

Banco Santander Chile 3Q 2018 Results

October 31, 2018



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



Strategy and results



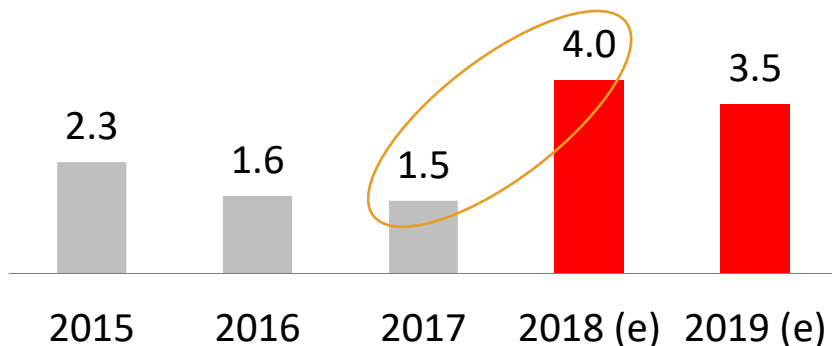
Outlook

Macroeconomic environment

GDP growth expectations rise for 2018-19

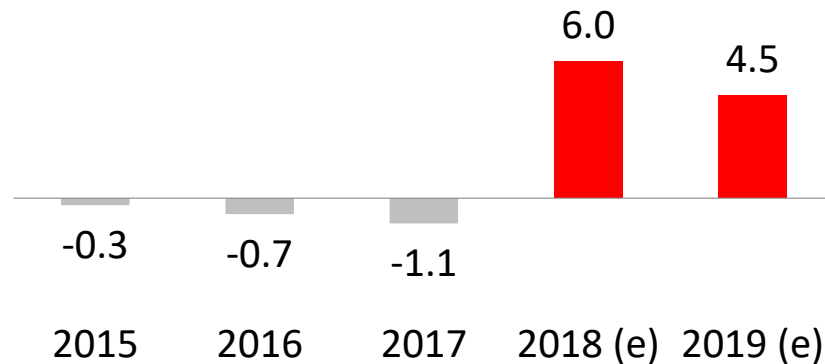
GDP

YoY real growth, %



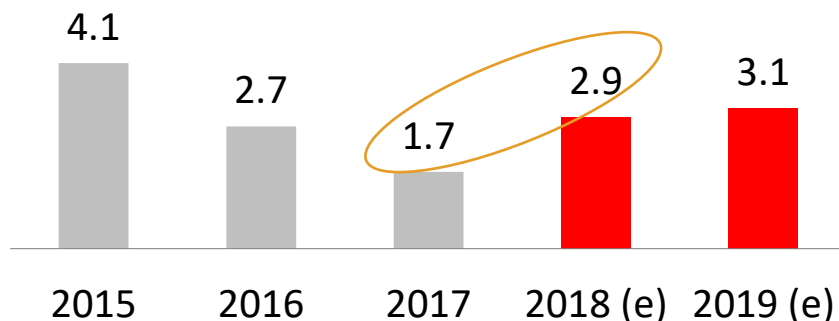
Investment

YoY real growth of fixed capital formation, %



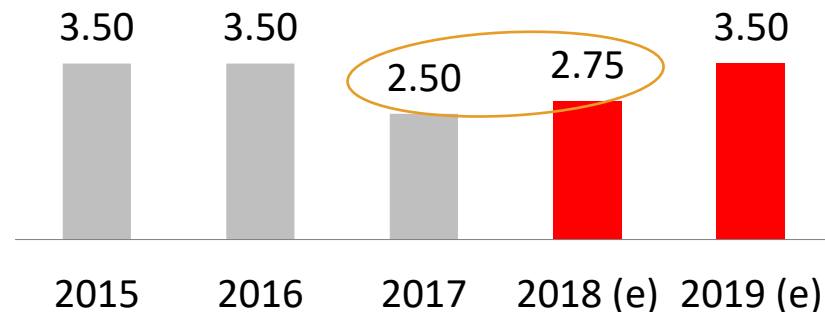
Inflation

Annual change in UF inflation, %



Central Bank ST Reference Rate

%



Agenda

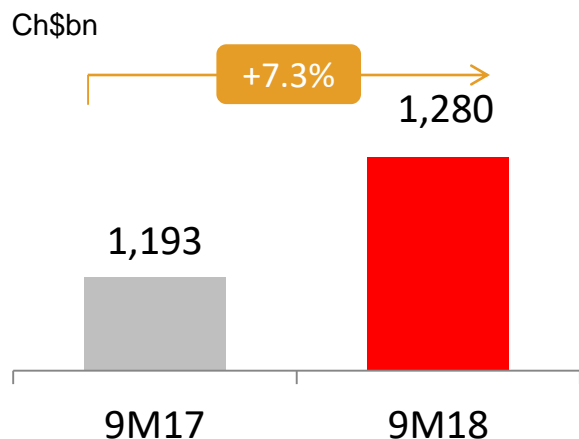
Macro-economic environment

Strategy and results

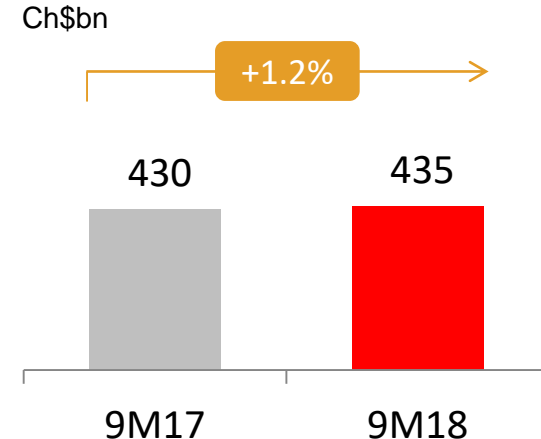
Outlook

Rise in net income driven by positive growth of core revenues

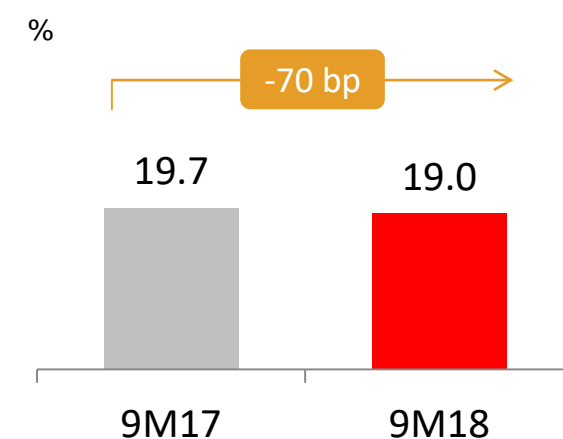
NII + Fees



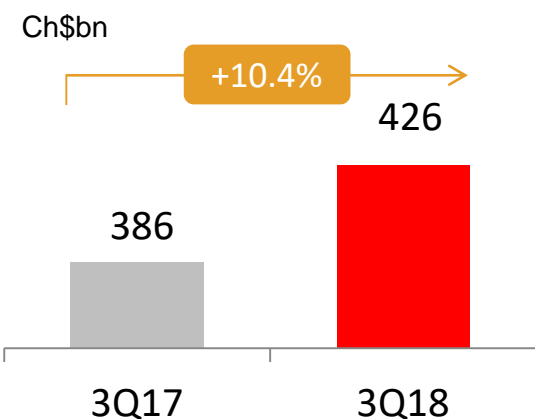
Net income¹



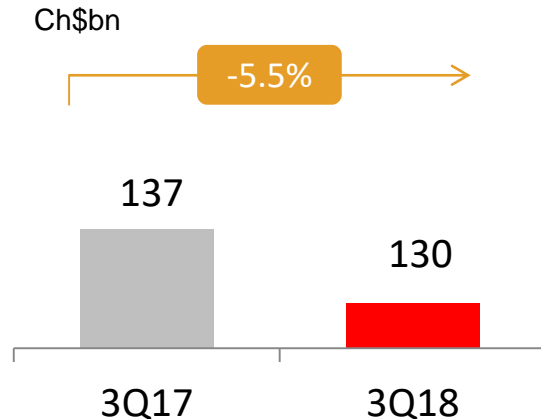
ROE



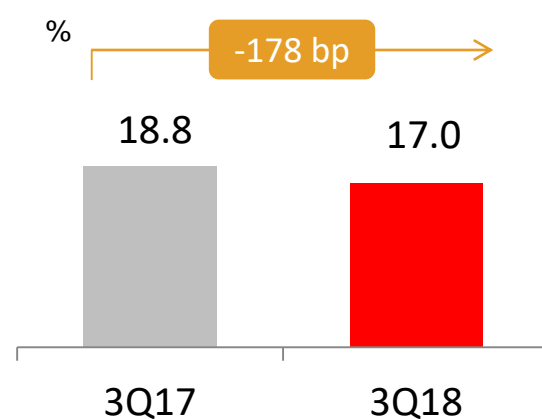
NII + Fees



Net income¹









ROE




Growing income before tax above the competition


ROE

Ch\$bn as of Sept 2018¹

		Growth 2015 to Sept. 2018	LTM Sept 2018	2017	2016	2015
	Santander	 +190bp	19.0%	19.2%	17.1%	17.1%
	Chile	 -340pb	17.9%	19.3%	19.6%	21.3%
	BCI	 -520pb	12.3%	14.0%	14.7%	17.5%

3 objectives for healthy growth / higher profitability

I  Re-focusing on growth as economy recovers...

II  ... by increasing client loyalty through an improved client experience and quality of service and expanding digital banking capabilities

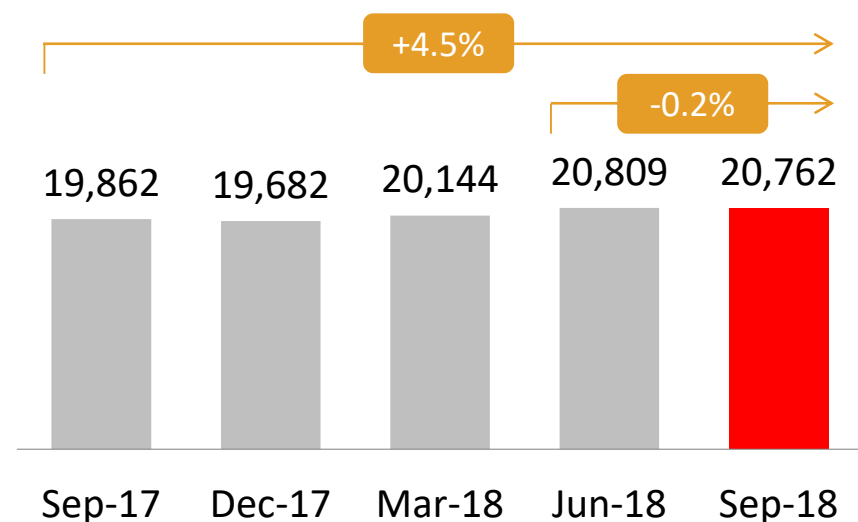
III  Optimizing profitability and capital use to increase shareholder value in time

Strategy: I. Re-focusing on growth as economy recovers...

Positive YoY growth of demand deposits in the year

Total Deposits

Ch\$bn



Ch\$ bn	9M18	YoY	QoQ
Demand	7,984	9.8%	(1.8%)
Time	12,777	1.5%	0.8%
Total Deposits	20,762	4.5%	(0.2%)
Mutual funds ¹	5,544	0.4%	(0.2%)
Loans to deposits²	101.1%		
LCR³	131.8%		
NSFR⁴	108.4%		

Strategy: I. Re-focusing on growth as economy recovers...

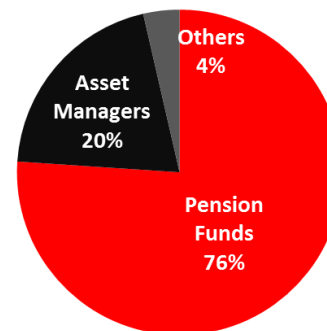
In 3Q18 we issued the first local market FRN

CLP 75bn | ICP* + 66bps Senior Unsecured Floating Rate Notes due 2022

Summary of Terms

Local Issuer Rating	AAA (Fitch) /AAA (Feller)
Size	CLP 75bn (USD 110mn equiv.)
Pricing date	August 27 th , 2018
Maturity	January 10 th , 2022
Coupon	ICP + 100bps annual
Issue Price	101.02%
Spread to ICP	+ 66bps
Spread to UF	+ 123bps
Bookrunner	Santander CIB

Allocation by Investor type



LATINFINANCE

Santander Chile issues maiden local currency FRN

Bloomberg

Banco Santander-Chile: Banco Santander Chile issues first floating bond in Chilean pesos in the local market
Demand reached 2.5 times the offering size, chiefly bought by mutual funds, pension funds and banks

GlobalCapital

Santander brings first Chilean FRN

Banco Santander's Chilean yesterday sold the first ever floating rate note in Chilean pesos, raising Ps75bn (\$114m) in long three year notes.

EL MERCURIO

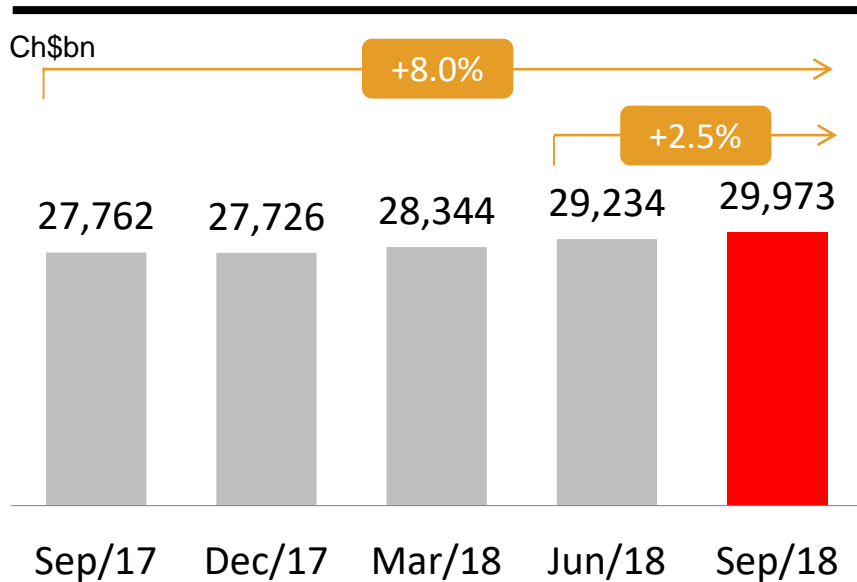
Santander coloca 1^{er} bono en pesos con tasa flotante



Strategy: I. Re-focusing on growth as economy recovers...

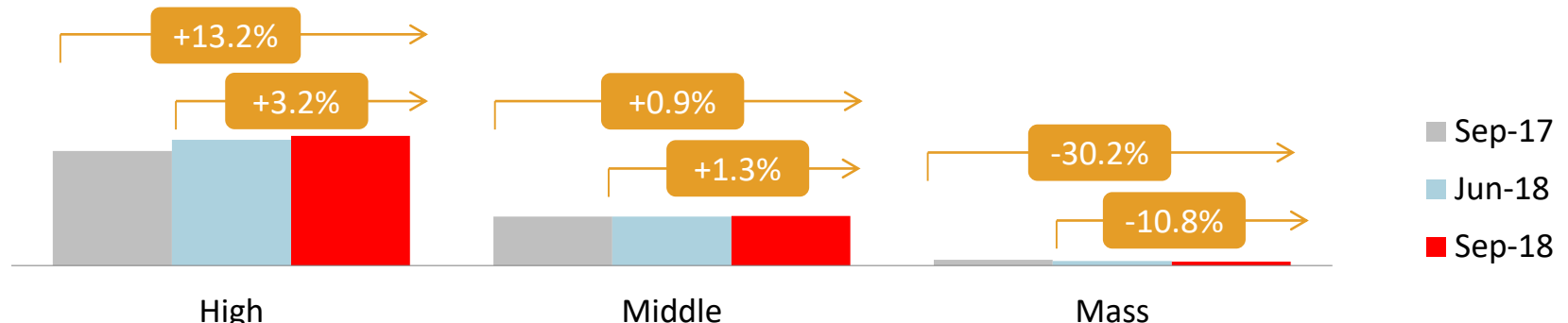
Loan growth accelerating in line with the economy

Total Loans



Ch\$ bn	9M18	YoY	QoQ
Individuals ¹	16,352	8.2%	2.4%
Consumer	4,684	4.6%	0.9%
Mortgages	9,818	9.9%	3.1%
SMEs	3,835	1.7%	1.0%
Retail	20,187	6.9%	2.1%
Middle Market	7,614	15.1%	3.1%
Corporate (SCIB)	2,028	(2.0%)	4.1%
Total²	29,973	8.0%	2.5%

Loans to Individuals by Income Level



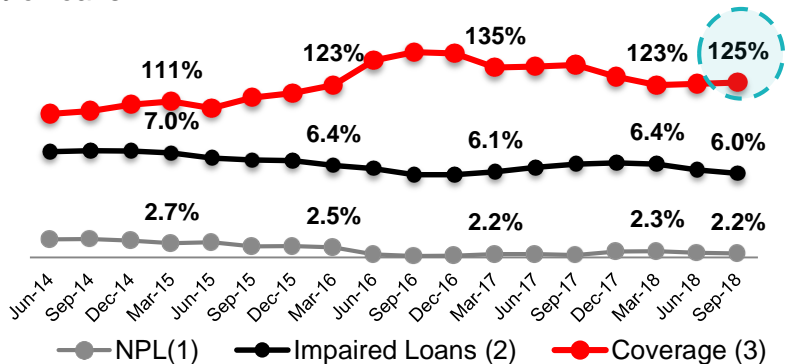
1. Includes other commercial loans to individuals. 2. Includes other non-segmented loans and interbank loans

Strategy: I. Re-focusing on growth as economy recovers...

Positive evolution of asset quality. Coverage of consumer loans at 312%

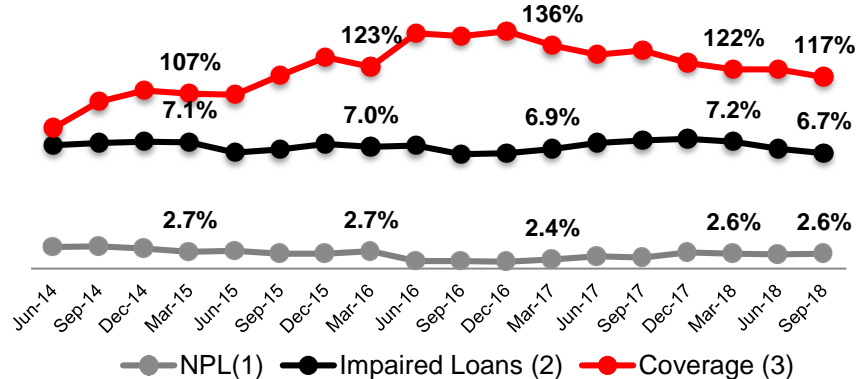
Total loans

% of loans



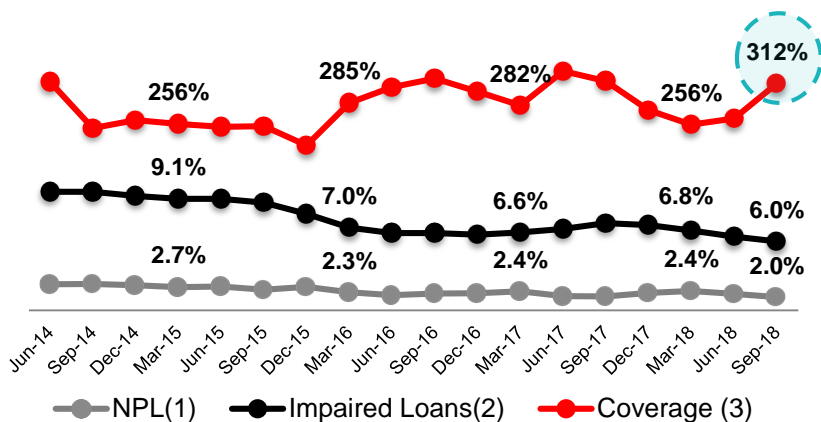
Commercial loans

% of loans



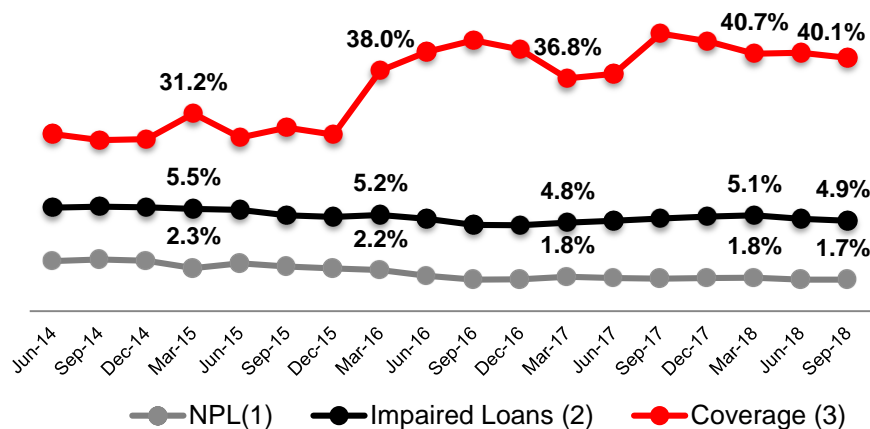
Consumer loans

% of loans



Mortgage loans

% of loans



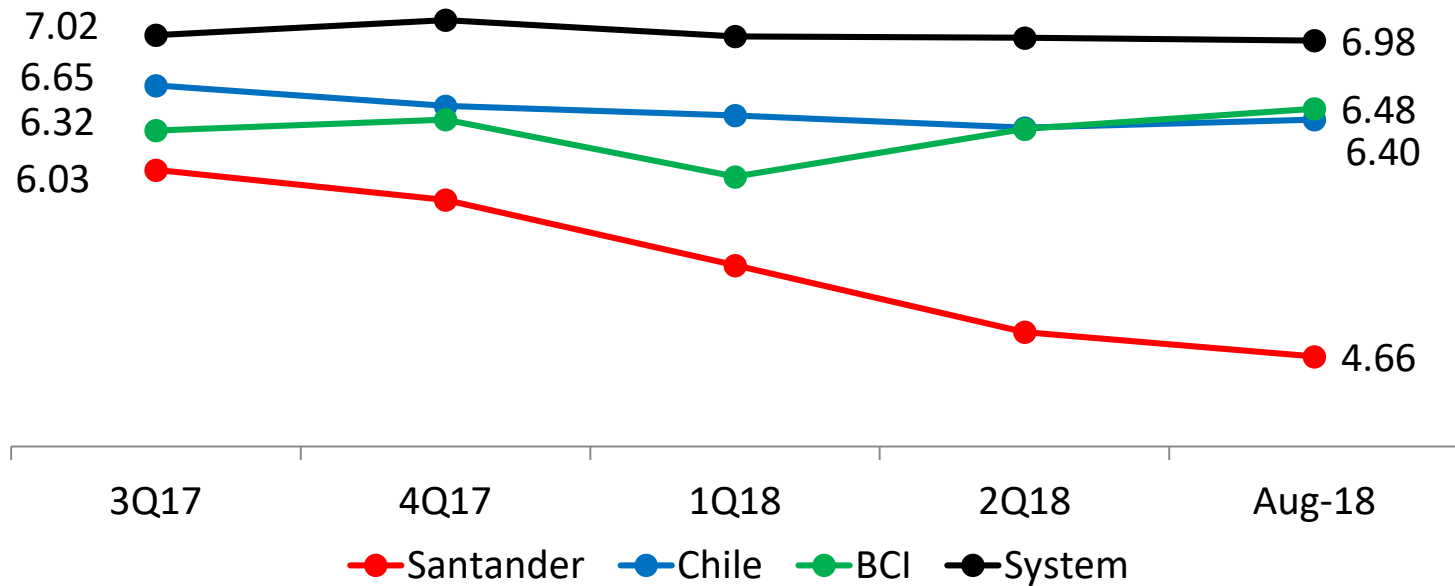
Including one-time additional provision of Ch\$20bn in 3Q18



1. 90 days or more NPLs. 2. Impaired NPLs + restructured loans 3. Loan loss reserves over NPLs

Healthy evolution of impaired & charge-offs in consumer loans

Variation of Impaired Consumer loans + Charge-offs as % of consumer loans

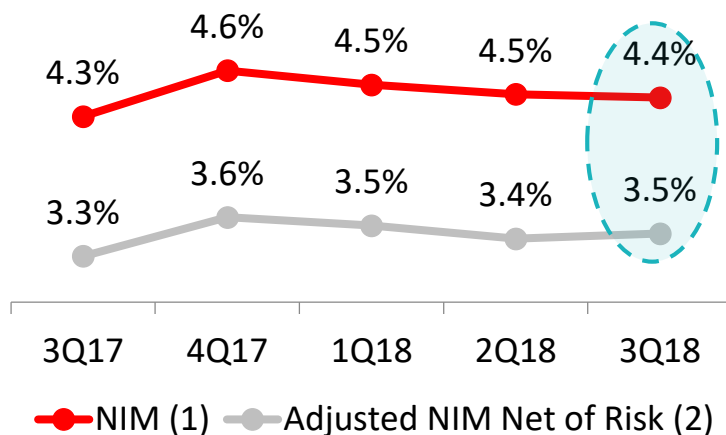


Additional provision of Ch\$20bn recognized in 3Q18 for consumer loans

Strategy: I. Re-focusing on growth as economy recovers...

In 3Q18 NIM at 4.5% & adjusted NIM, net of risk at 3.5%

NIM¹ & Adjusted NIM Net of Risk²



Net Interest Income

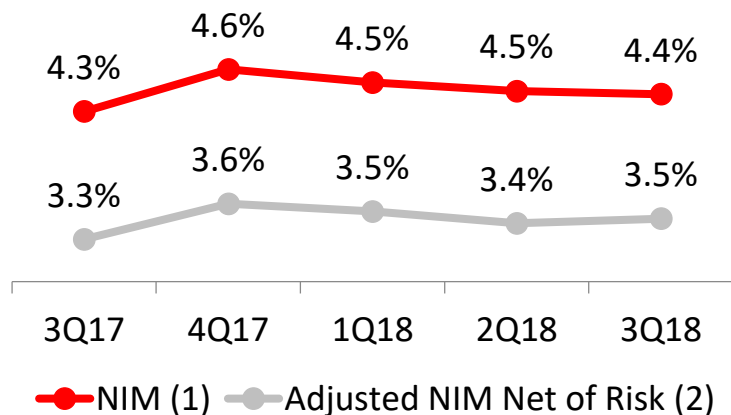
Ch\$ bn	9M18	YoY	QoQ
Net interest income	1,057	7.8%	1.0%
Average interest-earning assets	31,531	5.1%	1.5%
Average loans	28,810	(0.9%)	2.7%
Interest earning asset yield ²	7.0%	+19bp	-1bp
Cost of funds ³	2.7%	+12bp	-1bp
NIM YTD	4.5%	+11bp	

1. Annualized Net interest income divided by average interest earning assets 2. Annualized Net interest income net of provisions (adjusted to exclude the additional provision of Ch\$ 20,000 million in 3Q18) divided by the average interest earning assets. Averages are calculated using monthly figures. 3. Annualized interest expense divided by sum of average interest bearing liabilities and demand deposits.

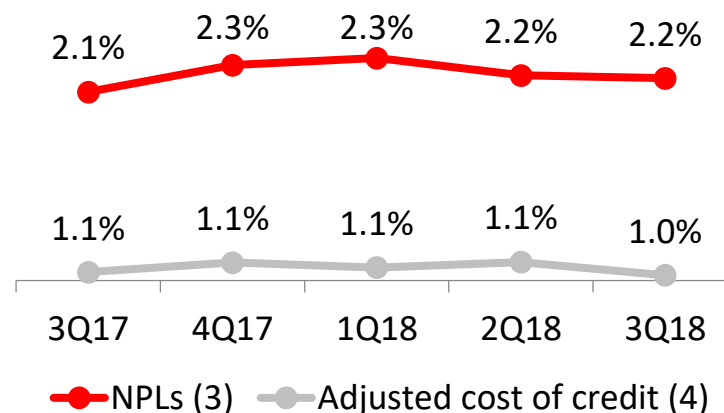
Strategy: I. Re-focusing on growth as economy recovers...

Adjusted cost of credit reaches 1.0%

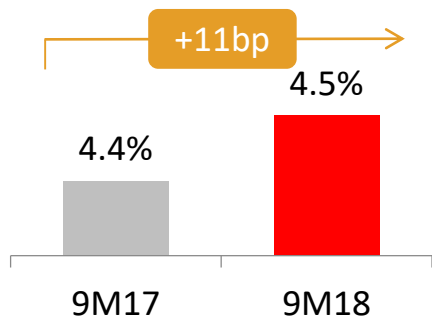
NIM & Adjusted NIM Net of Risk



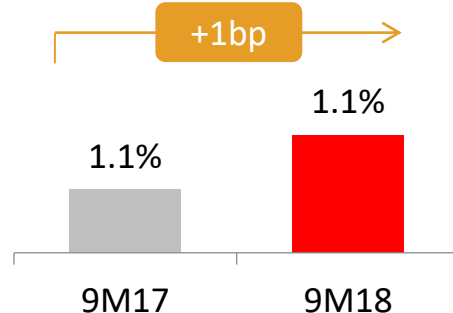
NPLs & Adjusted Cost of Credit



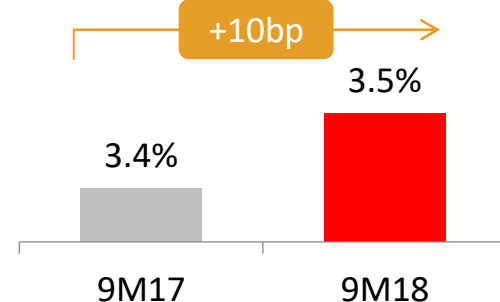
NIM¹



Adjusted cost of risk⁴



Adjusted NIM net of risk²



1. Annualized Net interest income divided by average interest earning assets 2. Annualized Net interest income net of provisions (adjusted to exclude the additional provision of Ch\$ 20,000 million in 3Q18) divided by the average interest earning assets. Averages are calculated using monthly figures. 3. 90 days or more NPLs 4. Annualized provisions for loans losses (adjusted to exclude the additional provision of Ch\$ 20,000 million in 3Q18) divided by average total loans.

3 objectives for healthy growth / higher profitability

I



Re-focusing on growth as economy recovers...

II



... by increasing client loyalty through an improved client experience and quality of service and expanding digital banking capabilities

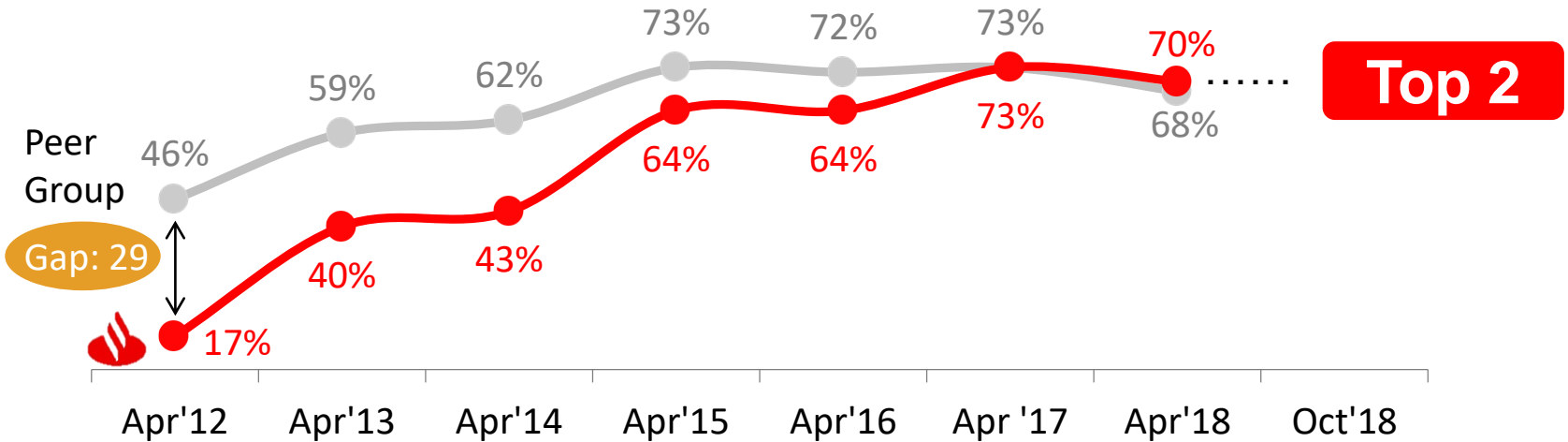
III



Optimizing profitability and capital use to increase shareholder value in time

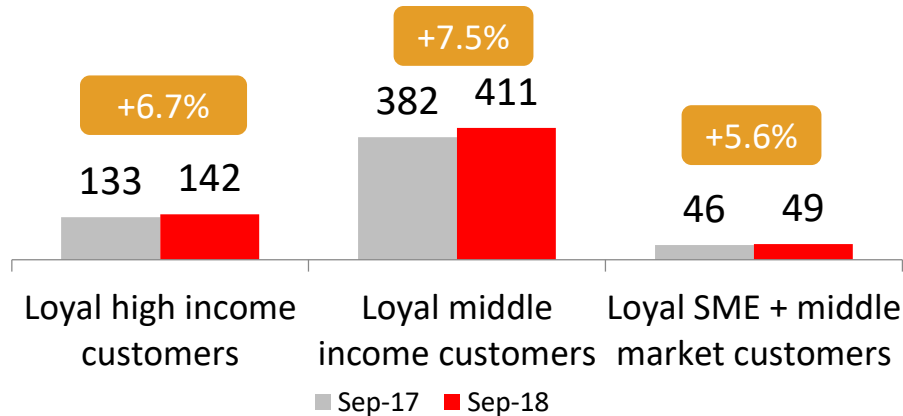
Strategy: II. Increasing client loyalty and expanding digital banking

Evolution of Bank Satisfaction Gap (% Gross Satisfaction)¹



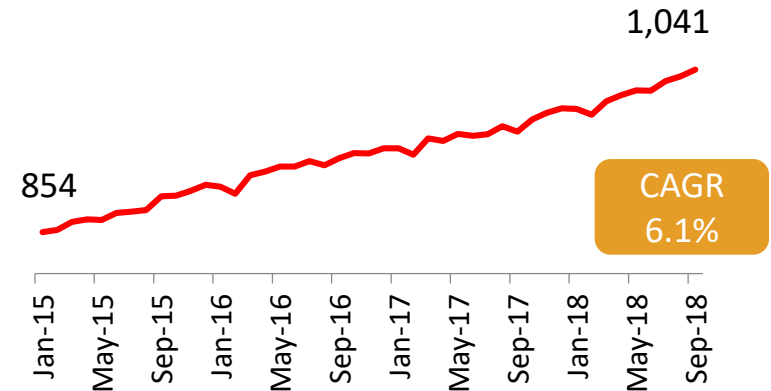
Loyal customers¹

thousands



Total Digital Clients

thousands

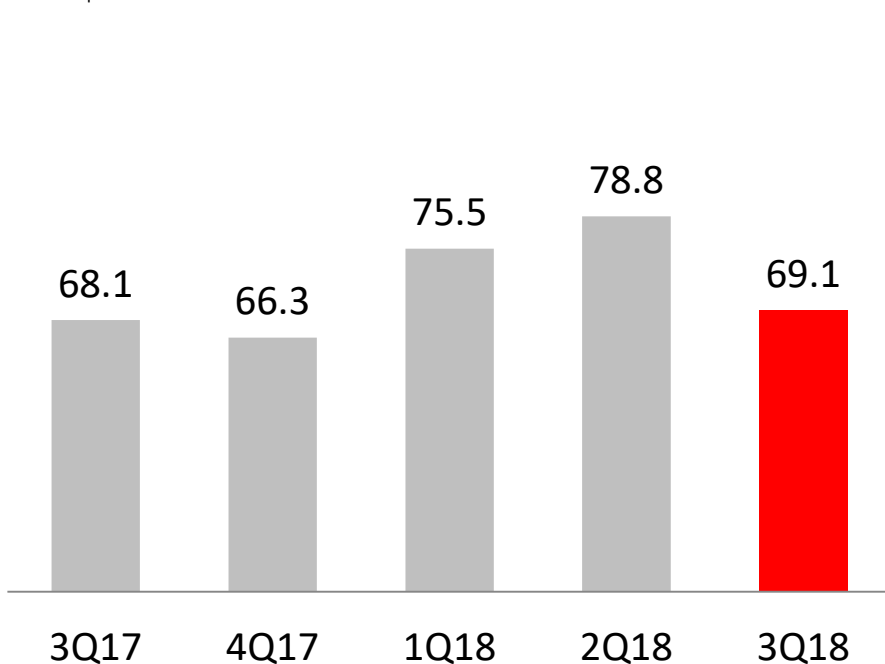


1. Source: GfK Adimark. % Satisfaction from score of 6 or 7

Healthy fee growth in business segments

Net fee income

Ch\$bn



Ch\$ bn	9M18	YoY	QoQ
Retail	153.9	7.2%	1.7%
Middle Market	27.4	0.7%	1.5%
Corporate	27.7	25.3%	10.7%
Subtotal	209.1	7.8%	2.7%
Others	14.4	(64.3%)	(130.3%)
Total	223.4	5.0%	(12.3%)

Ch\$ bn	9M18	YoY	QoQ
Credit card fees	30.8	30.6%	(13.1%)
Debit & ATMs fees	11.4	(28.8%)	(26.1%)

Strategy: II. Increasing client loyalty and expanding digital banking

Mass Segment



Range of digital products that rewards positive credit behavior:

- 23,500 clients as of September 2018
- 70% are new clients to the bank

Mass Wealthy



SELECT/ PRIVATE BANKING



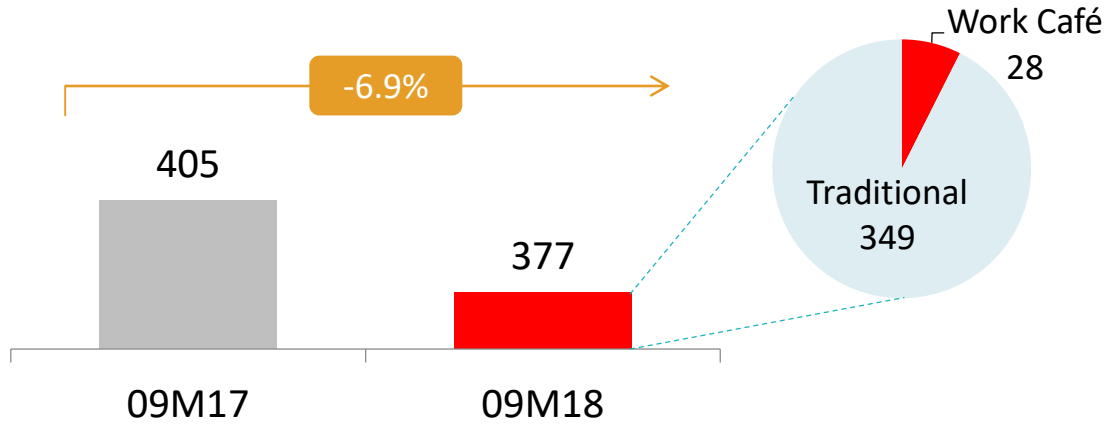
New style of branches

- New products: Investment funds, Allfunds, FX
- Process redesign: Digitalization of contracts
- New management tools: Investment systems
- Supporting tools: Tablet, data plans

Strategy: II. Increasing client loyalty and expanding digital banking

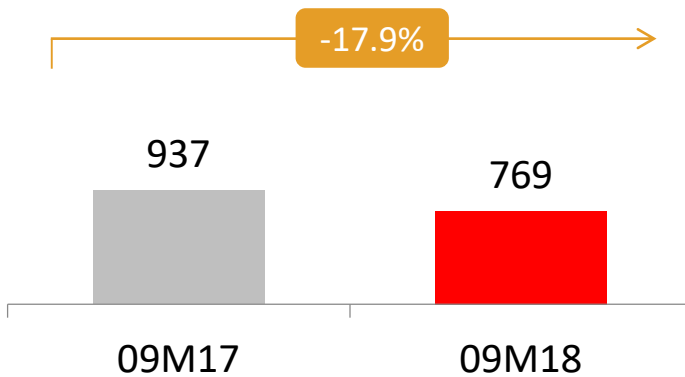
Restructuring our physical distribution network

Branches

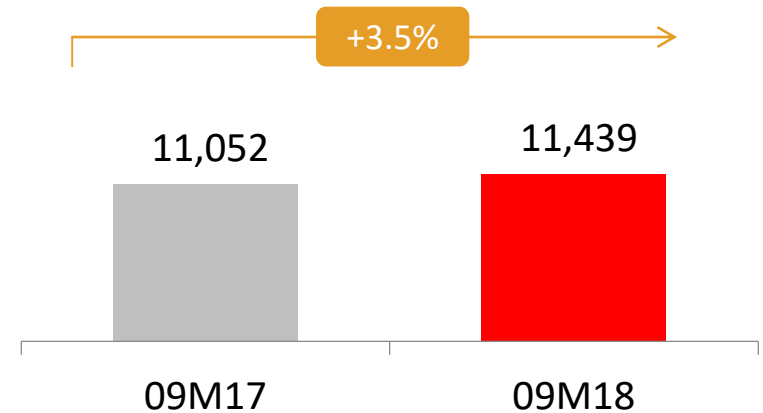


We will have 40 Work Cafés by year-end

ATMs



Employees

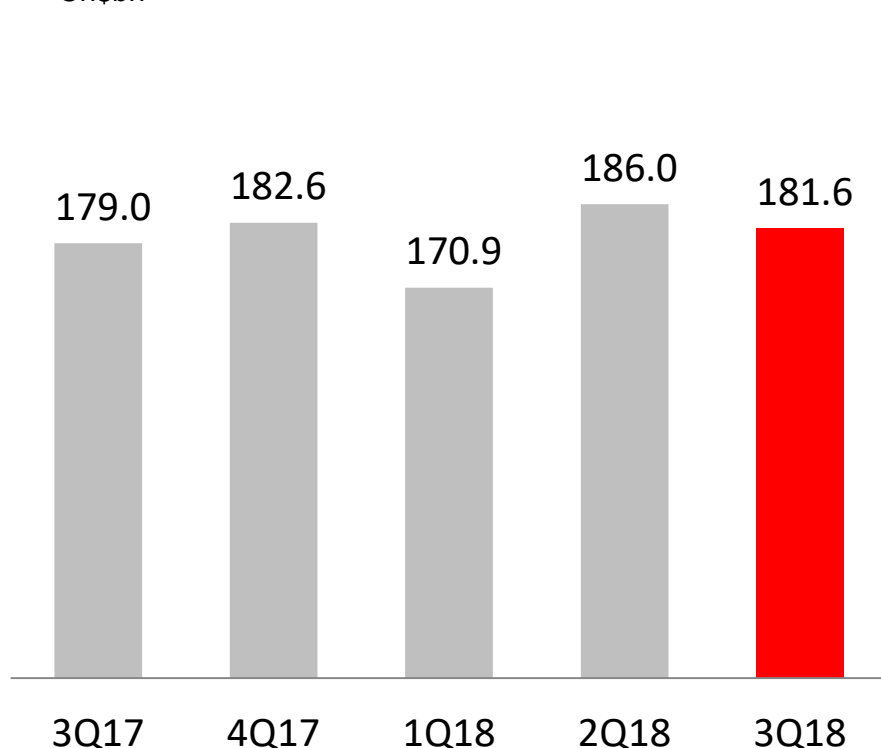


Strategy: II. Increasing client loyalty and expanding digital banking

Improving our efficiency


Operating Expenses


Ch\$bn



Ch\$ bn	9M18	YoY	QoQ
Personnel expenses	297.7	1.0%	0.1%
Administrative expenses	183.1	6.5%	(7.2%)
Depreciation	57.7	4.1%	0.2%
Operating expenses	538.5	3.1%	(2.4%)
Efficiency ratio	40.0%	-17bp	+27bp
Cost/Assets	1.9%	-0.4bp	-10bp

3 objectives for healthy growth / higher profitability

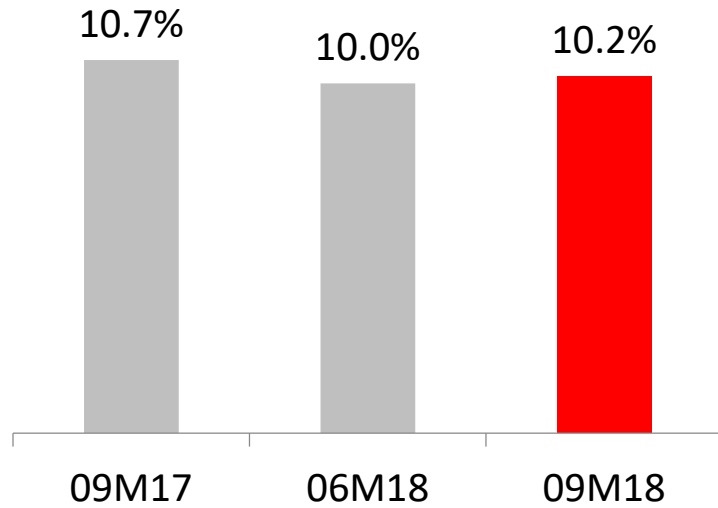
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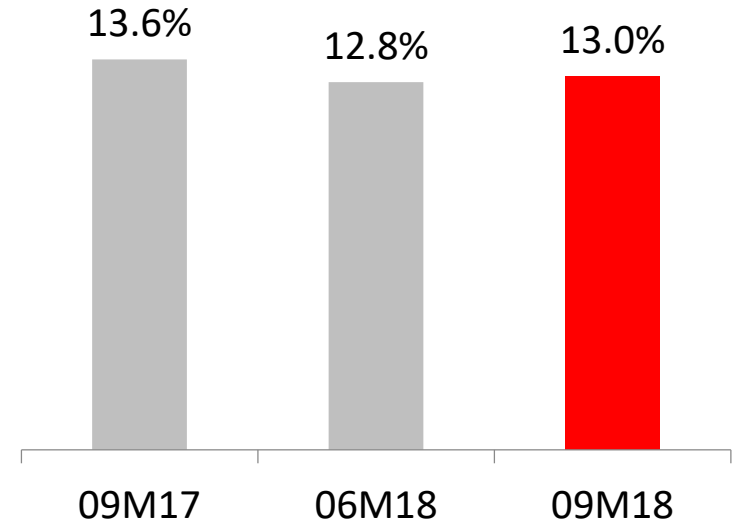
III  **Optimizing profitability and capital use to increase shareholder value in time**

Sustainable capital ratios

Core capital



BIS Ratio



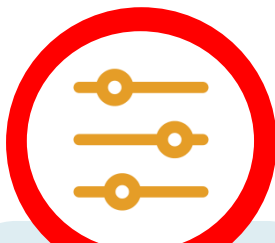
20bp of core capital generated in the quarter

New Banking Law Approved



Merger of SBIF with CMF

Seeks to have a solid and efficient governance which will be more flexible to make changes in accordance to international standards.



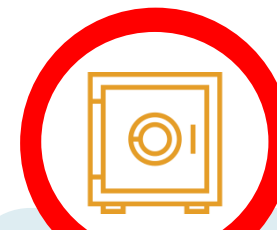
Minimum capital requirements

Increase capital requirements, giving a more faculties to regulator in the decision-making process



Mechanisms to manage crisis

Includes mechanisms of early intervention in order to prevent a bank's insolvency beforehand, protect bank depositors and maintain the financial stability of the system



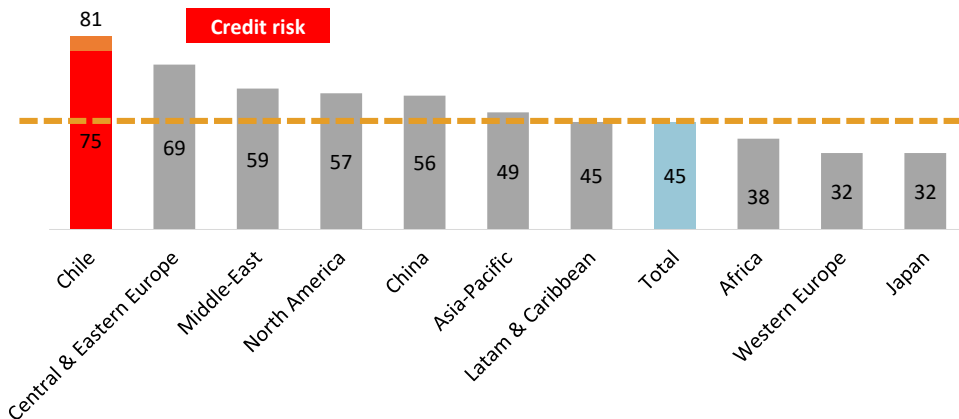
Other guarantees

Increase in state guarantees for deposits, among others

Strategy: III. Optimizing profitability and capital

New banking regulation will implement BIS III in Chile

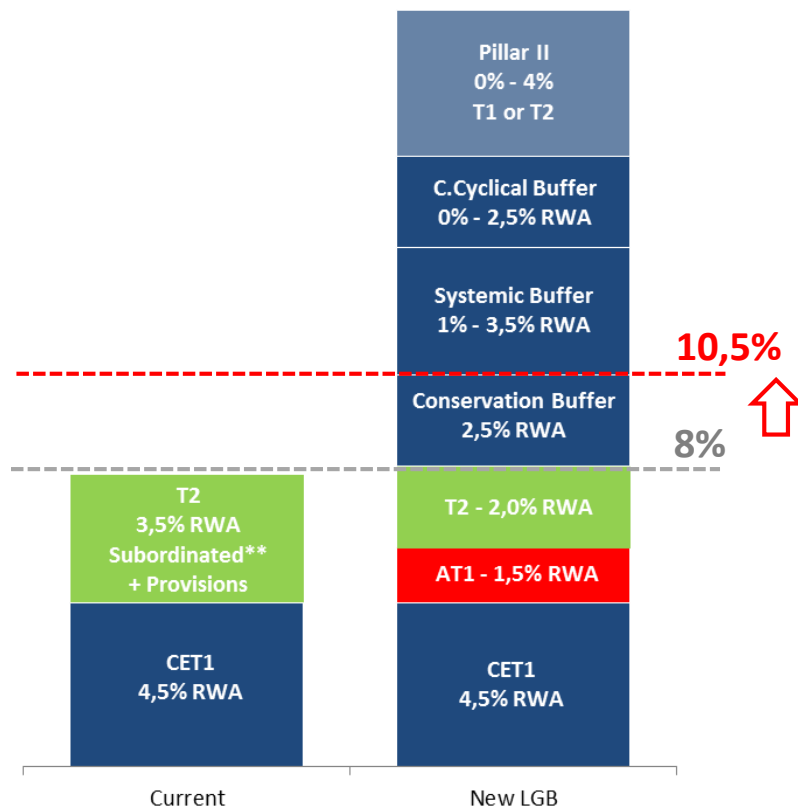
RWA Density Worldwide*



- New Banking Law approved by Congress in Sept. 2018
- Hybrid instruments (AT1 and Preferred stock) will be recognized as capital
- A normal transition to BIS III should be positive for our capital ratios

* BIS. RWA density = Risk weighted assets / Total assets. The Banker database July 2017. Chile includes credit and market risk

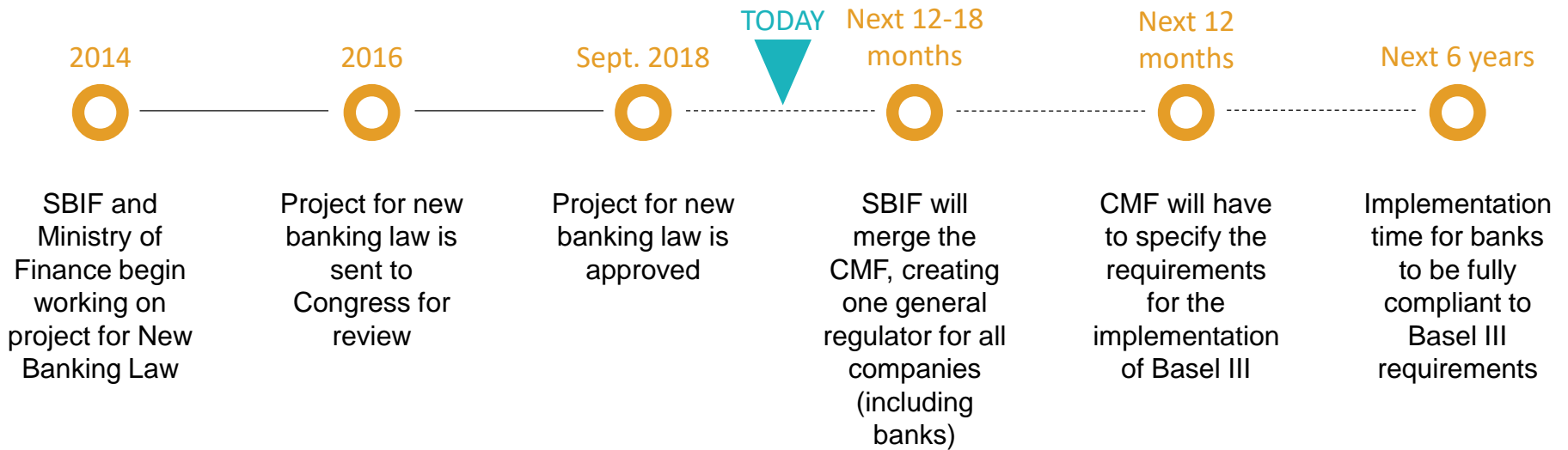
Introducing new capital requirements



** Subordinated bonds allowed up to 50% of the CET1

Strategy: III. Optimizing profitability and capital

Timeline of New Banking Law



Agenda

Macro-economic environment

Strategy and results

Outlook

Sound outlook for 2019

- ✓ For 2018 stated ROE ~19%
- ✓ We maintain a positive view on the economy. GDP growth estimate of 3.5% in 2019
- ✓ Inflation expectations rise to ~3% for 2019 with short-term rates rising 75bp
- ✓ Estimated loan growth of 8-10% with growth accelerating in higher yielding retail loans
- ✓ Core revenues growing in line with average loans:
 - NIMs of 4.4%-4.5% in 2019, depending on inflation and velocity of rate rises
 - Client loyalty and greater growth in mid-income segments should drive fee income
- ✓ Recurring cost of credit of 1.0% with stable asset quality. New provisioning requirement for commercial loans analyzed on a group basis ~18bp in terms of cost of credit
- ✓ Efficiency ratio 39.5%-40.0% led by improved productivity through digitalization
- ✓ Effective tax rate of ~22%

Recurring ROAE* of 19.0 – 19.5% in 2019

* Excluding the effect of the change in provisioning models for commercial loans analyzed on a group basis.

Thank You.

Our purpose is to help people
and business prosper.

Our culture is based on believing
that everything we do should be:

Simple Personal Fair



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



Annexes

Unaudited Balance Sheet

	Sep-18 US\$ Ths ¹	Sep-18 Ch\$ Million	Sep-17	Sep-18/Sep-17 % Chg.
Cash and deposits in banks	2,710,478	1,780,079	1,348,865	32.0%
Cash items in process of collection	859,160	564,245	601,685	(6.2%)
Trading investments	596,907	392,013	480,306	(18.4%)
Investments under resale agreements	-	-	-	--%
Financial derivative contracts	3,396,242	2,230,448	2,121,297	5.1%
Interbank loans, net	21,785	14,307	278,046	(94.9%)
Loans and account receivables from customers, net	44,390,972	29,153,327	26,674,518	9.3%
Available for sale investments	3,800,017	2,495,623	2,127,922	17.3%
Held-to-maturity investments	-	-	-	--%
Investments in associates and other companies	49,484	32,498	26,639	22.0%
Intangible assets	90,977	59,748	59,112	1.1%
Property, plant and equipment	365,444	240,002	226,896	5.8%
Current taxes	27,635	18,149	-	--%
Deferred taxes	591,237	388,289	381,520	1.8%
Other assets	1,000,286	656,928	825,909	(20.5%)
Total Assets	57,900,624	38,025,656	35,152,715	8.2%
Deposits and other demand liabilities	12,157,388	7,984,243	7,270,501	9.8%
Cash items in process of being cleared	693,376	455,368	513,719	(11.4%)
Obligations under repurchase agreements	274,083	180,001	147,515	22.0%
Time deposits and other time liabilities	19,455,744	12,777,365	12,591,871	1.5%
Financial derivatives contracts	3,177,105	2,086,532	1,946,743	7.2%
Interbank borrowings	2,730,438	1,793,188	1,401,117	28.0%
Issued debt instruments	12,465,691	8,186,718	6,900,261	18.6%
Other financial liabilities	366,815	240,902	225,820	6.7%
Current taxes	-	-	10,234	(100.0%)
Deferred taxes	50,305	33,037	6,863	381.4%
Provisions	419,877	275,750	277,098	(0.5%)
Other liabilities	1,344,628	883,071	842,592	4.8%
Total Liabilities	53,135,449	34,896,175	32,134,334	8.6%
Equity				
Capital	1,357,163	891,303	891,303	0.0%
Reserves	2,928,133	1,923,022	1,781,818	7.9%
Valuation adjustments	(50,600)	(33,231)	(2,279)	1358.1%
Retained Earnings:				
Retained earnings from prior years	-	-	-	--%
Income for the period	662,755	435,258	430,137	1.2%
Minus: Provision for mandatory dividends	(198,826)	(130,577)	(129,041)	1.2%
Total Shareholders' Equity	4,698,625	3,085,775	2,971,938	3.8%
Non-controlling interest	66,550	43,706	46,443	(5.9%)
Total Equity	4,765,175	3,129,481	3,018,381	3.7%
Total Liabilities and Equity	57,900,624	38,025,656	35,152,715	8.2%

1. The exchange rate used to calculate the figures in dollars was Ch\$656.74/ US\$1

Unaudited YTD Income Statement

	Sep-18	Sep-18	Sep-17	Sep-18/Sep-17
	US\$ Ths ¹	Ch\$ Million		% Chg.
Interest income	2,522,922	1,656,904	1,534,147	8.0%
Interest expense	(913,812)	(600,137)	(553,957)	8.3%
Net interest income	1,609,110	1,056,767	980,190	7.8%
Fee and commission income	556,010	365,154	343,250	6.4%
Fee and commission expense	(215,773)	(141,707)	(130,487)	8.6%
Net fee and commission income	340,237	223,447	212,763	5.0%
Net income (expense) from financial operations	23,403	15,370	52,933	(71.0%)
Net foreign exchange gain	82,136	53,942	58,645	(8.0%)
Total financial transactions, net	105,539	69,312	111,578	(37.9%)
Other operating income	43,787	28,757	67,939	(57.7%)
Net operating profit before provisions for loan losses	2,098,674	1,378,283	1,372,470	0.4%
Provision for loan losses	(383,412)	(251,802)	(222,400)	13.2%
Net operating profit	1,715,262	1,126,481	1,150,070	(2.1%)
Personnel salaries and expenses	(453,287)	(297,692)	(294,881)	1.0%
Administrative expenses	(278,771)	(183,080)	(171,900)	6.5%
Depreciation and amortization	(87,916)	(57,738)	(55,468)	4.1%
Op. expenses excl. Impairment and Other operating expenses	(819,974)	(538,510)	(522,249)	3.1%
Impairment of property, plant and equipment	(59)	(39)	(5,644)	(99.3%)
Other operating expenses	(49,131)	(32,266)	(72,671)	(55.6%)
Total operating expenses	(869,164)	(570,815)	(600,564)	(5.0%)
Operating income	846,097	555,666	549,506	1.1%
Income from investments in associates and other companies	7,953	5,223	2,954	76.8%
Income before tax	854,050	560,889	552,460	1.5%
Income tax expense	(188,447)	(123,761)	(105,622)	17.2%
Net income from ordinary activities	665,603	437,128	446,838	(2.2%)
Net income discontinued operations	-	-	-	--%
Net income attributable to:				
Non-controlling interest	2,847	1,870	16,701	(88.8%)
Net income attributable to equity holders of the Bank	662,755	435,258	430,137	1.2%

1. The exchange rate used to calculate the figures in dollars was Ch\$656.74/ US\$1

Unaudited Quarterly Income Statement

	3Q18	3Q18	2Q18	3Q17	3Q18/3Q17	3Q18/2Q18
	US\$ Ths ¹		Ch\$ Million			% Chg.
Interest income	865,079	568,132	560,720	459,304	23.7%	1.3%
Interest expense	(321,908)	(211,410)	(207,390)	(141,723)	49.2%	1.9%
Net interest income	543,171	356,722	353,330	317,581	12.3%	1.0%
Fee and commission income	180,598	118,606	122,394	112,388	5.5%	(3.1%)
Fee and commission expense	(75,337)	(49,477)	(43,570)	(44,286)	11.7%	13.6%
Net fee and commission income	105,261	69,129	78,824	68,102	1.5%	(12.3%)
Net income (expense) from financial operations	36,884	24,223	18,321	48,034	(49.6%)	32.2%
Net foreign exchange gain	5,037	3,308	239	(8,593)	(138.5%)	1284.1%
Total financial transactions, net	41,921	27,531	18,560	39,441	(30.2%)	48.3%
Other operating income	6,385	4,193	18,257	38,871	(89.2%)	(77.0%)
Net operating profit before provisions for loan losses	696,737	457,575	468,971	463,995	(1.4%)	(2.4%)
Provision for loan losses	(146,780)	(96,396)	(80,001)	(72,028)	33.8%	20.5%
Net operating profit	549,957	361,179	388,970	391,967	(7.9%)	(7.1%)
Personnel salaries and expenses	(158,533)	(104,115)	(104,061)	(100,855)	3.2%	0.1%
Administrative expenses	(88,642)	(58,215)	(62,710)	(59,035)	(1.4%)	(7.2%)
Depreciation and amortization	(29,385)	(19,298)	(19,260)	(19,068)	1.2%	0.2%
Op. expenses excl. Impairment and Other operating expenses	(276,560)	(181,628)	(186,031)	(178,958)	1.5%	(2.4%)
Impairment of property, plant and equipment	-	-	-	(5,295)	(100.0%)	--%
Other operating expenses	(18,902)	(12,414)	(9,931)	(18,673)	(33.5%)	25.0%
Total operating expenses	(295,462)	(194,042)	(195,962)	(202,926)	(4.4%)	(1.0%)
Operating income	254,495	167,137	193,008	189,041	(11.6%)	(13.4%)
Income from investments in associates and other companies	3,383	2,222	2,176	1,349	64.7%	2.1%
Income before tax	257,878	169,359	195,184	190,390	(11.0%)	(13.2%)
Income tax expense	(59,654)	(39,177)	(40,031)	(37,271)	5.1%	(2.1%)
Net income from ordinary activities	198,225	130,182	155,153	153,119	(15.0%)	(16.1%)
Net income discontinued operations	-	-	-	-	--%	--%
Net income attributable to:						
Non-controlling interest	693	455	638	15,793	(97.1%)	(28.7%)
Net income attributable to equity holders of the Bank	197,532	129,727	154,515	137,326	(5.5%)	(16.0%)

1. The exchange rate used to calculate the figures in dollars was Ch\$656.74 / US\$1

Annexes: Key Indicators

Profitability & Efficiency	09M18	09M17	Change bp
Net interest margin (NIM) ¹	4.4%	4.3%	13
Efficiency ratio ²	40.8%	40.2%	61
Return on avg. equity	17.0%	18.8%	(173)
Return on avg. assets	1.4%	1.6%	(20)
Core capital ratio	10.2%	10.7%	(47)
BIS ratio	13.0%	13.6%	(58)
Return on RWA	1.7%	2.0%	(29)

Asset Quality Ratios	Sep-18	Sep-17	Change bp
NPL ratio ³	2.2%	2.1%	8
Coverage of NPLs ratio ⁴	121.7%	137.2%	(1,552)
Cost of credit ⁵	1.3%	1.1%	25

Structure (#)	Sep-18	Sep-17	Change (%)
Branches	377	405	(6.9%)
ATMs	769	937	(17.9%)
Employees	11,439	11,052	3.5%

Market Capitalization	Sep-18	Sep-17	Change (%)
Net income per share (Ch\$)	0.69	0.73	(5.5%)
Net income per ADR (US\$)	0.50	0.46	10.0%
Stock price (Ch\$/ per share)	52.63	47.59	10.6%
ADR price (US\$ per share)	31.98	29.71	7.6%
Market capitalization (US\$mn)	15,066	13,997	7.6%
Shares outstanding (millions)	188,446	188,446	--%
ADRs (1 ADR = 400 shares) (millions)	471	471	--%

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 = Net interest income + Net fee and 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.