

Banco Santander Chile

Results 2Q16

July 29th, 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**

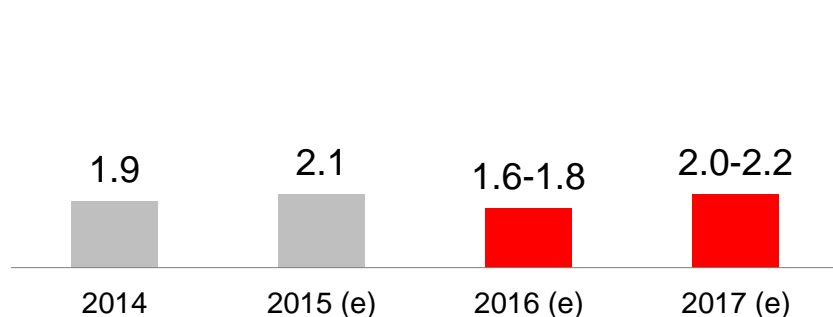
- **Outlook**

Macroeconomic environment

GDP growth expectations stabilize for 2016 and rise for 2017

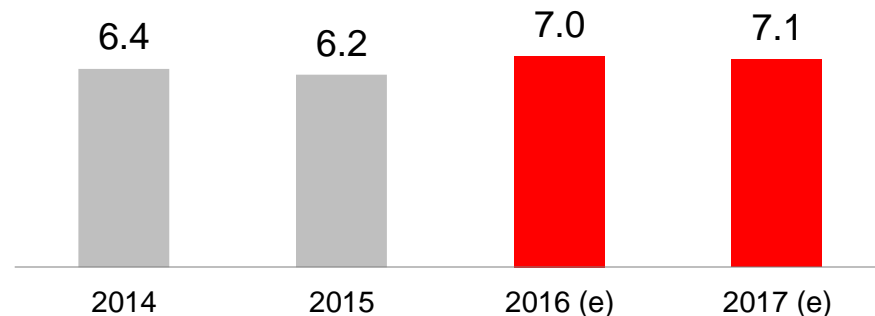
GDP

YoY real growth, %



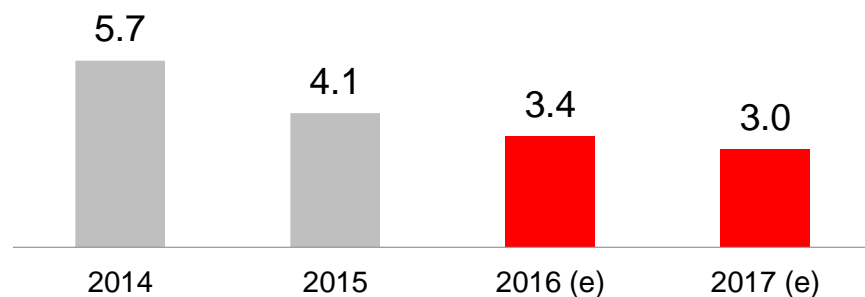
Unemployment

% of workforce, %



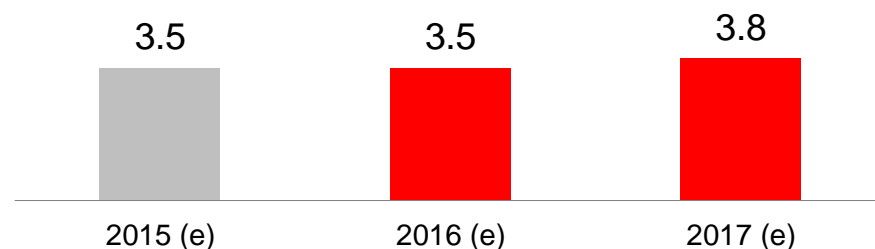
Inflation

Annual change in UF inflation, %



Central Bank ST Reference Rate

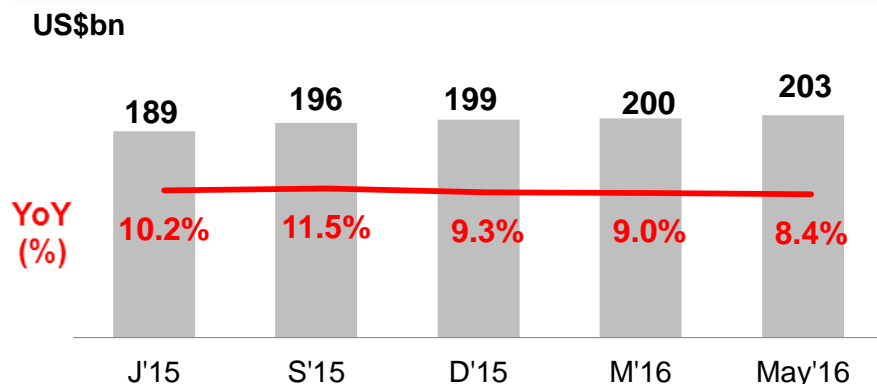
%



Financial system: loan and deposit growth

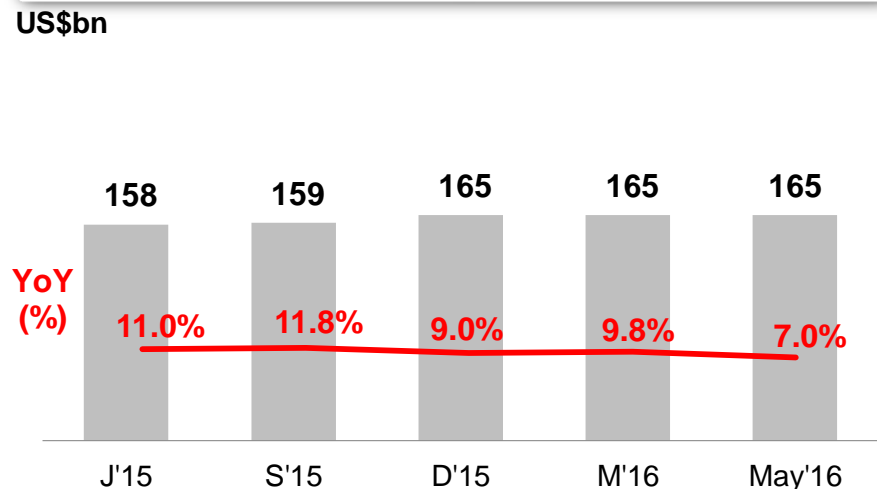
Banks with 7-8% growth in loans and deposits and stable risk levels

Total Loans¹



- Positive growth of most non-mining exports boosts commercial loan growth
- Relatively stable employment figures drives loans to individuals
- Stable asset quality

Total Deposits^{1,2}



- Positive deposit growth, Demand deposits up 8.2%
- High liquidity in the system to fund business growth

Agenda

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

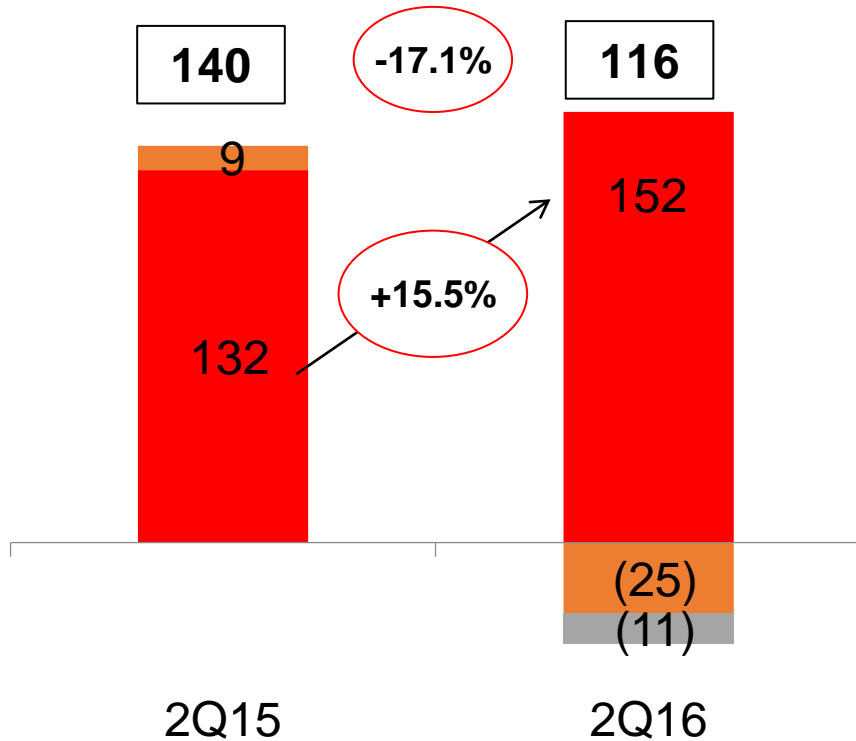
- **Strategy and results**

- **Outlook**

Strategy and results

Stronger Client contribution driving profitability, in line with our strategy

Net income, Ch\$bn



- Business segments net contribution*
- Non-client income**
- One-time severance charge

Non-client income negatively affected by lower inflation / Ch\$11bn one-time charge

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

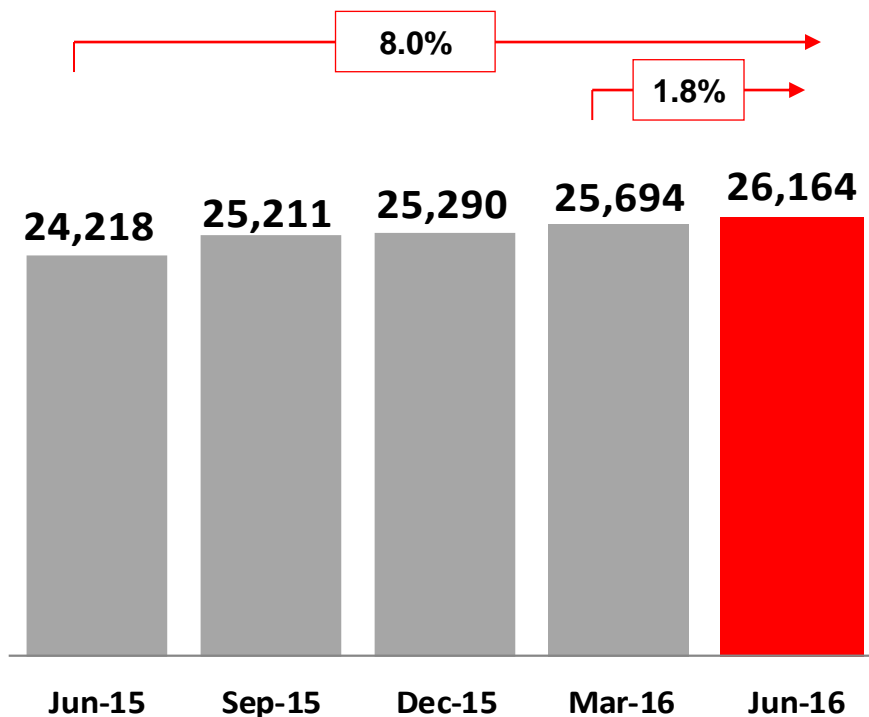


Strategy: I. Growth focused on segments with highest contribution, net of risk

Total loans up 8.0% YoY in 2Q16, with Retail loans expanding 12.7%

Total Loans

Ch\$bn



Ch\$bn

	1H'16	YoY (%)	QoQ(%)
Individuals¹	14,257	13.1	2.6
Consumer	4,239	6.1	2.4
Mortgages	8,322	16.5	2.7
SMEs	3,688	11.0	2.7
Retail	17,945	12.7	2.6
Middle Market	5,723	2.0	1.1
Corporate	2,224	-1.1	6.8
Total²	26,164	8.0	1.8

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

Growth focused in segments with higher risk-adjusted profitability

High Income

Middle Income

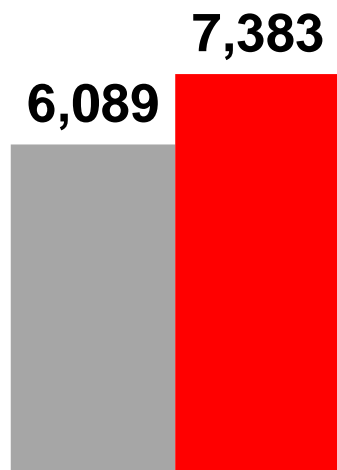
Low Income

Total loans by segment in Individual*, Ch\$bn. YoY growth, %

+21.3%

+7.9%

-11.1%



■ 6M15

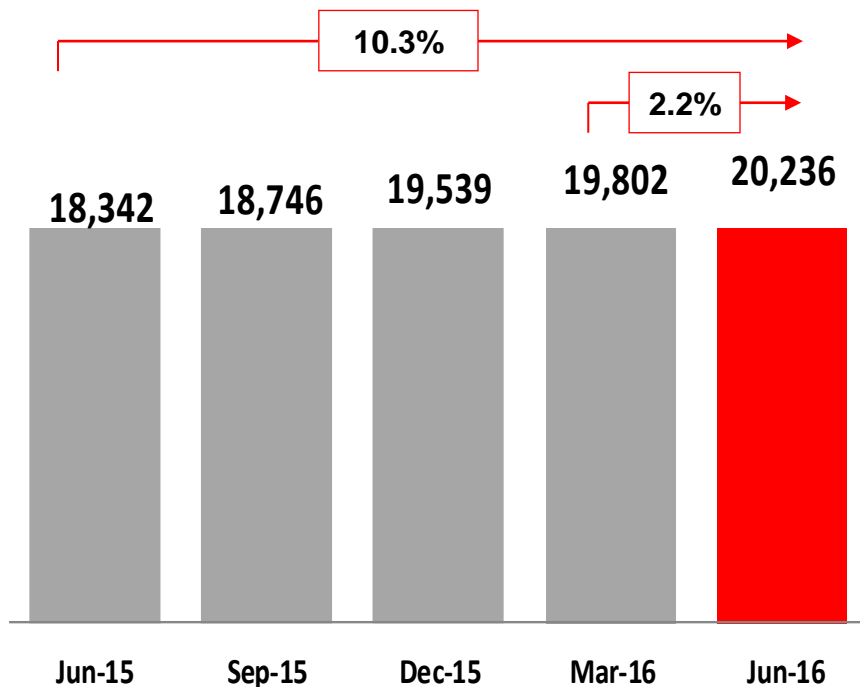
■ 6M16

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

Total deposits increased 10.3% YoY in 2Q16

Total Deposits

Ch\$bn



Ch\$bn

	1H'16	YoY(%)	QoQ(%)
Demand	7,238	8.7	2.2
Time	12,998	11.3	2.2
Total deposits	20,236	10.3	2.2

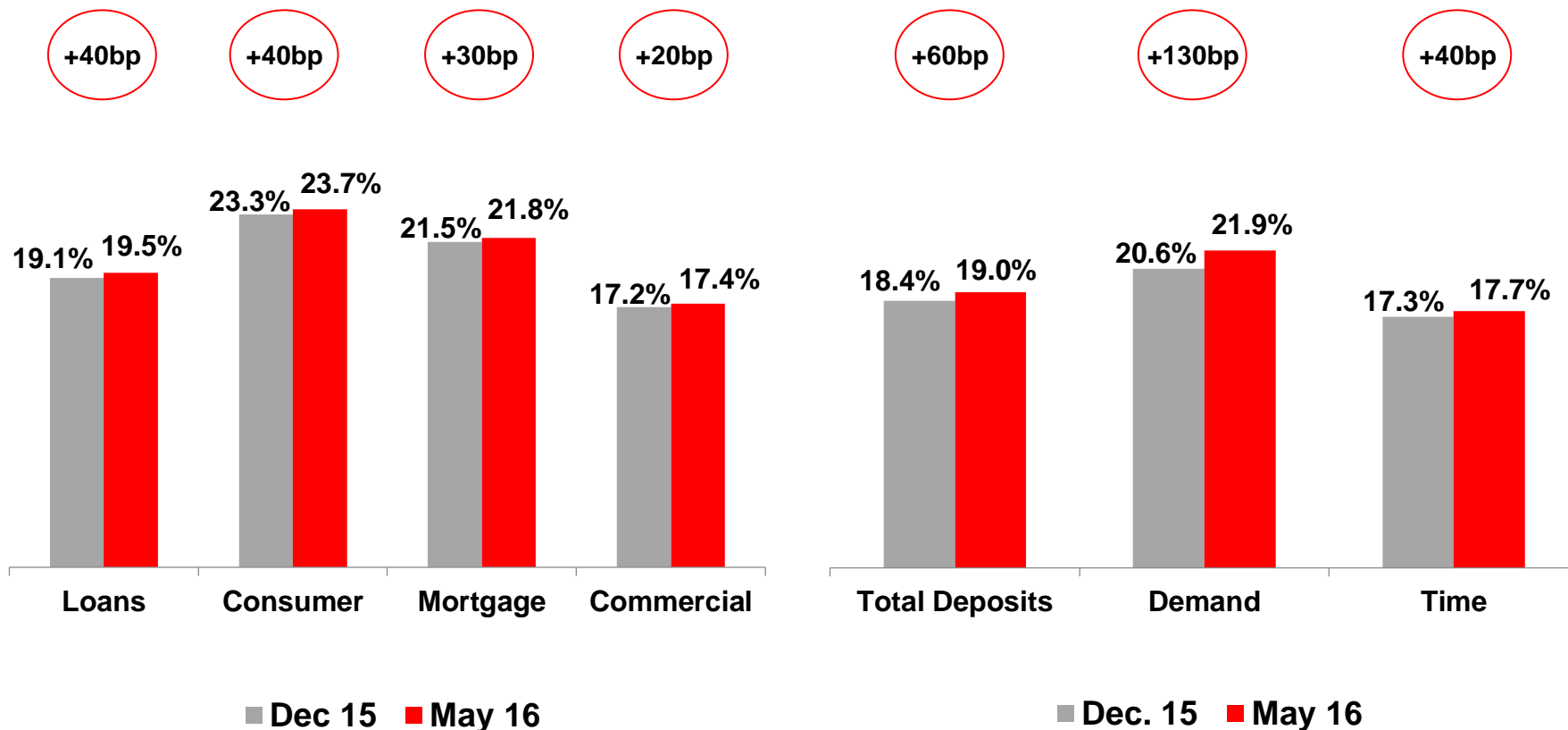
Strategy: I. Growth focused on segments with highest contribution, net of risk

Santander Chile is gaining market share across the board in 2016...

Banco Santander Chile's market share

Total loans

Total deposits

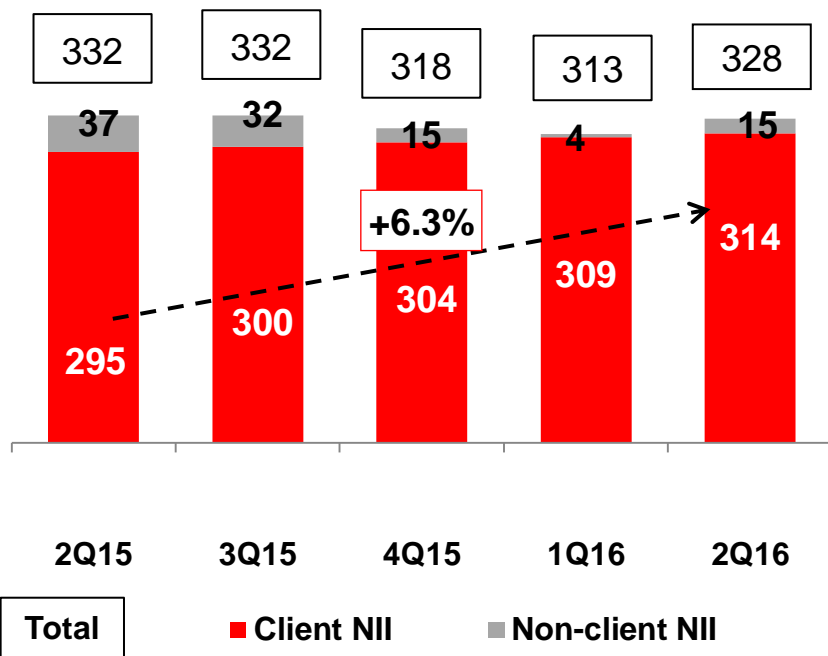


Strategy: I. Growth focused on segments with highest contribution, net of risk

... allowing for a Client NII growth of 6.3% YoY

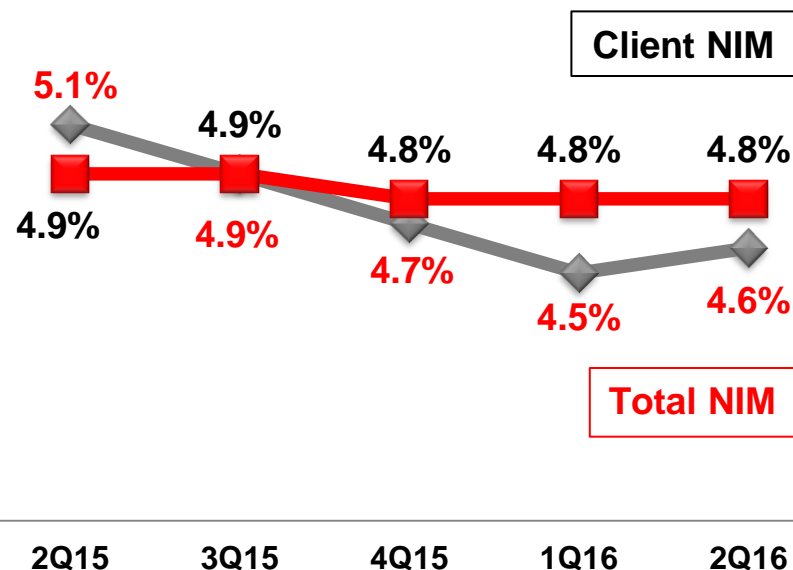
Client and total net interest income¹

Ch\$bn



NIM & Client NIM

Net Interest Margin (NIM), %



Inflation UF

1.5% 1.5% 1.1% 0.7% 0.9%

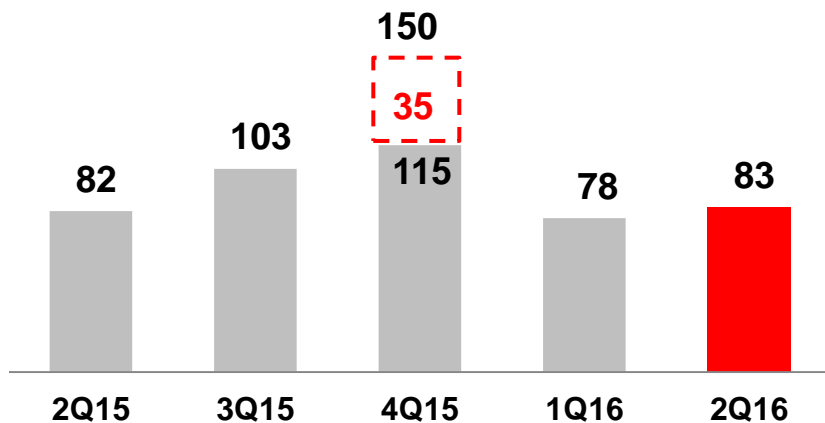
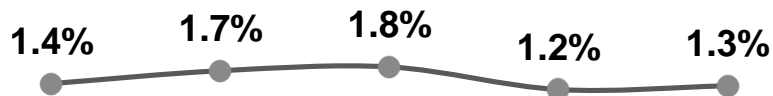
Total NII down 1% YoY due to lower quarterly inflation

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

Improved asset quality metrics

Provision expense & cost of credit¹

Ch\$bn

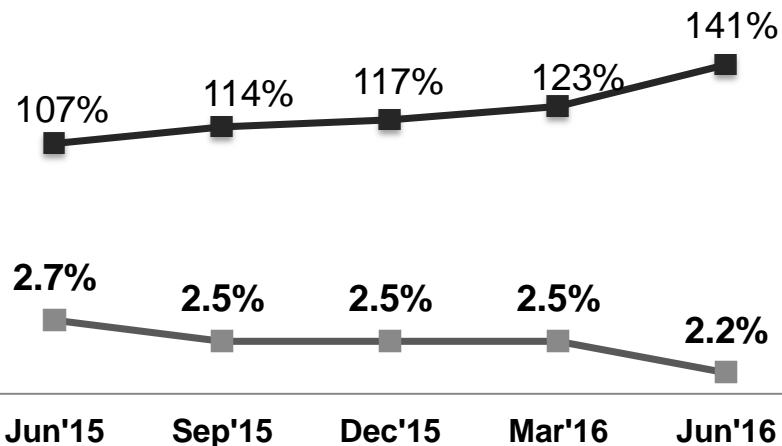


■ Ch\$bn ● Cost of credit (%)

▭ One time Provision expense

NPL and coverage ratio

% of loans



■ NPL² ■ Coverage³

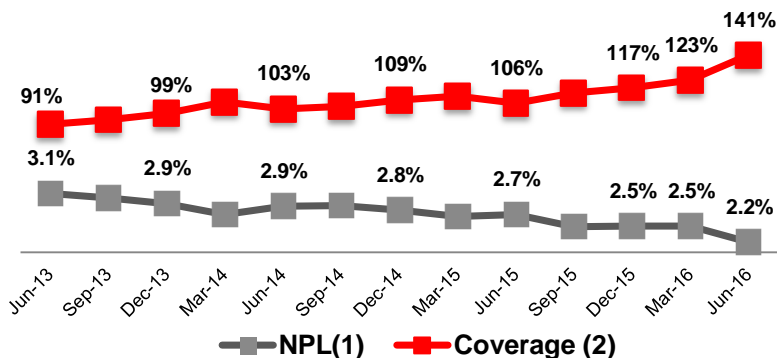
New asset mix / credit models allow for a better risk-return relationship

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

Improvements seen in most segments we attend

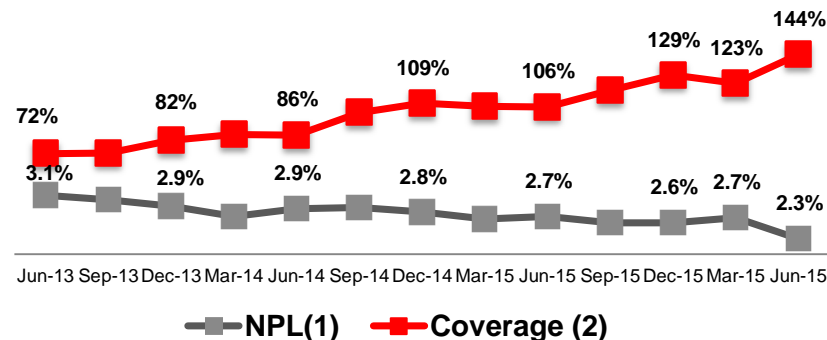
Total loans

% of loans



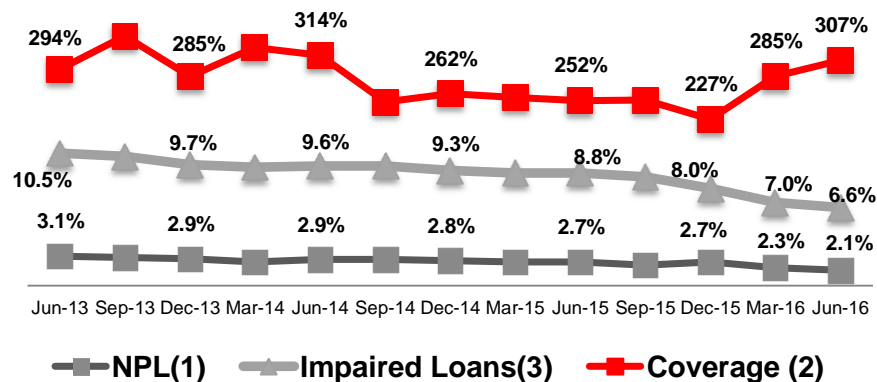
Commercial loans

% of loans



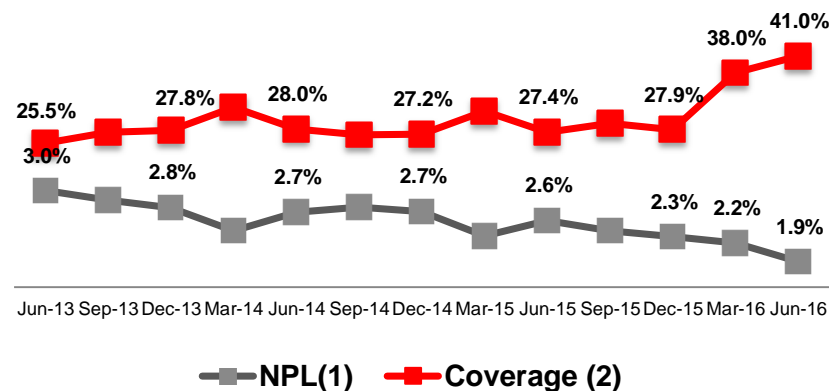
Consumer loans

% of loans



Mortgage loans

% of loans



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

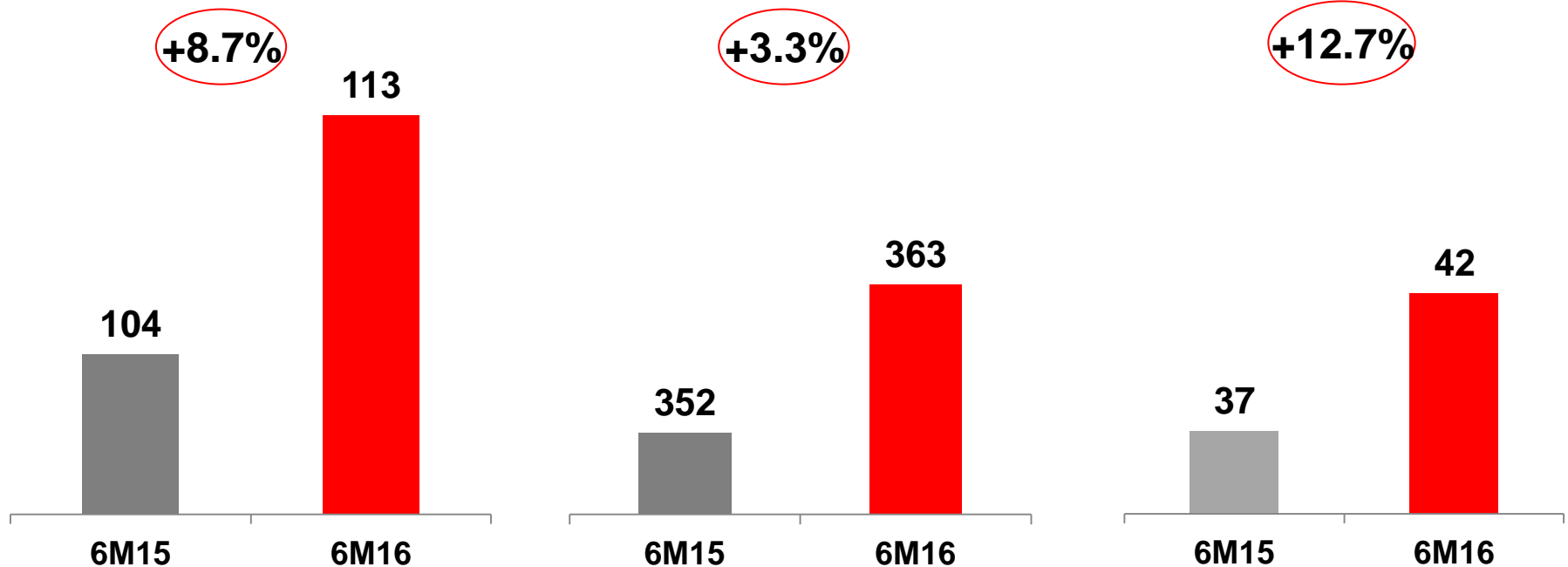
Customer loyalty continues to grow in targeted segments...

Loyal High income customers¹

Loyal Middle income customers¹

Loyal SME + Middle market customers²

Loyal customers, thousands

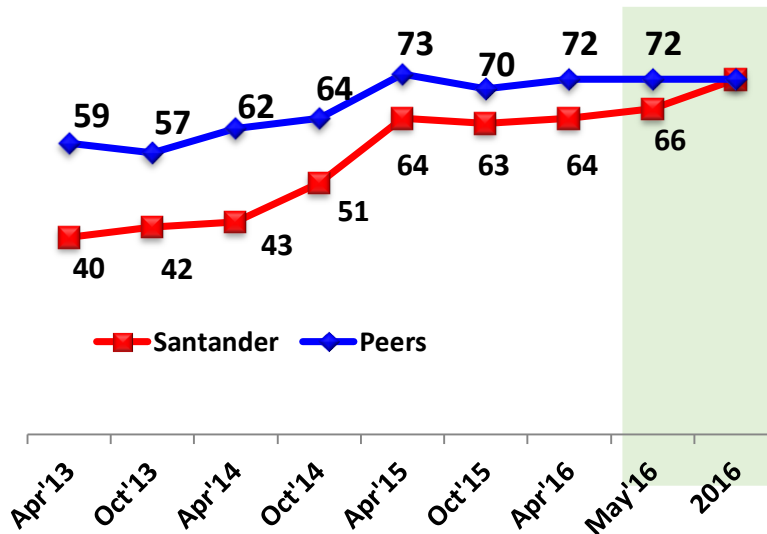


Strategy: II. Increasing client loyalty

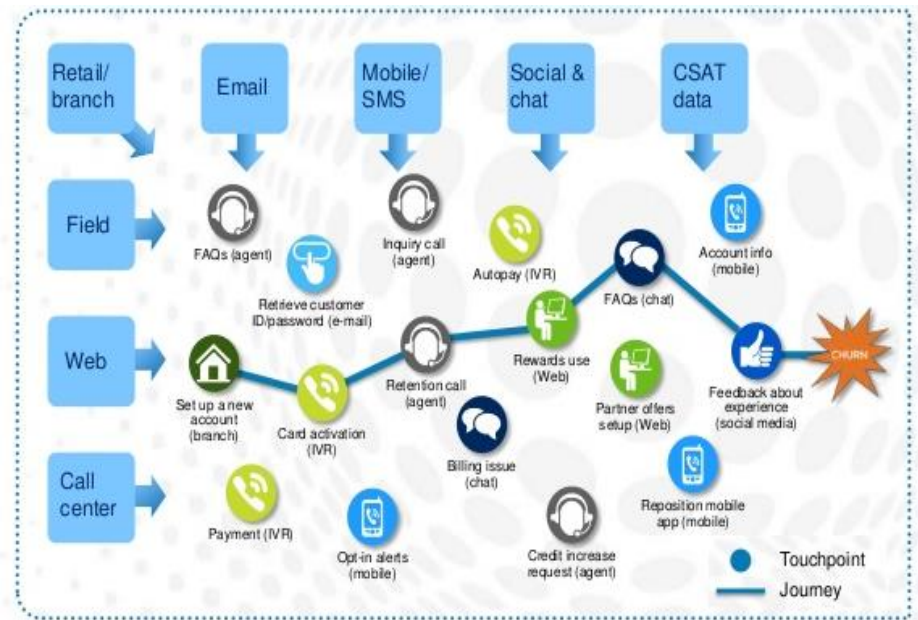
... fueled by improved customer satisfaction and service

Customer Satisfaction vs peers (%)¹

% of net satisfied clients



Customer Journeys



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

- Continuous investing / improving CRM
- Full indoctrination in new SPF culture

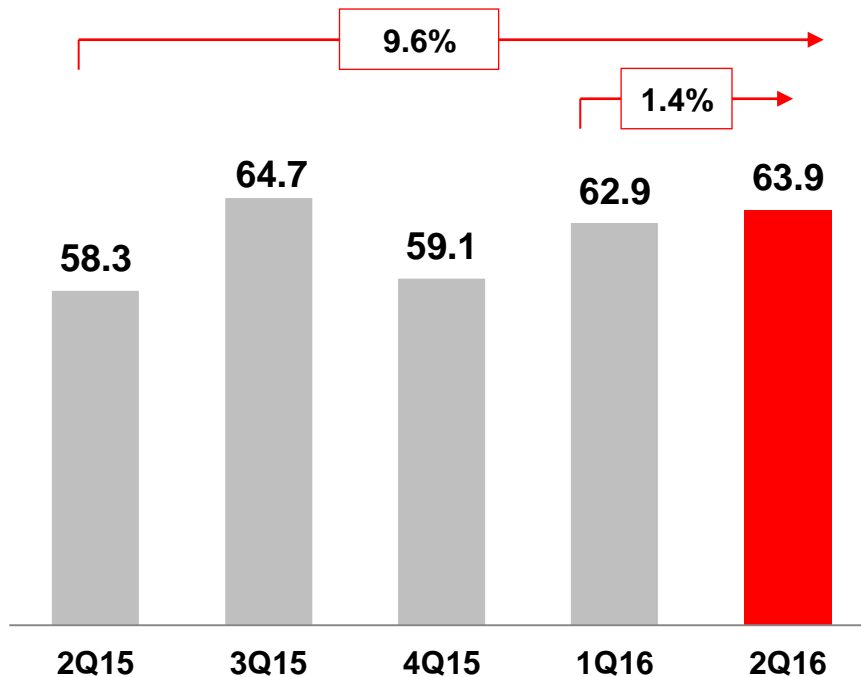
Customer Journey: map out and define in detail how we will relate and treat our customer in every step of their journey with us

Strategy: II. Increasing client loyalty

This leads to a 9.6% fee income growth in 2Q16

Net fee income

Ch\$bn



Fee income from business segments

Ch\$bn

	2Q'16	YoY (%)	QoQ(%)
Retail	50.2	5.6	2.4
Middle Market	7.8	17.2	0.7
Corporate	6.0	101.2	-9.2
Subtotal	64.0	11.9	1.0
Others	-0.1		--%
Total fees	63.9	9.6	1.4

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Strategy III: Digital transformation

Redesigning our distribution network...

Trx intensive
branch
2013



Branch
model 1.0
2014-2016



Business Center / Digital
2016-2019



**HIGHER
EFFICIENCY**



**MORE
PRODUCTIVITY**



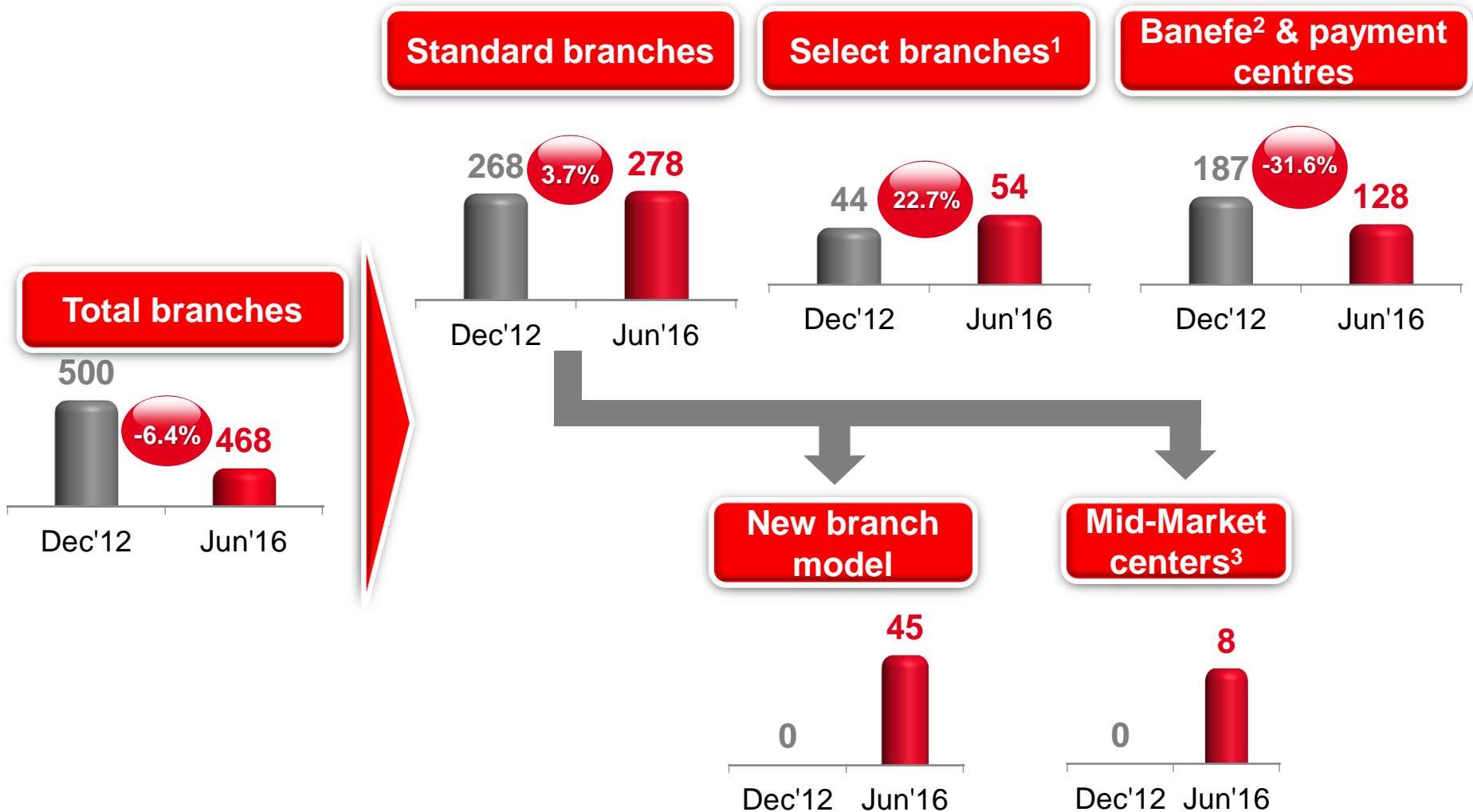
**BEST IN CLASS
EXPERIENCE**



**COMFORT
#1 MOBILE**

Strategy III: Digital transformation

... by creating multi-segment business centers

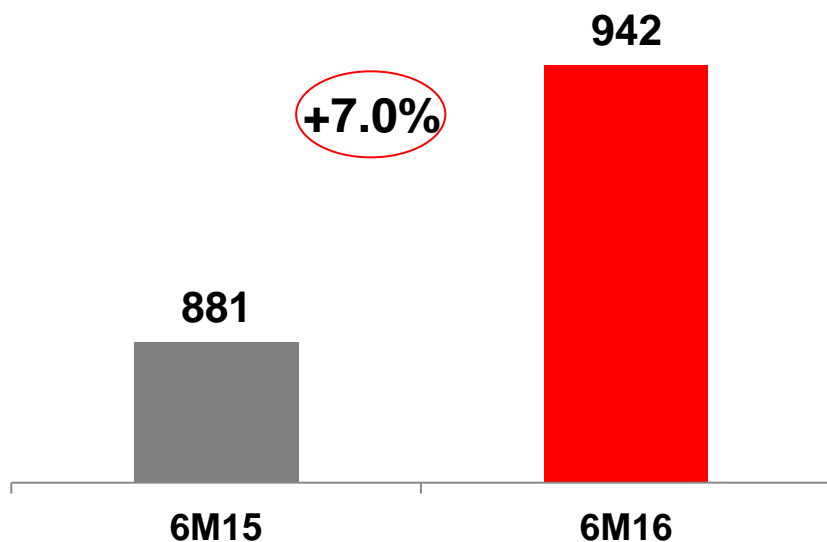


Strategy III: Digital transformation

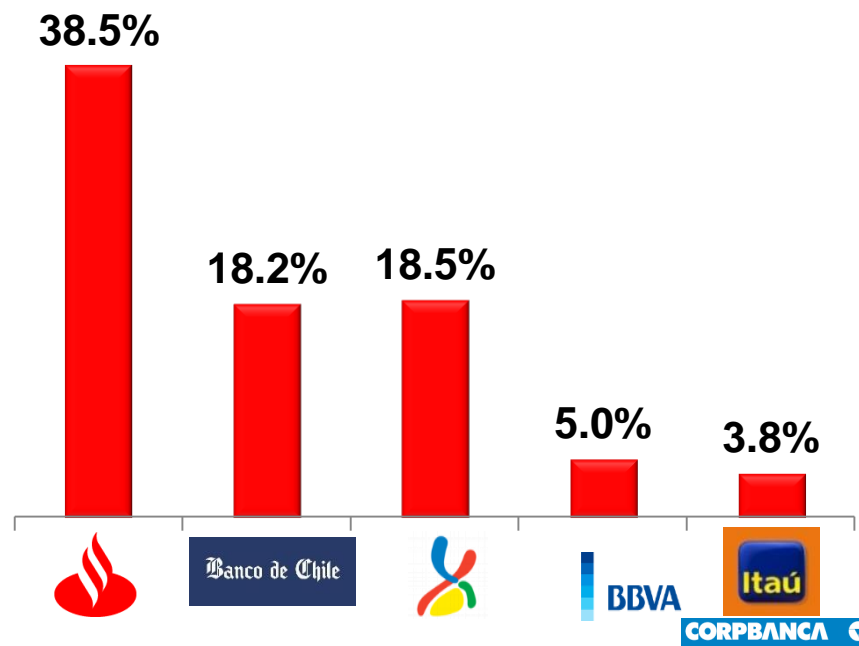
... and expanding the use of digital channels

Digital clients¹

Thousand



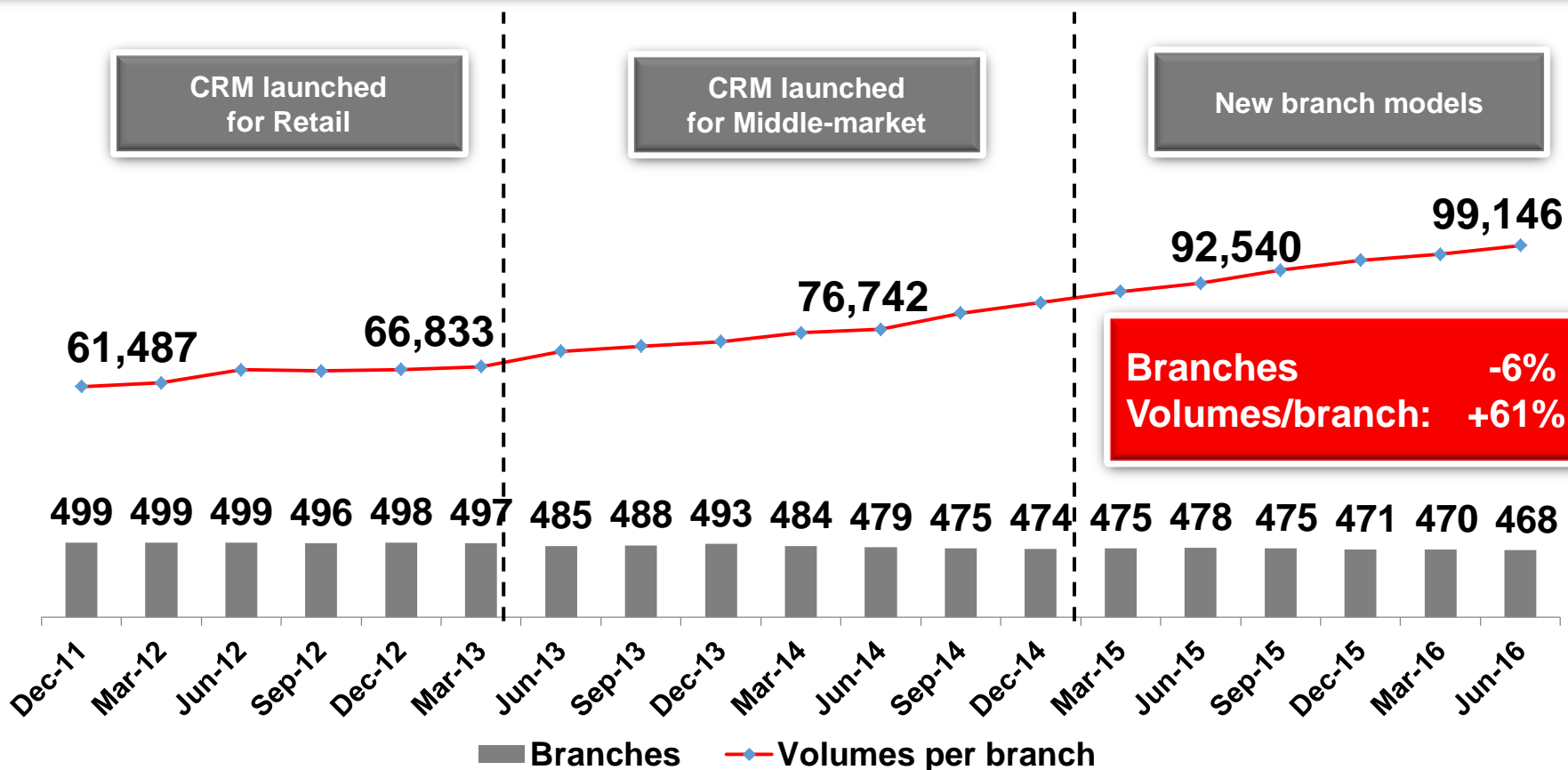
Internet usage market share²



Strategy III: Digital transformation

Transformation is starting to boost commercial productivity...

Business volumes* per branch

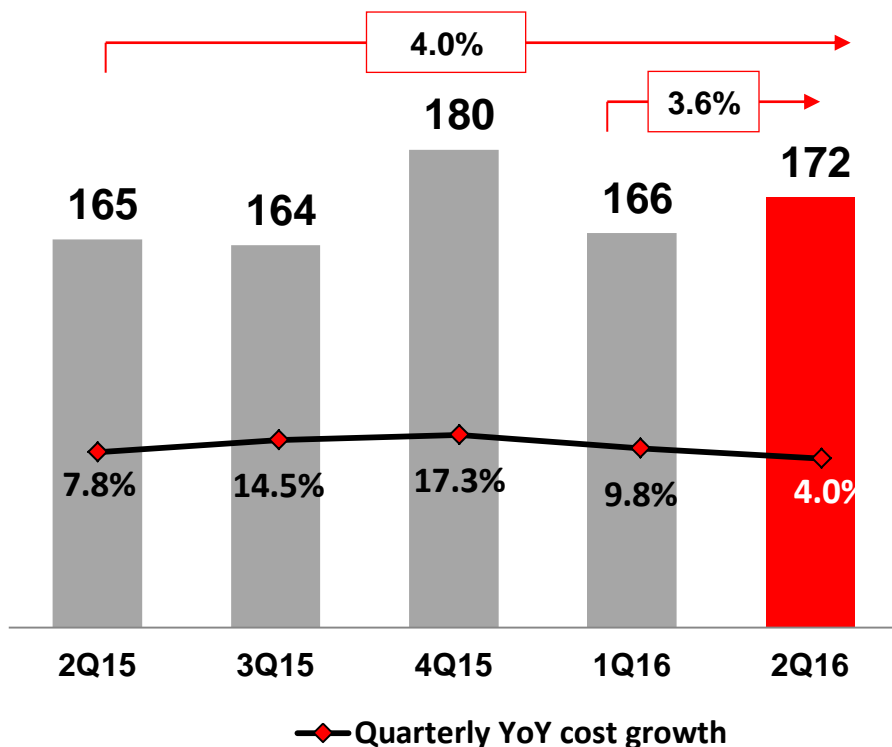


Strategy III: Digital transformation

... which is lowering cost growth

Operating expenses

Ch\$bn



	2Q'16	YoY(%)	QoQ(%)
--	-------	--------	--------

Personal exp.	101	5.1	8.9
Adm. exp.	55	-2.7	-6.3
Depreciation	16	25.3	10.4
Op. expenses	172	4.0	3.6
Efficiency Ratio ¹	43.8%	+350bps	+220bps
Cost / Assets	1.0%	-10 bps	0bps

Boosting operational excellence: lowest cost growth in last 7 quarters

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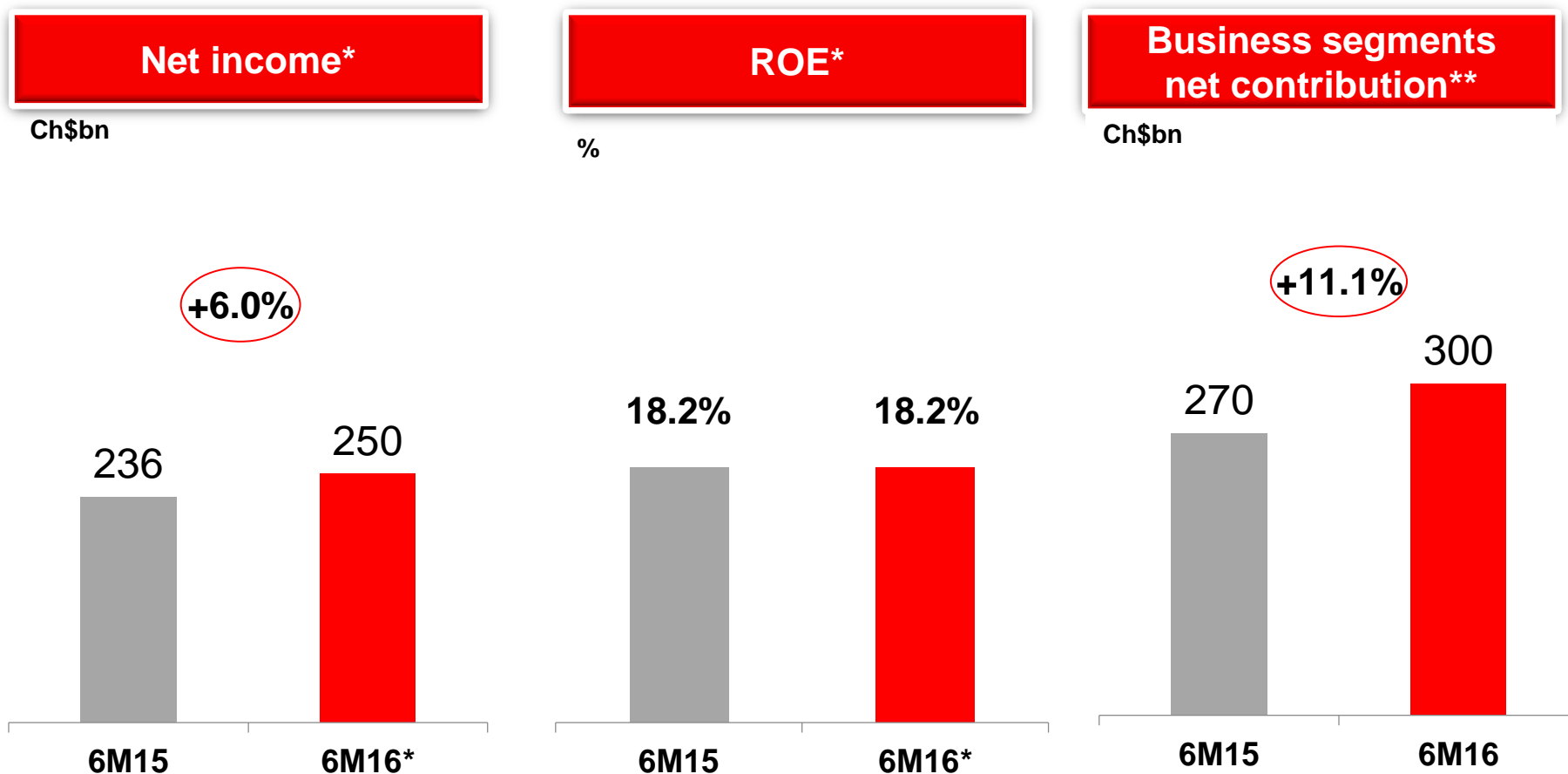


IV. Optimizing profitability and capital use to increase shareholder value in time



Strategy: IV. Optimizing profitability and capital

In 6M16: ROE in line with guidance and driven by client activities

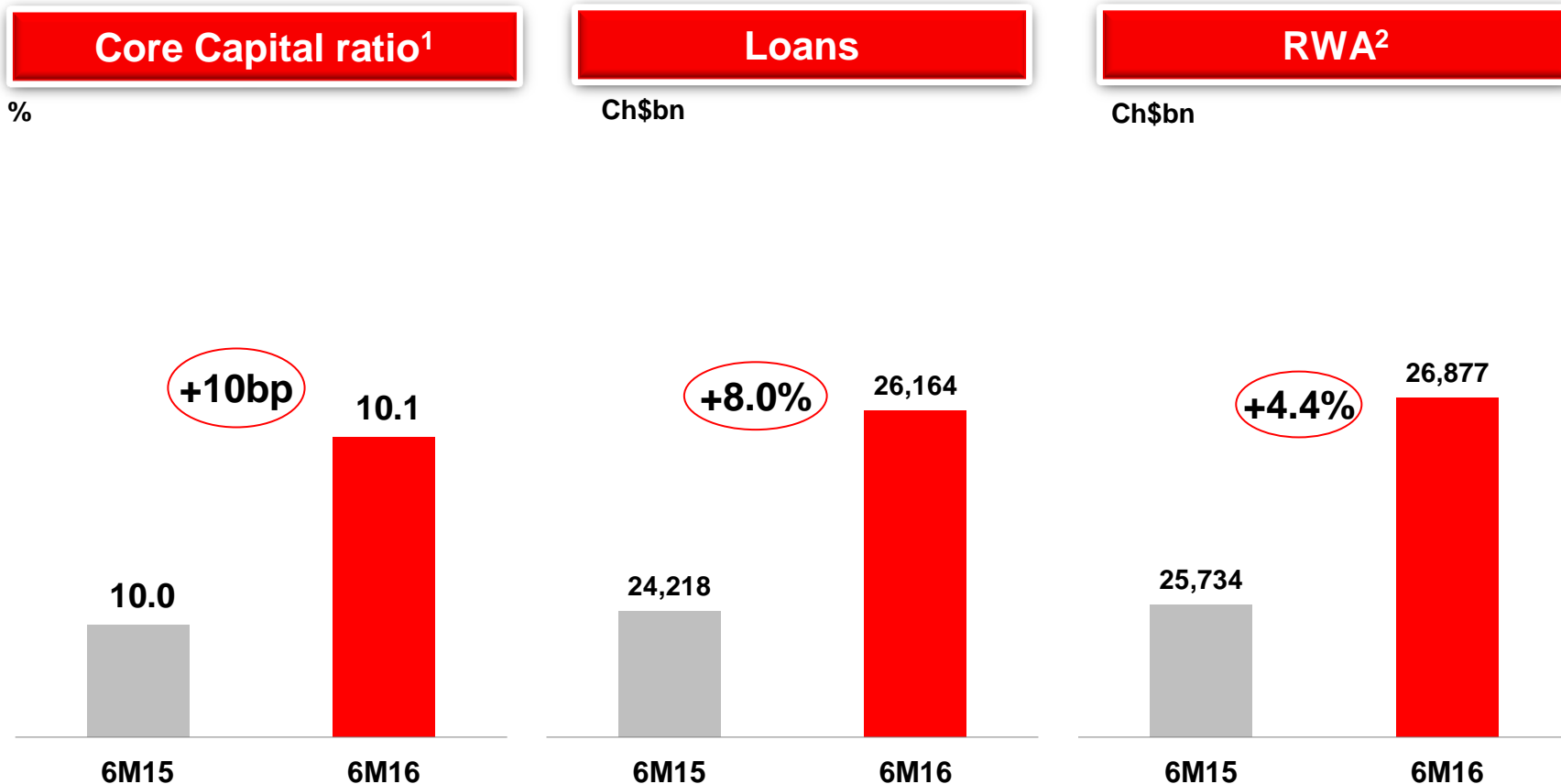


Our strategy allows us to succeed in the current macro environment while setting the foundations for long-term growth

* 6M16 excludes one-time severance expense of Ch\$10,789 million booked in 2Q16. ** Net interest income + Net fee and commission income + Financial transactions, net - Provision expense – Operating expenses from our reporting segments. These results exclude our Corporate Center and the results from Financial Management, which includes, among other items, the impact of the inflation on results

Strategy: IV. Optimizing profitability and capital

Solid capital levels for further growth



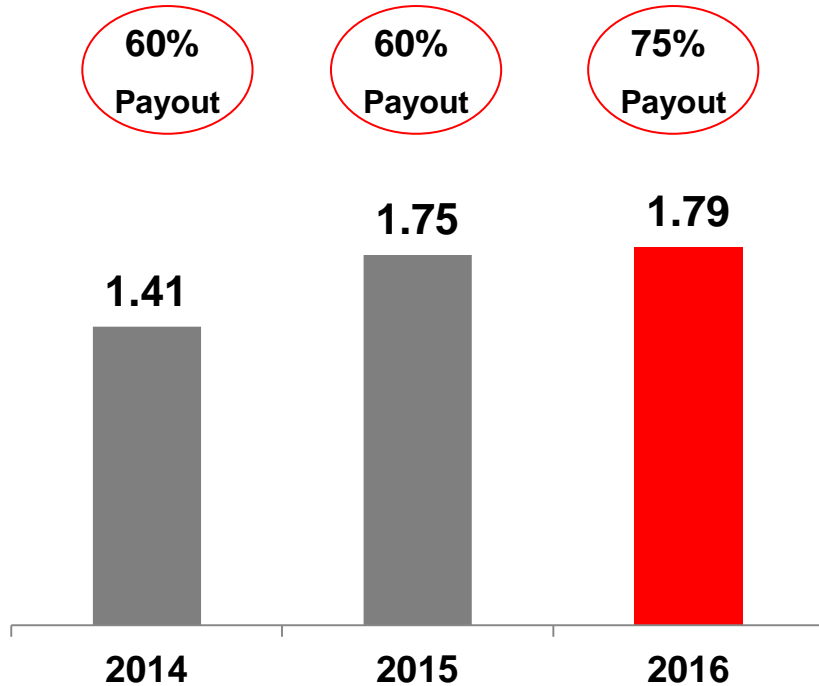
Given our high RWA density³, RWA should grow less than loans in shift to BIS III

Strategy: IV. Optimizing profitability and capital

Our strategy is increasing shareholder value in time

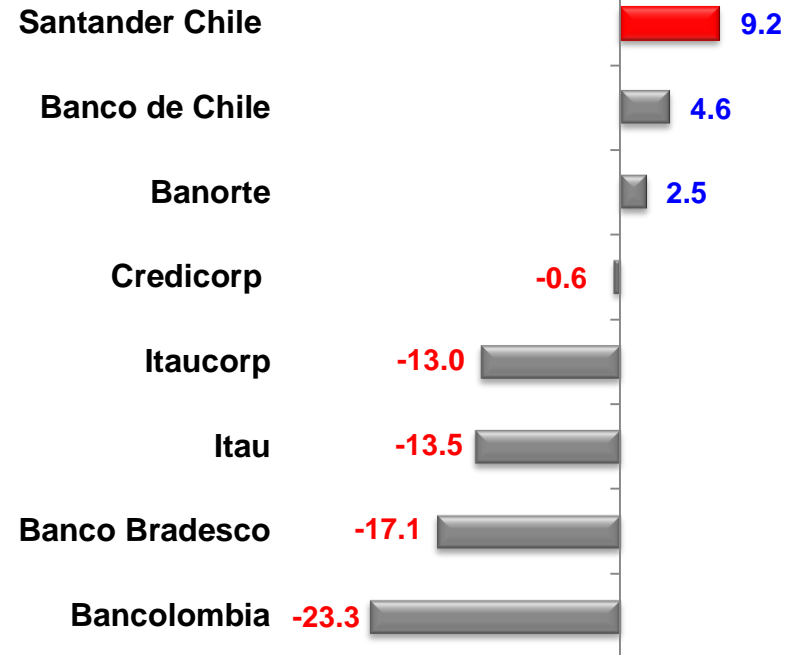
Dividend per share

Ch\$ per share



Total shareholder return

TSR including dividend, 12/31/14 - 6/30/16, %*



Dividend yield = 5.3% in 2016

Agenda

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

Sound outlook for Santander Chile

- **Chile: GDP growth expectations stabilize for 2016 and rise for 2017**
- **Banks with 7-8% growth in loans and deposits and stable risk levels**
- **BSAC: stronger Client contribution driving profitability in 2Q16, in line with strategy**
 - **Gaining market share in most products. Loan growth up 8.0% YoY, especially in segments with higher profitability, net of risk. Deposits increase 10.3% YoY**
 - **Stronger Client revenues: Client NII grew 6.3% YoY, with stable Client NIMs. Fee income expands 9.6% due to higher customer loyalty**
 - **Improved asset quality: coverage rises to 141% / NPLs down to 2.2% / cost of credit: 1.3%**
 - **Cost growth under control: up 4% YoY. Branch optimization plans underway**
 - **Business segment contribution up 11.1% YoY**
 - **ROE reached 17.1% in 2Q16 (18.3% adjusted for one time severance expense)**
- **For the rest of 2016 & 2017, we expect these sound business trends to continue**

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

