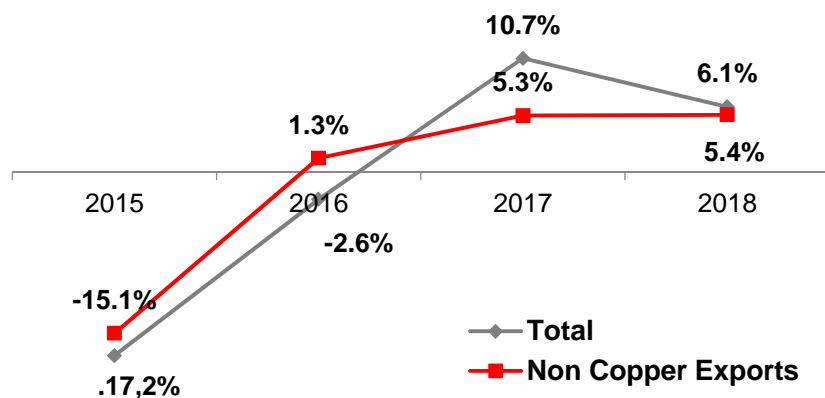
Internal Demand (YoY growth, %)



Growth by sectors (YoY growth, %)¹

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
GDP	2.3	1.6	1.8	2.6

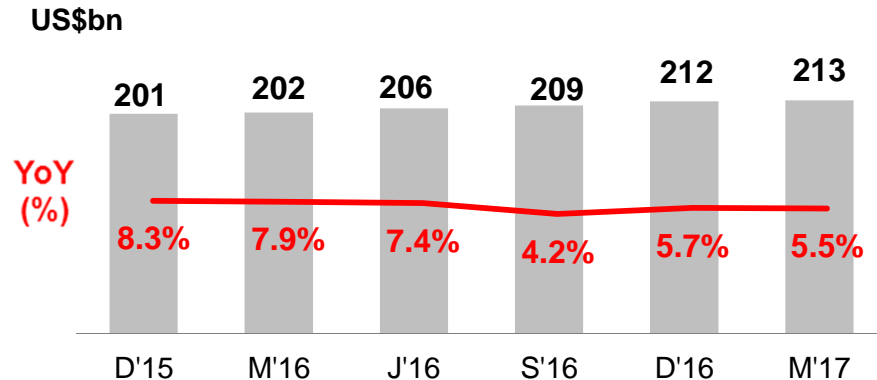
Exports (YoY growth, %)



Financial system: loan and customer funds

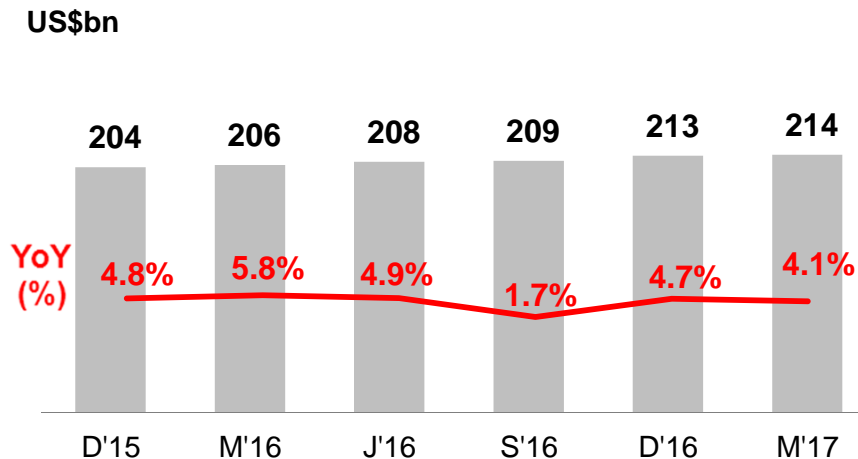
Financial system outstripping GDP growth

Total Loans¹



- 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^{1,2}

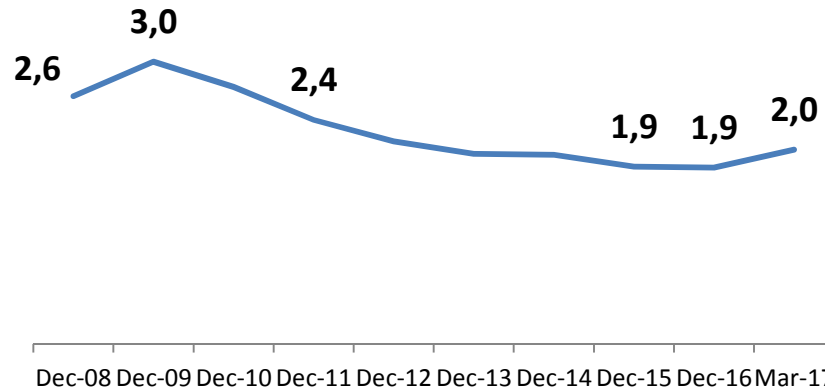


- High liquidity in the system to fund business growth
- Deceleration of customer fund growth due to shift of investment flows away from deposits to bonds given low interest rates

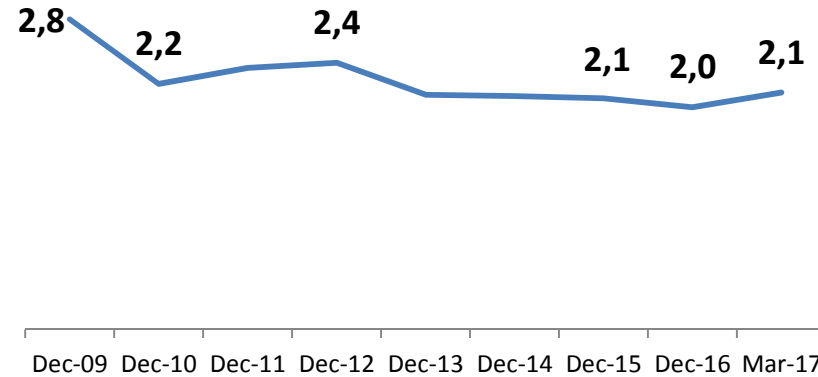
Financial system: risks metrics

Improving risk profile

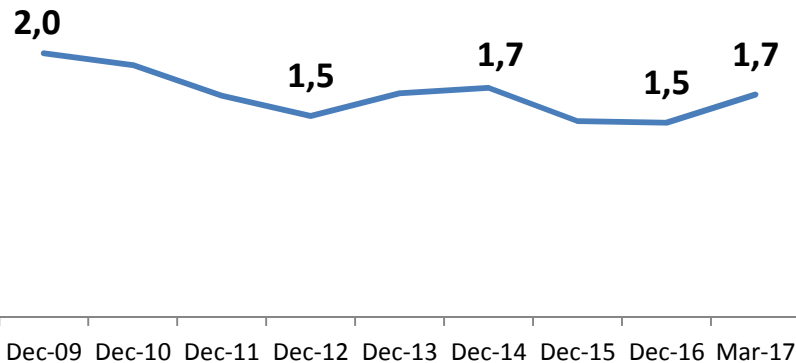
Non-performing loan ratio (%)¹



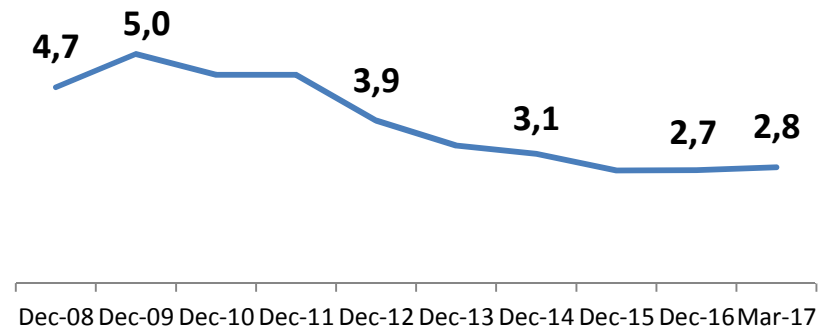
Consumer NPL (%)



Commercial NPL (%)



Mortgages NPL (%)



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- **Banco Santander Chile: the nation's leading bank**
- **Healthy balance sheet**
- **Positive results in 2016 and 2017**
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A leading bank

Santander Chile is the nation's leading bank

Figures in US\$



Business and Results		
	3M'17	Var. YoY
Gross Loans	41.6bn	6.7%
Deposits	30.5bn	1.5%
Equity	4.5bn	5.2%
Net inc. business segments	283mn	31.9%
Net income	217mn	13.5%

Network and Customers		
	3M'17	Mkt. share ¹
Clients	3.6 mn.	21.6% ²
Internet banking	1.8mn	42.2% ³
Branches	415	19.7%

Market Share¹		
	%	Rank
Loans	19.5%	1
Deposits	18.7%	1
Checking accounts	21.6%	1
Bank credit cards⁴	31.5%	1

1. As of Mar. 2017 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. Average yearly 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 Jan. 2017 4. Market share in terms of credit card purchases.

A leading bank

Solid corporate governance standards

Independent Board

Corporate Governance Standards

	Analysis & Resolution Committee	Human Resources Committee	Audit Committee	Asset & Liability Committee	Market Committee	Risk Committee	Strategy Committee
Vittorio Corbo Lioi		Member		Member	Member		Member
Roberto Méndez Torres			Member	Member	Member	Member	
Oscar Von Chrismar		Member		Member	Member	Member	Member
Roberto Zahler Mayanz				Member	Member	Member	
Orlando Poblete Iturrate			Member				
Juan Pedro Santa María Pérez	Member					Member	
Lucía Santa Cruz Sutil							Member
Ana Dorrego							
Andreu Plaza							
Blanca Bustamante Bravo, (Alternate)		Member	Member				
Raimundo Monge Zegers, (Alternate)	Member			Member		Member	Member

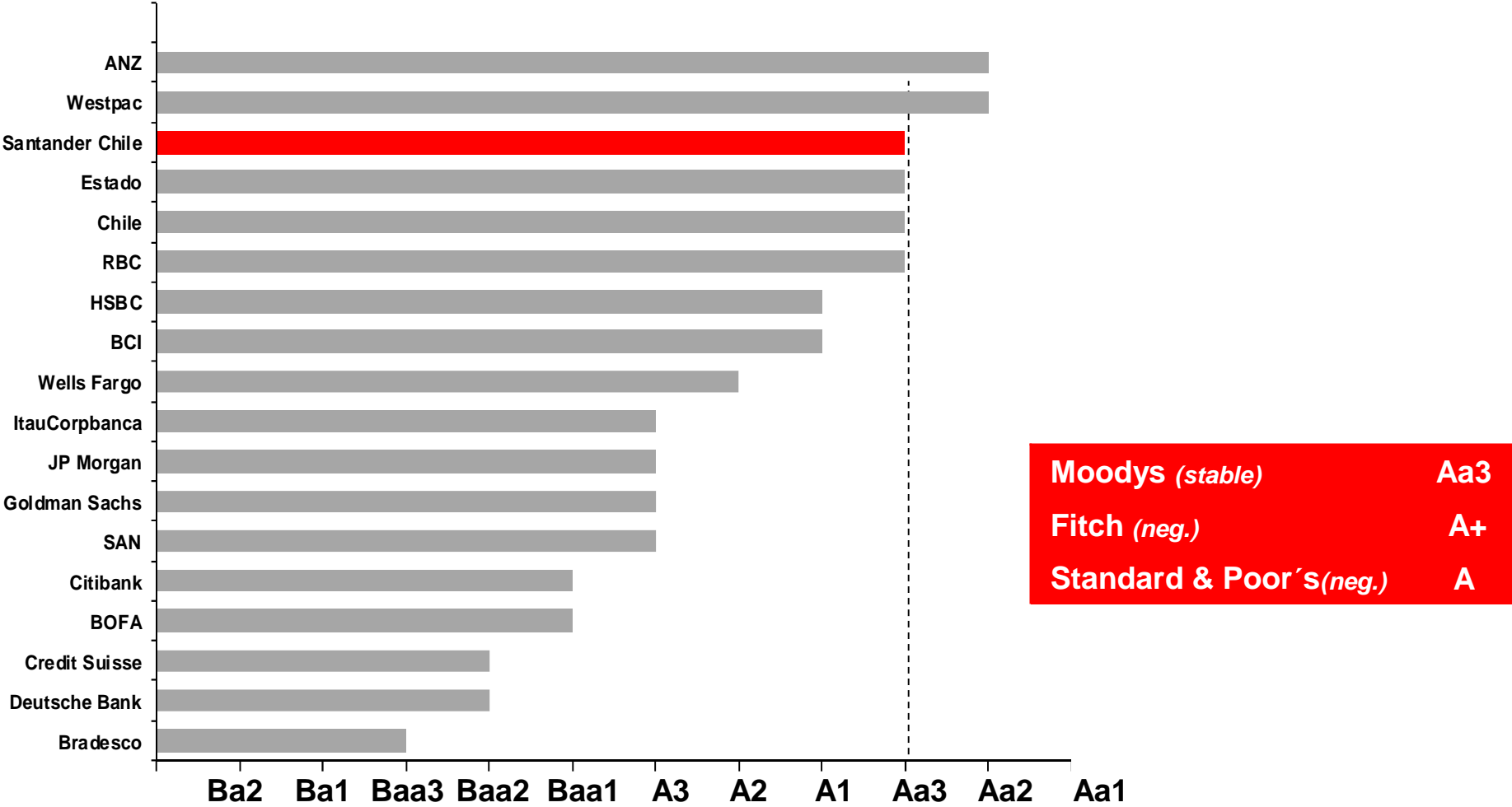
- ✓ **Independent Board of Directors:** 4 out of 9 Board members unrelated to Grupo Santander with active participation of board members in main committees
- ✓ **Liabe:** The directors of a Bank who propose the payment of dividends in violation of the provisions of Title IV of the General Banking Law 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

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

A leading bank

Among banks with best international rating

Risk rating: Moody's scale



Source: Moody's via Bloomberg

Agenda

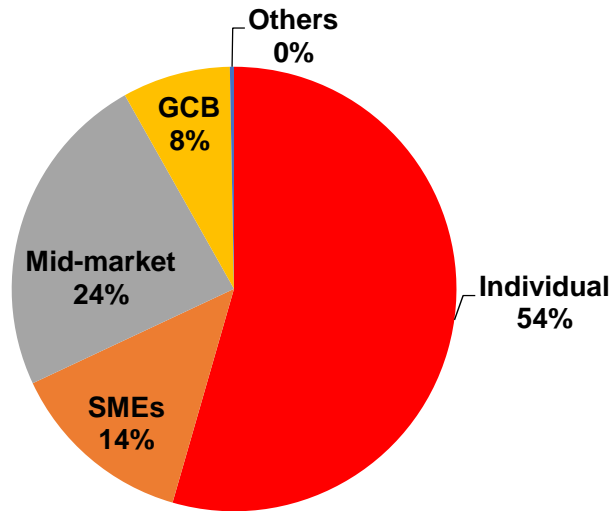
- **Macro-economic environment and financial system**
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- **Positive results in 2016 and 2017**
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A healthy balance sheet

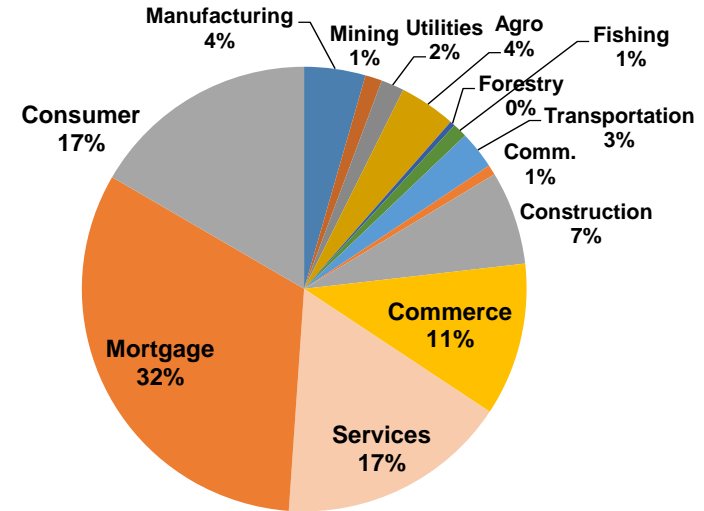
A diversified loan book

Figures as of Mar. 2017

Loans by segment



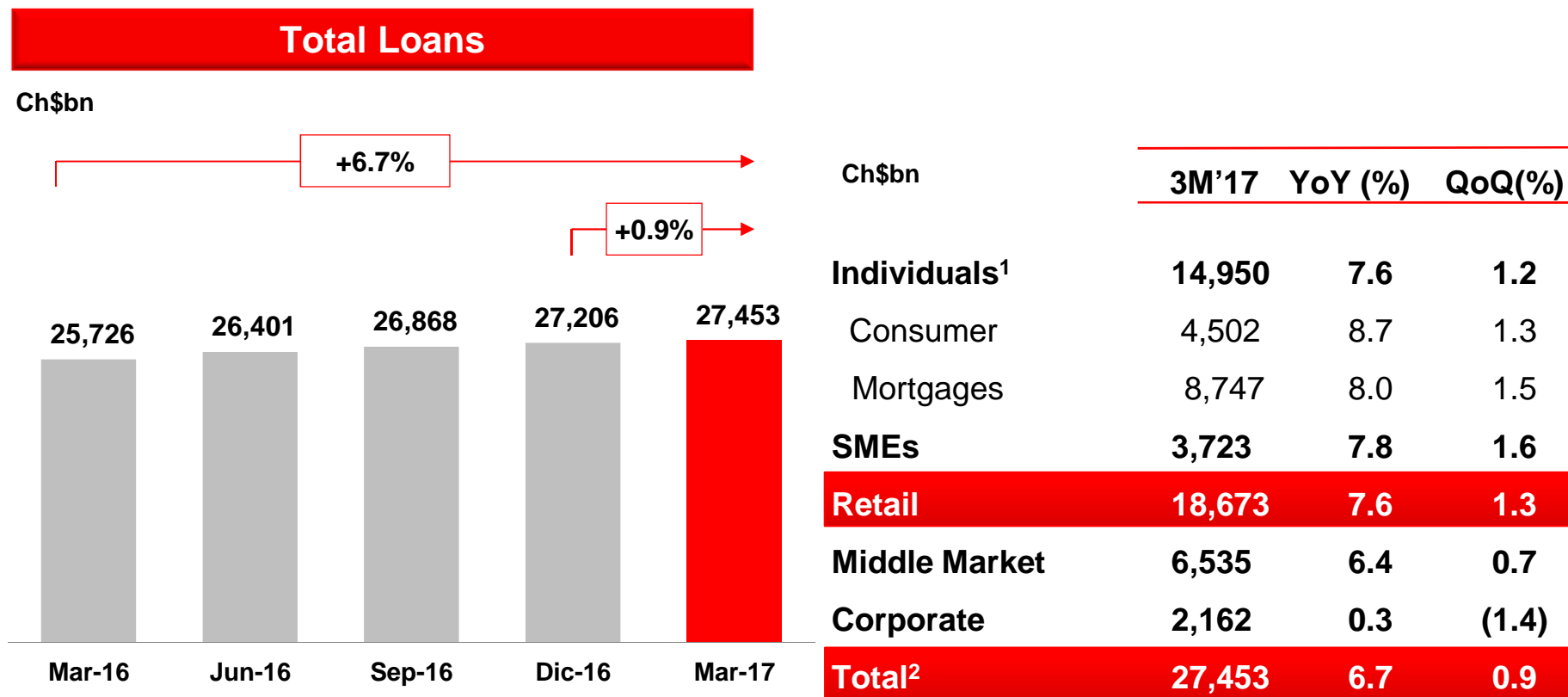
Loans by sector



- **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

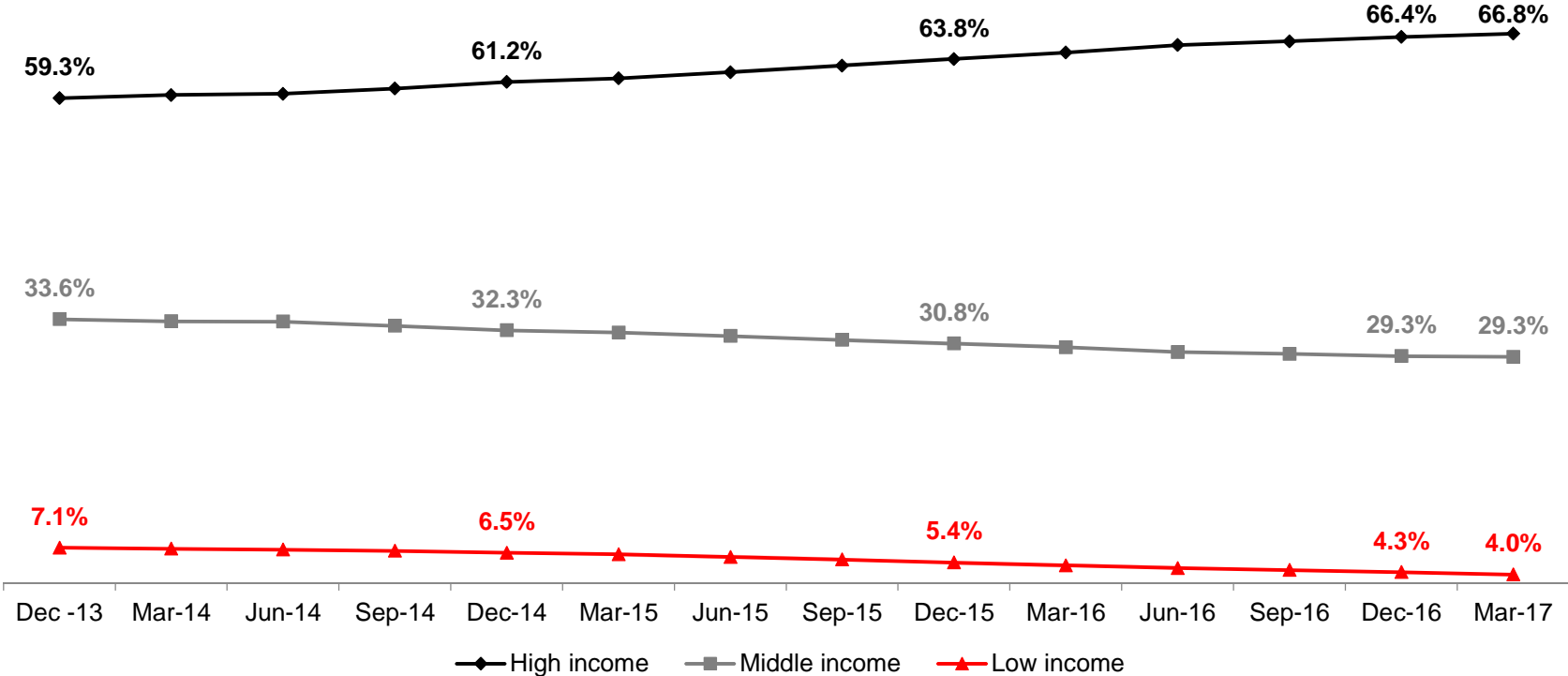
Loans grow 6.7% YoY, with retail loans expanding 7.6%



A healthy balance sheet

Changing the loan mix in retail banking

Loans to high, middle and low income individuals¹



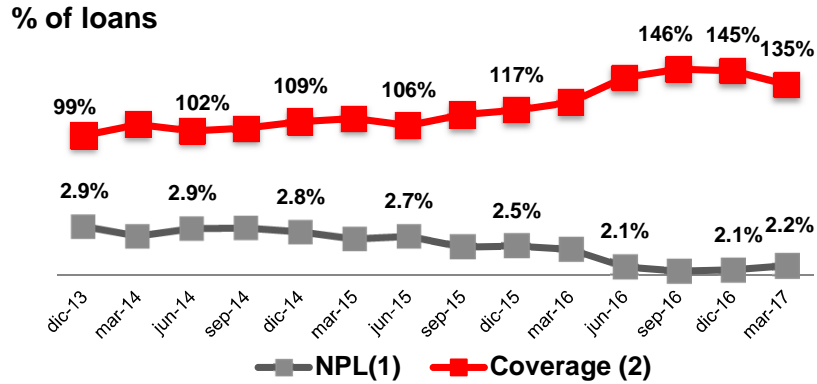
Focus on mid-upper income segments. Loans to low income fall 13% in 2016

1. As a percentage of loans to individuals

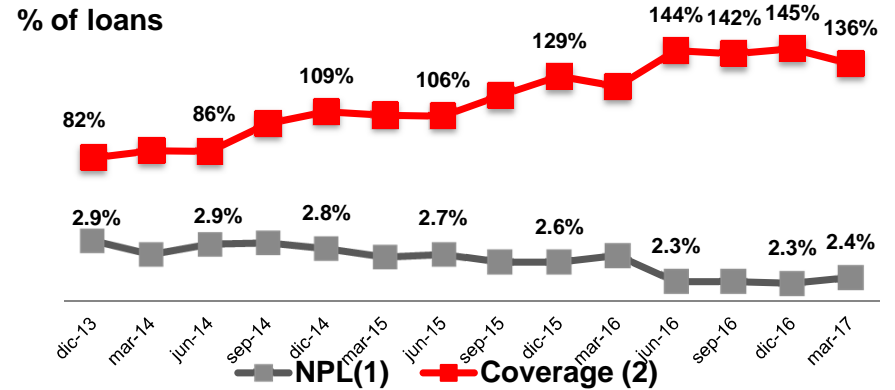
A healthy balance sheet

Positive evolution of asset quality

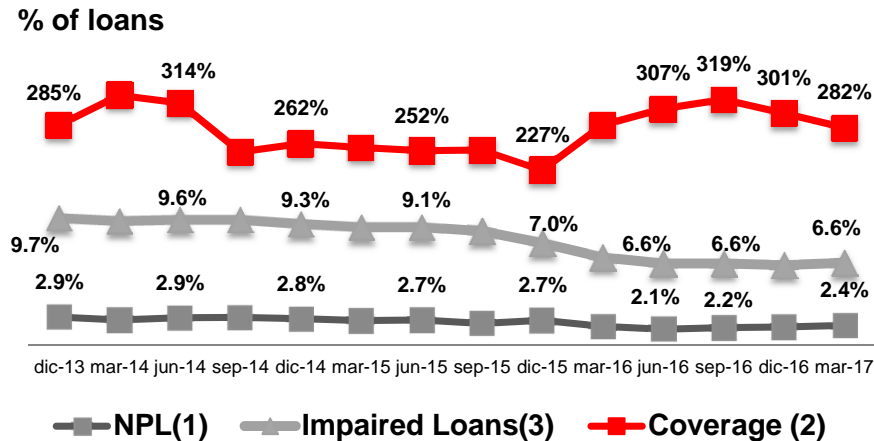
Total loans



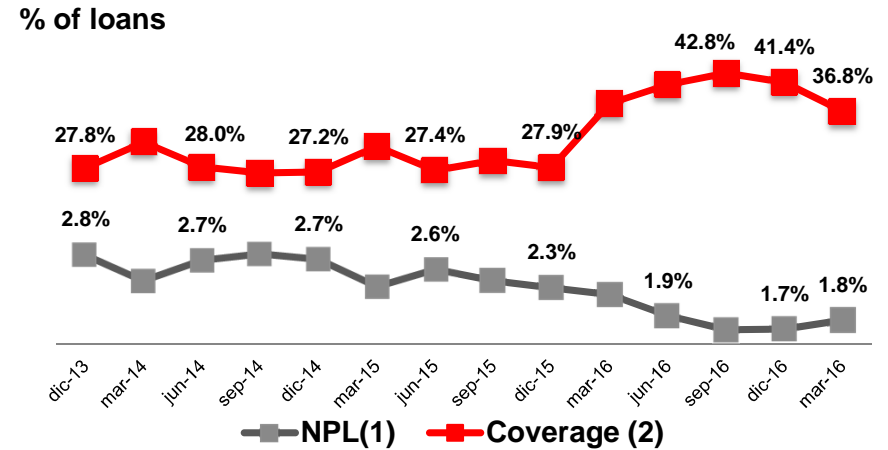
Commercial loans



Consumer loans

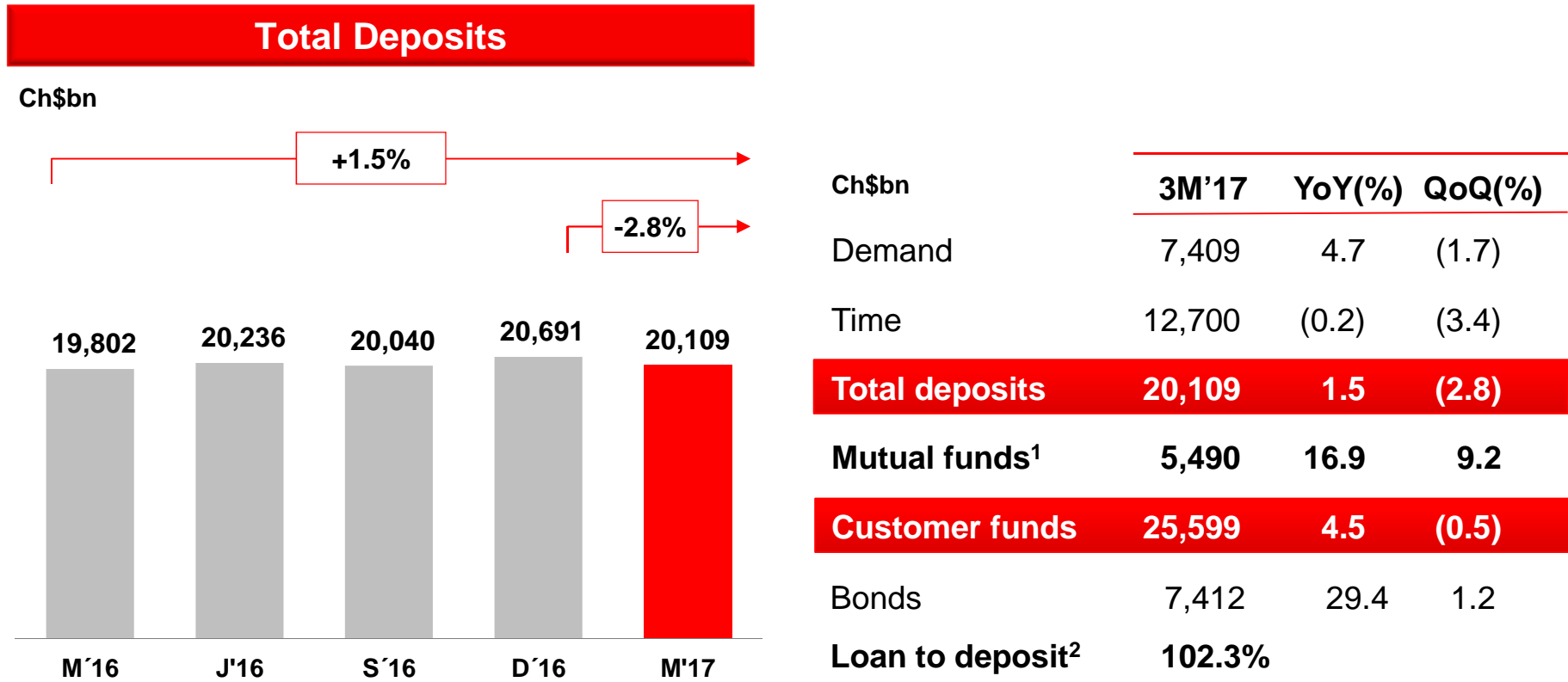


Mortgage loans



A healthy balance sheet

Non-interest bearing demand deposits increase 4.7% YoY



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

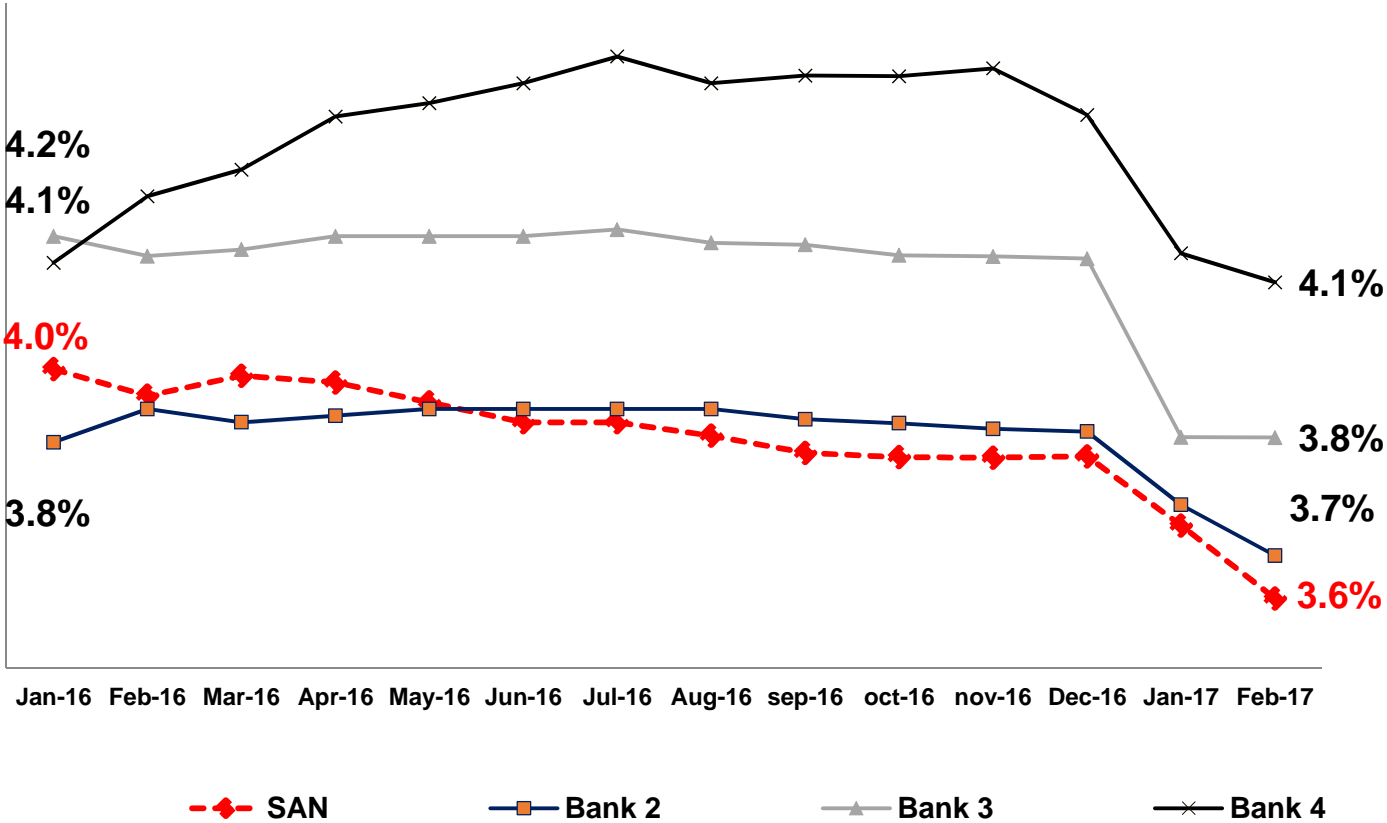
1. Banco Santander Chile is the exclusive broker of mutual funds managed by Santander Asset Management, a subsidiary of SAM Investment Holdings Limited.

2. (Loans – portion of mortgages funded with long-term bonds) / (Time deposits + demand deposits).

A healthy balance sheet

Improving time deposits costs

YTD CLP time deposit cost²

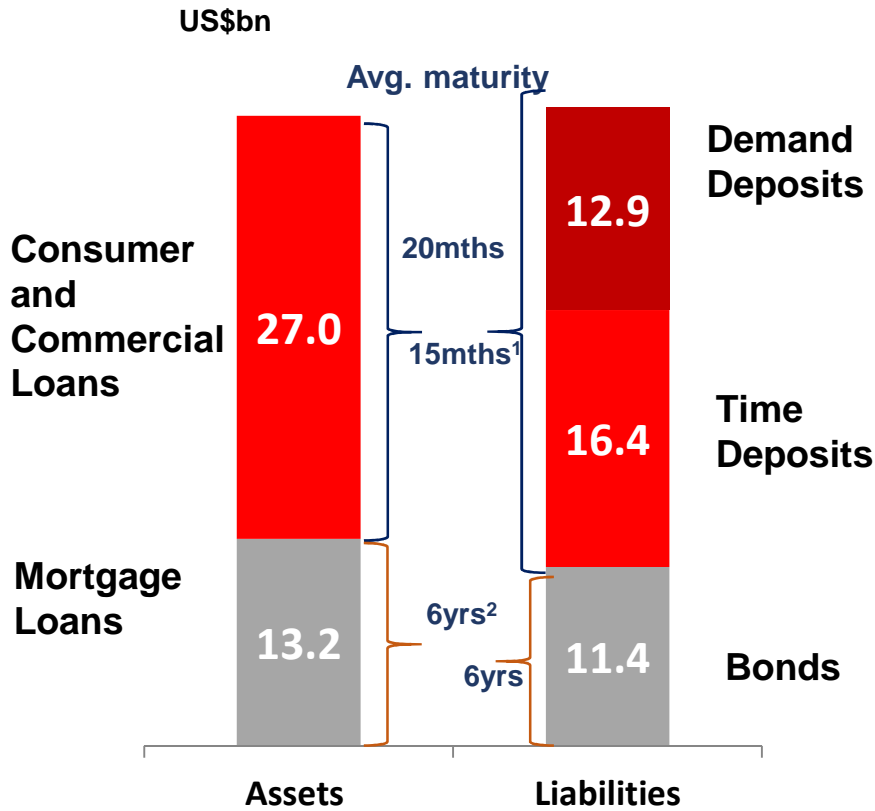


1. Source: SBIF and excludes deposits held by Chilean banks abroad. 2. Source: internal estimates using Superintendency of Bank data. Corresponds to interest expense of nominal peso deposits divided by time deposits in nominal pesos .

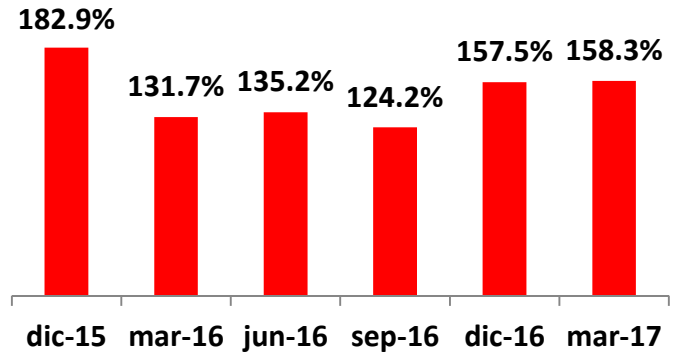
A healthy balance sheet

Solid balance structure and liquidity levels

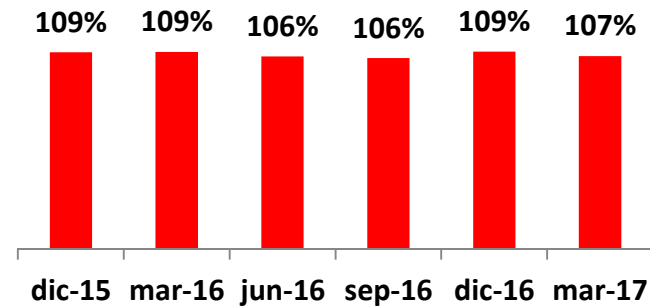
Structural Balance Sheet



LCR ECB³



NSFR ECB³

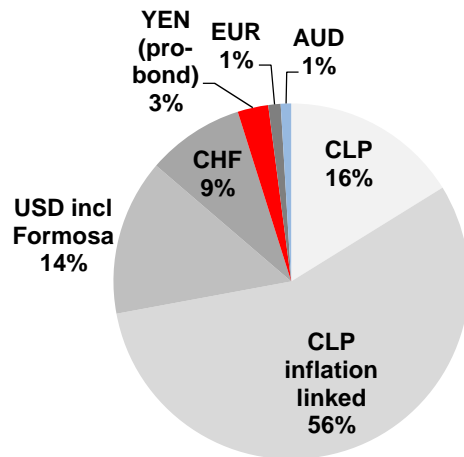


1. Assumes an actual duration for demand deposits of three years. 2. Duration includes pre-payment assumption. 3. Liquidity ratios calculated following the ECB rules and not the local Chilean regulator's guidelines still under discussion

A healthy balance sheet

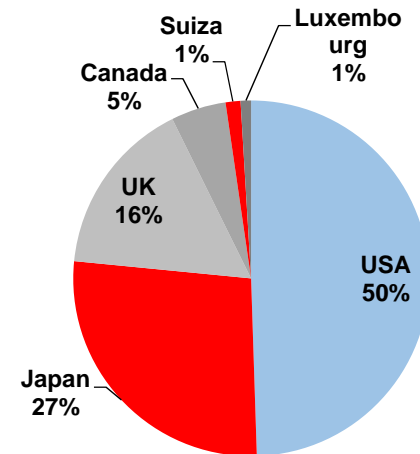
We are an active issuer in international markets

Bonds



- Total outstanding: US\$10bn
- 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

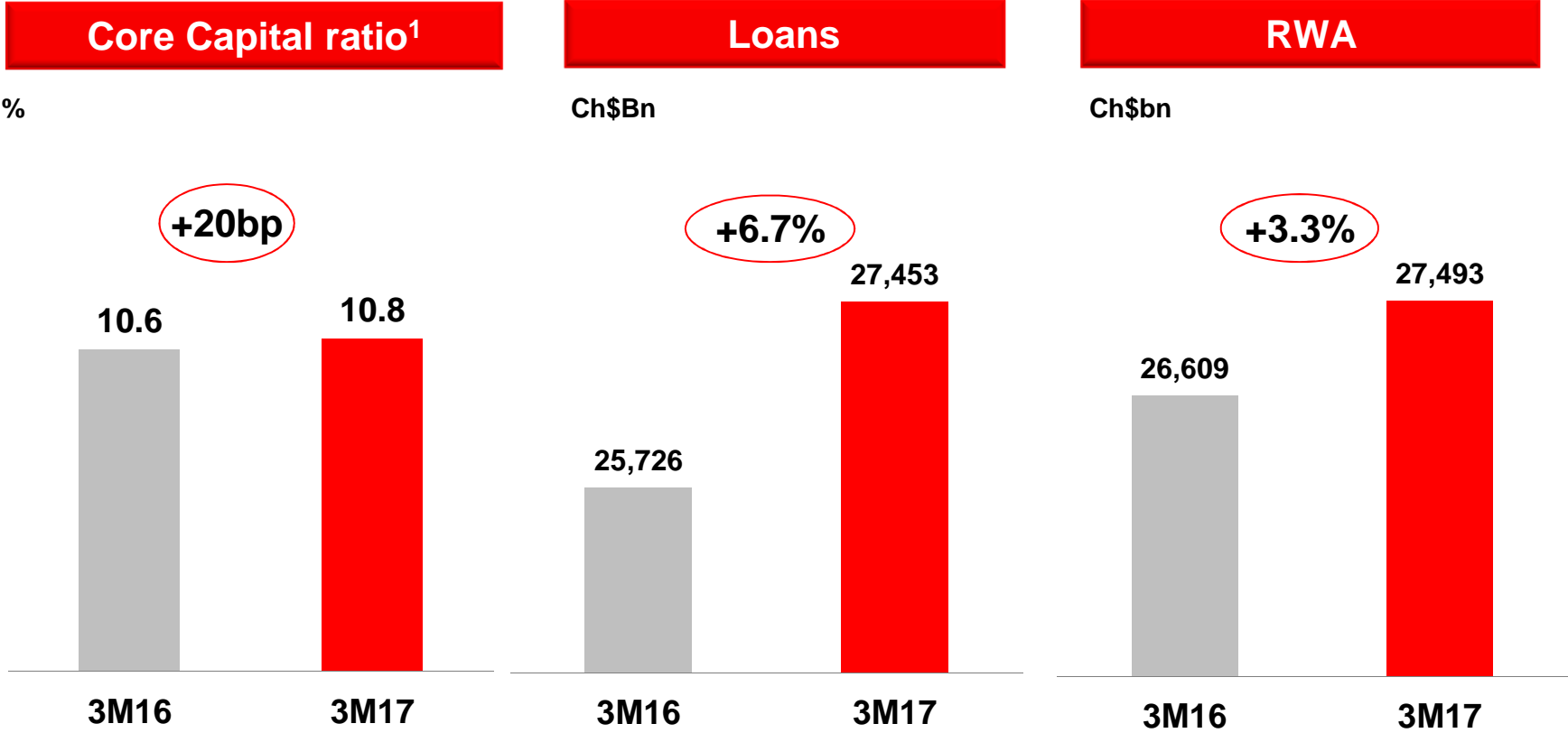
Bilateral loans & syndications



- Total outstanding (03/17): US\$2.2bn
- We are seeking to add more counterparties
- Due to local tax reasons we prefer trade finance

A healthy balance sheet

Solid capital levels for further growth



Core capital in BIS III (ECB) is 12.29%

1. Under SBIF BIS I guidelines

Agenda

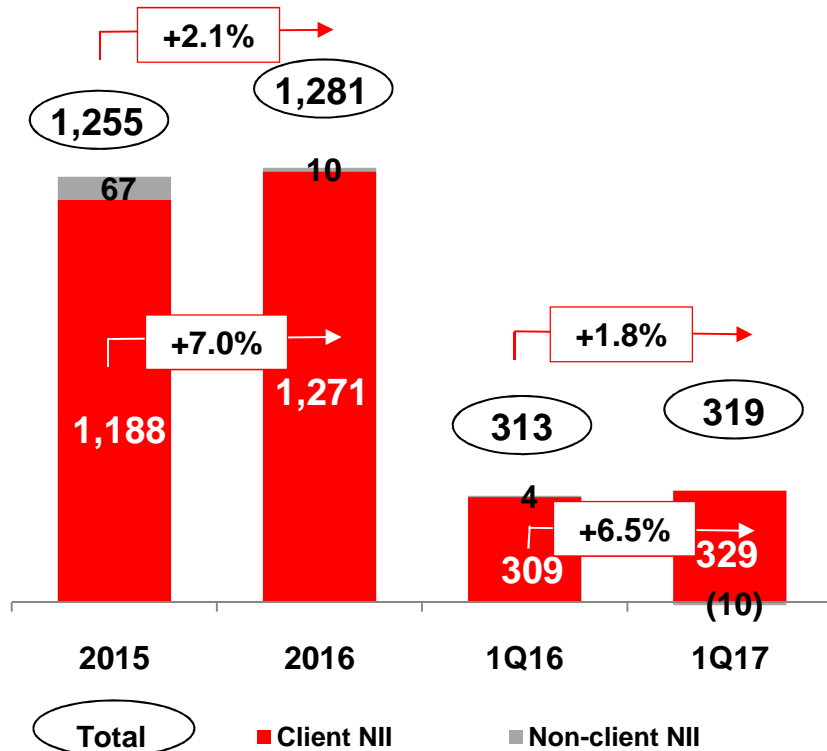
- **Macro-economic environment and financial system**
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Positive results in 2016 and 2017

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

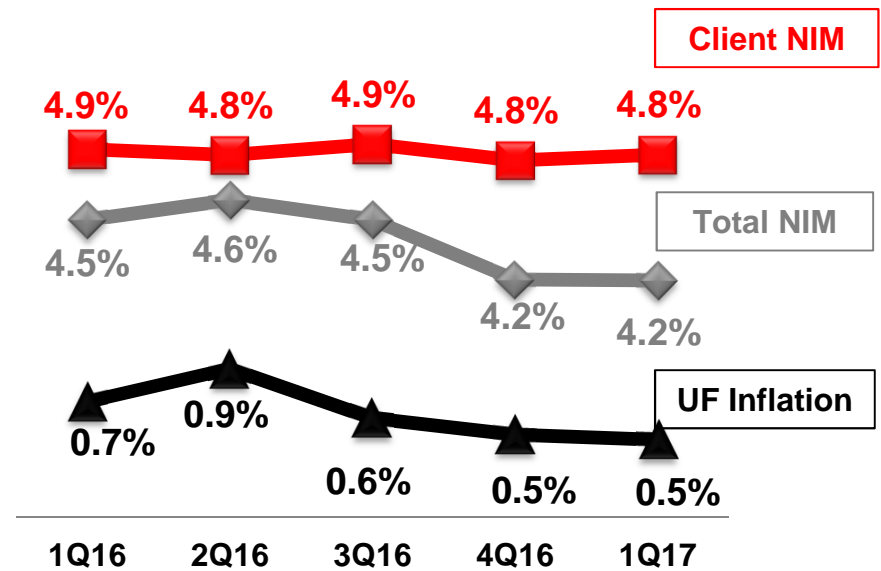
Client and total net interest income¹

Ch\$bn



NIM & Client NIM

Net Interest Margin (NIM), %



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

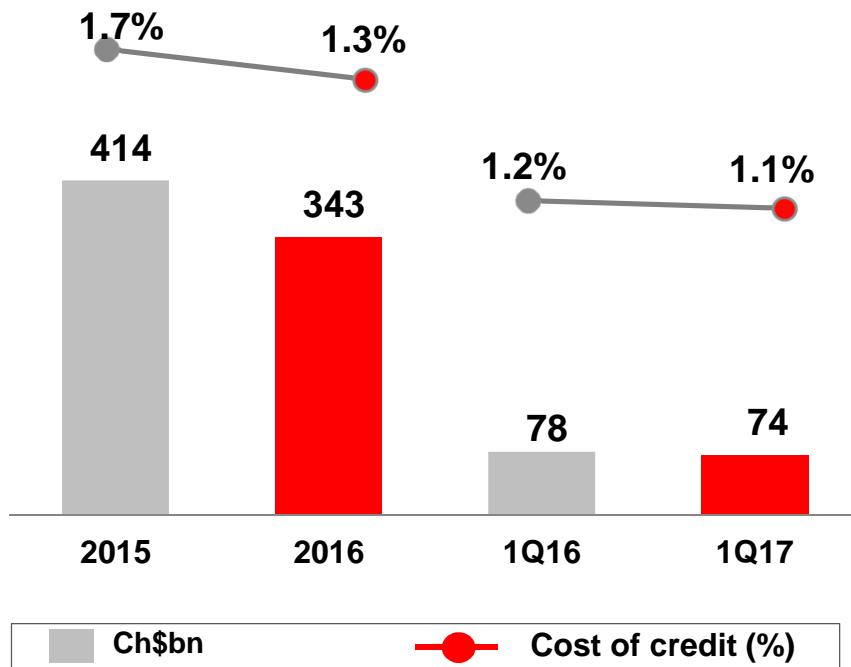
1. Client Net interest income (NII) is NII from Retail, Middle-market and GCB segments Non-client NII is NII mainly from the Bank's ALCO positions and includes the effects of inflation on the Bank's NII

Positive results in 2016 and 2017

Sound asset quality indicators. Cost of credit at 1.1%

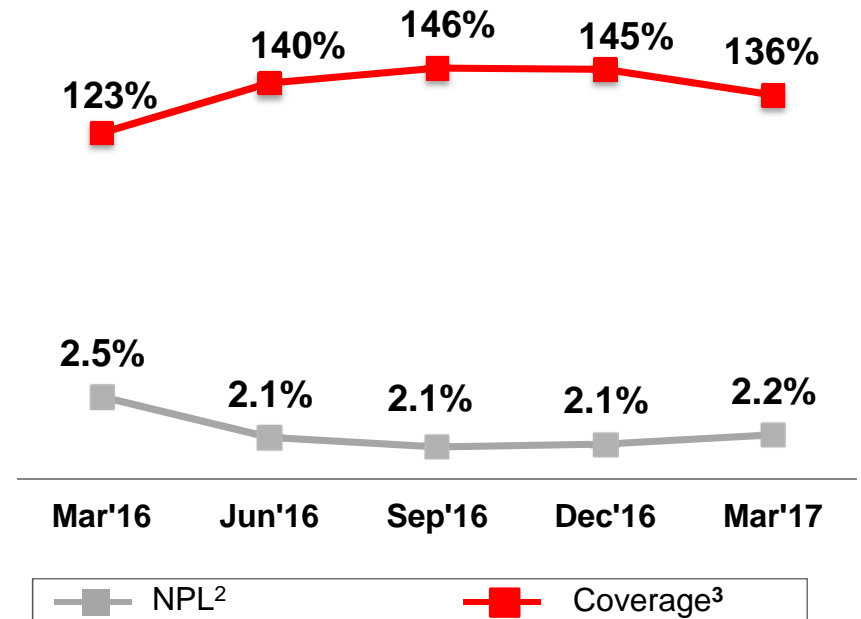
Provision expense & cost of credit¹

Ch\$bn



NPL and coverage ratio

% of loans

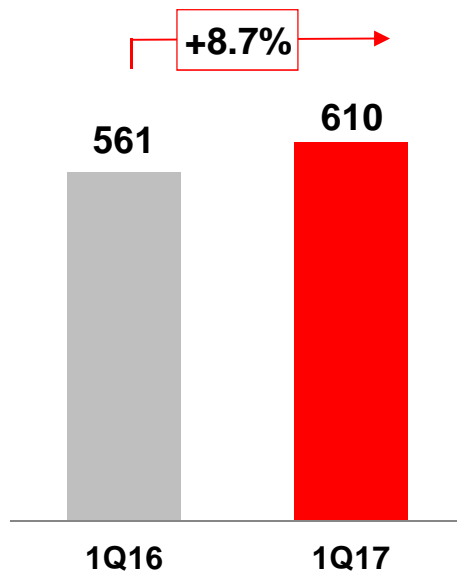


Positive results in 2016 and 2017

Greater customer loyalty is driving fee income

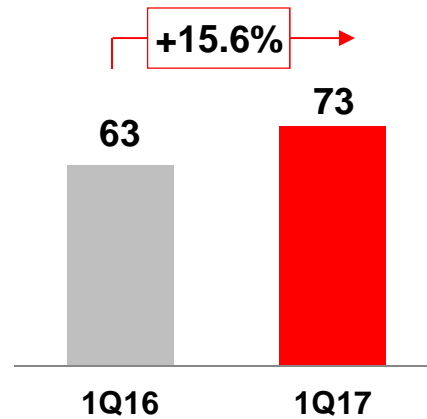
Loyal customers¹

Ths of clients



Net fee income

Ch\$bn



Fee income from business segments

Ch\$bn

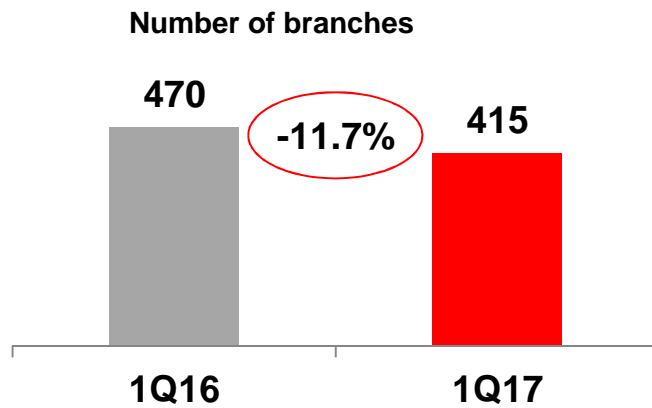
	3M'17	YoY (%)
Retail	52.2	14.2
Middle Market	9.1	-2.3
Corporate	10.6	50.2
Subtotal	72.0	13.6
Others	0.9	--%
Total	72.8	15.6

Fees from Corporate are driven by greater financial advisory services

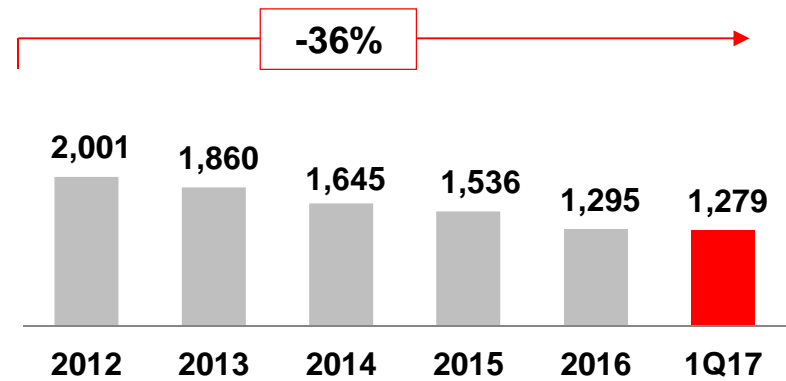
Positive results in 2016 and 2017

And innovation is boosting productivity

Branches

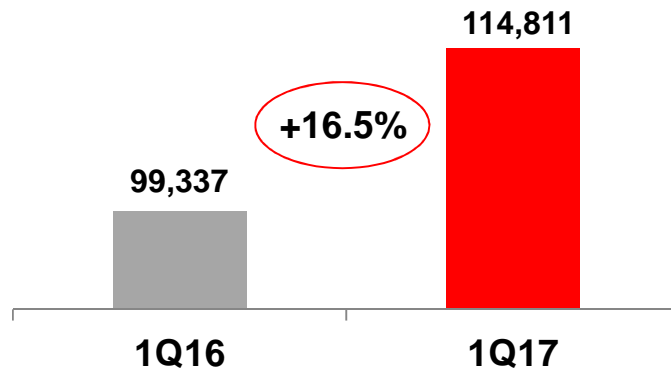


ATMs



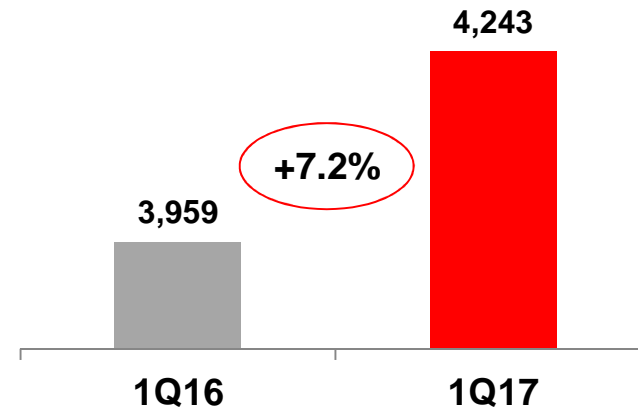
Productivity per branch

Volumes* per branch, Ch\$m



Productivity per employee

Volumes* per employee, Ch\$m

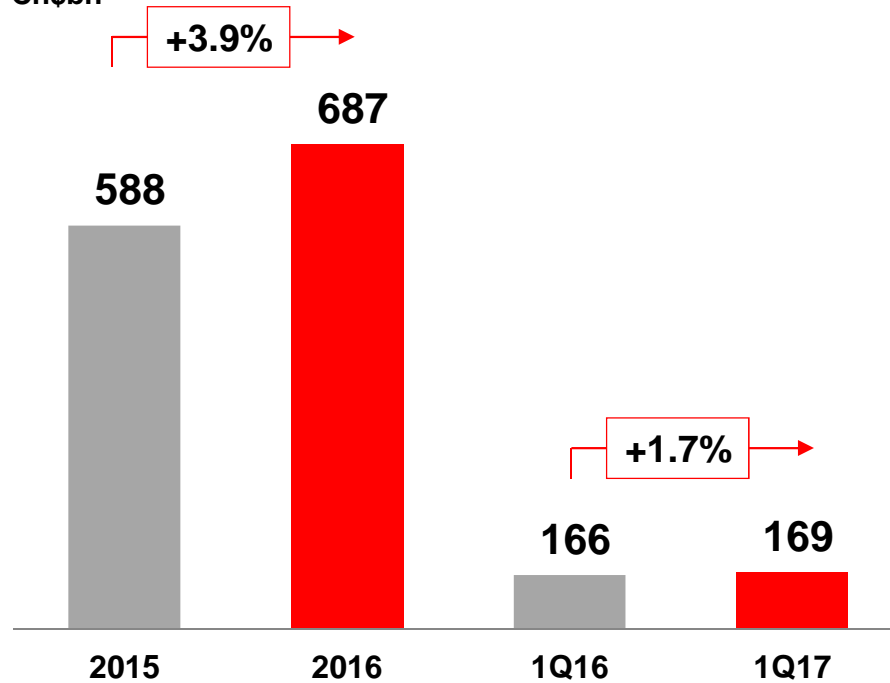


Positive results in 2016 and 2017

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

Operating expenses

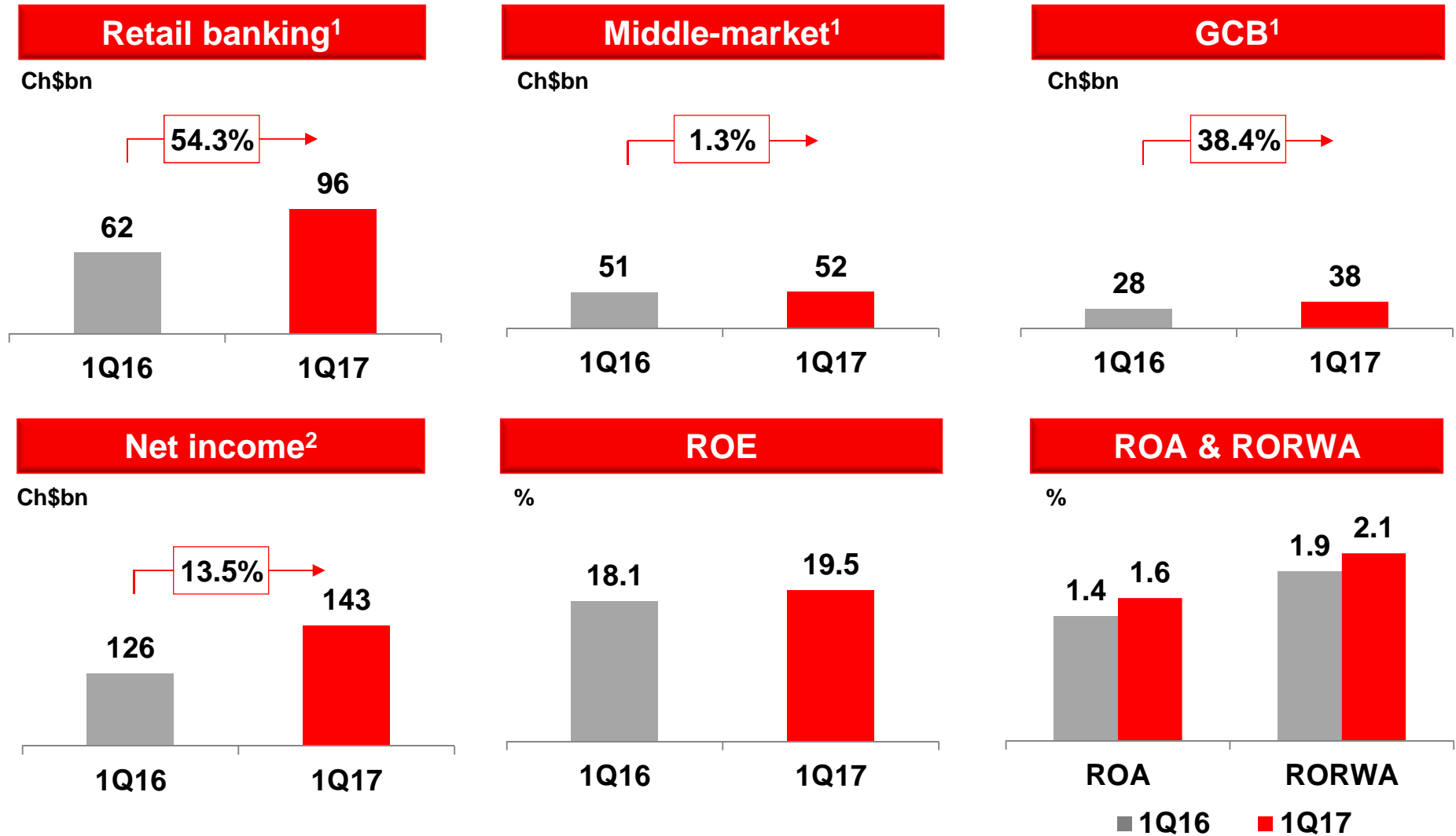
Ch\$bn



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

Positive results in 2016 and 2017

ROE reached 19.5% & RORWA: 2.1% in 1Q2017



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

Agenda

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- **Healthy balance sheet**
- **Positive results in 2016**

- **Summary**

Summary

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**

Agenda

Annexes

Balance sheet

	Mar-17	Mar-17	Dec-16	Mar-16	Mar-17/Mar16	Mar-17/Dec-16
	US\$ Ths ¹	Ch\$ Million			% Chg.	
Cash and deposits in banks	2,769,648	1,828,411	2,279,389	1,416,135	29.1%	(19.8%)
Cash items in process of collection	1,213,192	800,901	495,283	1,043,906	(23.3%)	61.7%
Trading investments	586,509	387,190	396,987	155,369	149.2%	(2.5%)
Investments under resale agreements	-	-	6,736	-	--%	--%
Financial derivative contracts	3,787,915	2,500,630	2,500,782	2,990,214	(16.4%)	(0.0%)
Interbank loans, net	533,022	351,880	272,635	31,896	1003.2%	29.1%
Loans and account receivables from	39,830,899	26,294,766	26,113,485	24,909,962	5.6%	0.7%
Available for sale investments	4,253,475	2,807,974	3,388,906	2,686,185	4.5%	(17.1%)
Held-to-maturity investments	-	-	-	-	--%	--%
Investments in associates and other	37,114	24,501	23,780	20,861	17.4%	3.0%
Intangible assets	89,551	59,118	58,085	51,660	14.4%	1.8%
Property, plant and equipment	377,916	249,485	257,379	234,468	6.4%	(3.1%)
Current taxes	-	-	-	-	--%	--%
Deferred taxes	557,859	368,276	372,699	324,477	13.5%	(1.2%)
Other assets	1,568,417	1,035,406	840,499	982,562	5.4%	23.2%
Total Assets	55,605,517	36,708,538	37,006,645	34,847,695	5.3%	(0.8%)
Deposits and other demand liabilities	11,222,458	7,408,618	7,539,315	7,079,271	4.7%	(1.7%)
Cash items in process of being cleared	912,365	602,307	288,473	873,455	(31.0%)	108.8%
Obligations under repurchase agreements	310,760	205,151	212,437	51,423	298.9%	(3.4%)
Time deposits and other time liabilities	19,238,079	12,700,210	13,151,709	12,722,899	(0.2%)	(3.4%)
Financial derivatives contracts	3,474,527	2,293,744	2,292,161	2,784,208	(17.6%)	0.1%
Interbank borrowings	2,259,584	1,491,687	1,916,368	1,316,766	13.3%	(22.2%)
Issued debt instruments	11,227,043	7,411,645	7,326,372	5,727,832	29.4%	1.2%
Other financial liabilities	361,020	238,331	240,016	224,888	6.0%	(0.7%)
Current taxes	37,638	24,847	29,294	11,799	110.6%	(15.2%)
Deferred taxes	17,606	11,623	7,686	6,307	84.3%	51.2%
Provisions	491,675	324,584	308,982	316,637	2.5%	5.0%
Other liabilities	1,510,714	997,313	795,785	879,962	13.3%	25.3%
Total Liabilities	51,063,469	33,710,060	34,108,598	31,995,447	5.4%	(1.2%)
Equity						
Capital	1,350,132	891,303	891,303	891,303	--%	--%
Reserves	2,484,416	1,640,112	1,640,112	1,527,893	7.3%	--%
Valuation adjustments	10,244	6,763	6,640	474	1326.8%	1.9%
Retained Earnings:	651,831	430,313	330,651	402,022	7.0%	30.1%
Retained earnings from prior years	715,510	472,351	-	-	5.2%	--%
Income for the period	215,667	142,375	472,351	125,439	13.5%	(69.9%)
Minus: Provision for mandatory dividends	(279,346)	(184,413)	(141,700)	-172,295	7.0%	30.1%
Total Shareholders' Equity	4,496,624	2,968,491	2,868,706	2,821,692	5.2%	3.5%
Non-controlling interest	45,424	29,987	29,341	30,556	(1.9%)	2.2%
Total Equity	4,542,047	2,998,478	2,898,047	2,852,248	5.1%	3.5%

1. The exchange rate used to calculate the figures in dollars was Ch\$660.16 / US\$1

Income statement

	1Q17	1Q17	4Q16	1Q16	1Q17/1Q16	1Q17/4Q16
	US\$ Ths ¹	Ch\$ Million	Ch\$ Million	Ch\$ Million	% Chg.	% Chg.
Interest income	793,698	523,968	526,330	518,729	1.0%	(0.4%)
Interest expense	(311,126)	(205,393)	(209,681)	(205,856)	(0.2%)	(2.0%)
Net interest income	482,572	318,575	316,649	312,873	1.8%	0.6%
Fee and commission income	174,647	115,295	112,187	104,508	10.3%	2.8%
Fee and commission expense	(64,336)	(42,472)	(49,050)	(41,517)	2.3%	(13.4%)
Net fee and commission income	110,311	72,823	63,137	62,991	15.6%	15.3%
Net income (expense) from financial operations	1,933	1,276	(74,850)	(179,699)	-%	-%
Net foreign exchange gain	53,708	35,456	112,397	213,961	(83.4%)	(68.5%)
Total financial transactions, net	55,641	36,732	37,547	34,262	7.2%	(2.2%)
Other operating income	19,721	13,019	4,456	5,248	148.1%	192.2%
Net operating profit before provisions for loan losses	668,246	441,149	421,789	415,374	6.2%	4.6%
Provision for loan losses	(111,885)	(73,862)	(87,713)	(77,926)	(5.2%)	(15.8%)
Net operating profit	556,361	367,287	334,076	337,448	8.8%	9.9%
Personnel salaries and expenses	(140,384)	(92,676)	(101,306)	(92,967)	(0.3%)	(8.5%)
Administrative expenses	(88,588)	(58,482)	(57,898)	(58,694)	(0.4%)	1.0%
Depreciation and amortization	(26,694)	(17,622)	(18,812)	(14,345)	22.8%	(6.3%)
Op. expenses excl. Impairment and Other operating expenses	(255,665)	(168,780)	(178,016)	(166,006)	1.7%	(5.2%)
Impairment of property, plant and equipment	(279)	(184)	(139)	(37)	397.3%	32.4%
Other operating expenses	(28,504)	(18,817)	(20,326)	(16,234)	15.9%	(7.4%)
Total operating expenses	(284,448)	(187,781)	(198,481)	(182,277)	3.0%	(5.4%)
Operating income	271,913	179,506	135,595	155,171	15.7%	32.4%
Income from investments in associates and other companies	1,091	720	764	531	35.6%	(5.8%)
Income before tax	273,004	180,226	136,359	155,702	15.8%	32.2%
Income tax expense	(56,362)	(37,208)	(27,126)	(29,662)	25.4%	37.2%
Net income from ordinary activities	216,641	143,018	109,233	126,040	13.5%	30.9%
Net income discontinued operations	-	-	-	-	-	-
Net income attributable to:						
Non-controlling interest	974	643	600	601	7.0%	7.2%
Net income attributable to equity holders of the Bank	215,667	142,375	108,633	125,439	13.5%	31.1%

1. The exchange rate used to calculate the figures in dollars was Ch\$660.16 / US\$1

Key indicators

Profitability and efficiency	Mar'17	Mar'16	Change bp
Net interest margin (NIM) ¹	4.2%	4.5%	-30bp
Efficiency ratio ²	40.0%	41.6%	+160bp
Return on avg. equity	19.5%	18.1%	+140bp
Return on avg. assets	1.6%	1.4%	+20bp
Core Capital ratio	10.8%	10.6%	+20bp
BIS ratio	13.7%	13.5%	+20bp
Return on RWA	2.1%	1.9%	+20bp

Asset quality ratios (%)	Mar'17	Mar'16	Change bp
NPL ratio ³	2.2%	2.5%	-30bp
Coverage of NPLs ratio ⁴	135.5%	122.5%	+130bp
Cost of credit ⁵	1.1%	1.2%	-10bp

Structure (#)	Mar'17	Mar'16	Change (%)
Branches	415	470	(11.7%)
ATMs	1,288	1,529	(15.8%)
Employees	11,229	11,793	(4.8%)

Market capitalization	Mar'17	Mar'16	Change (%)
Net income per share (Ch\$)	0.76	0.67	13.5%
Net income per ADR (US\$)	0.46	0.39	15.6%
Stock price (Ch\$/per share)	41.37	32.57	27.0%
ADR price (US\$ per share)	25.08	19.35	29.6%
Market capitalization (US\$m)	11,816	9,116	29.6%
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: Operating expenses excluding impairment and other operating expenses divided by Operating income. Operating income = Net interest income + Net fee commission income + Total financial transactions, net + Other operating income minus 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

