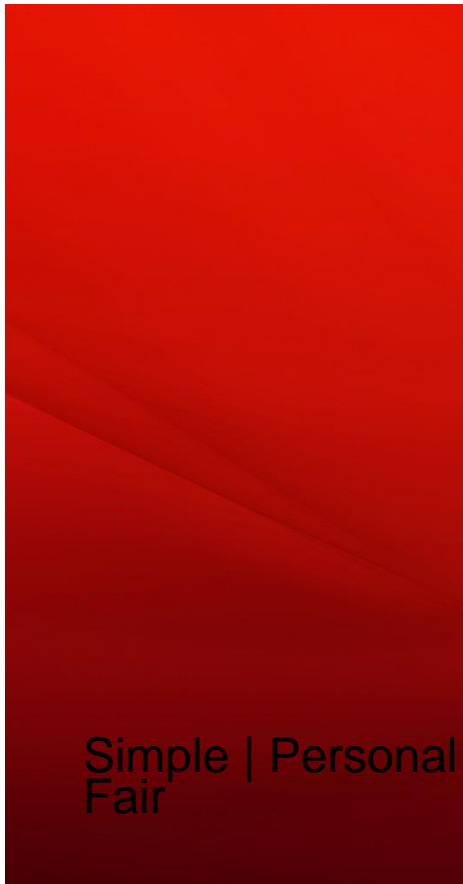


# Banco Santander Chile

## *Solid business and client profitability trends*

October 26th, 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**

- **Strategy and results**

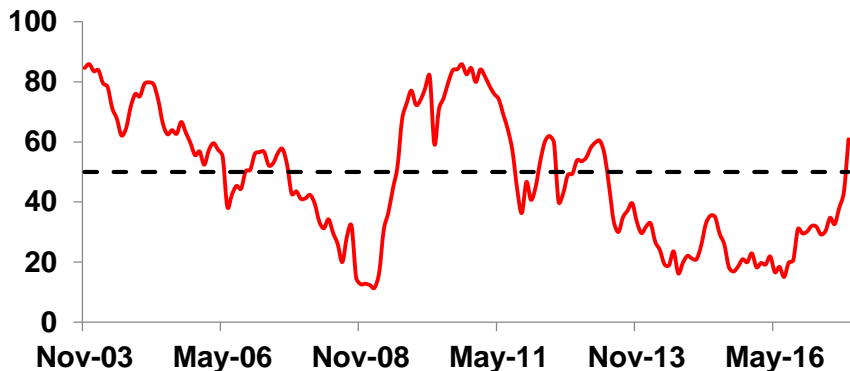
- **Outlook**

# Macroeconomic environment

## The economy is accelerating

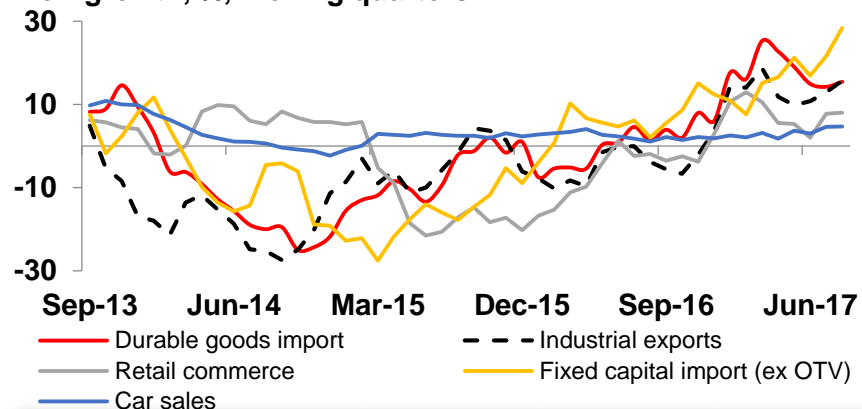
### Economic Expectations (IMCE<sup>1,2</sup>)

YoY growth, %, moving quarters



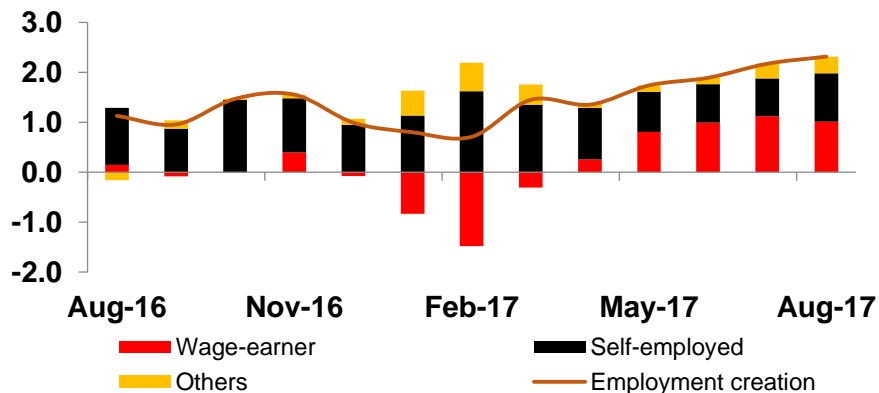
### Sectorial Indicators<sup>2</sup>

YoY growth, %, moving quarters



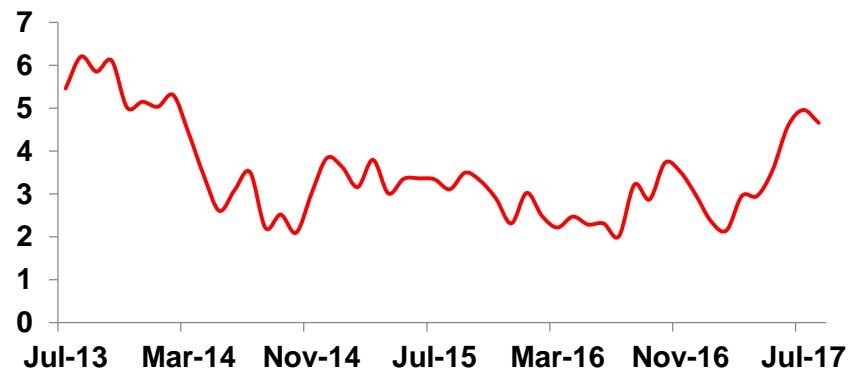
### Job Creation<sup>2</sup>

YoY change and contribution, %



### Total Wages<sup>2</sup>

YoY real change, %

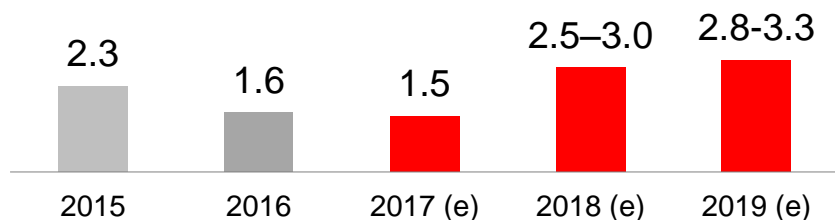


# Macroeconomic environment

## GDP growth expectations rise for 2018-19

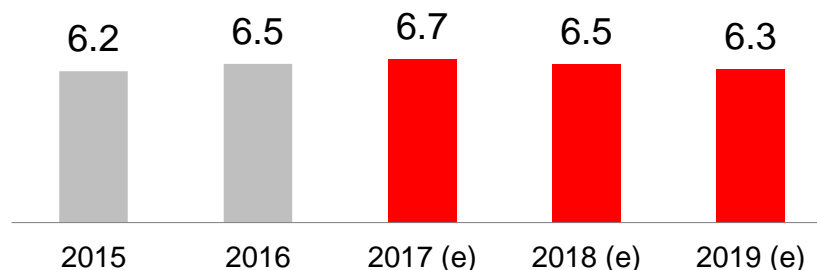
### GDP

YoY real growth, %



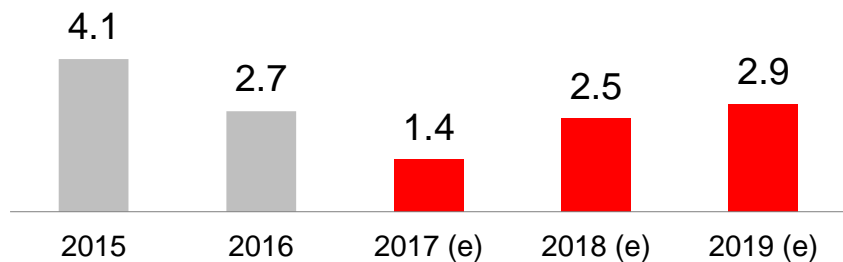
### Unemployment

% of workforce, %



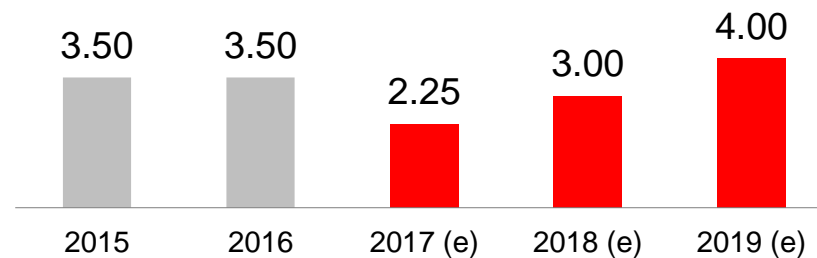
### Inflation

Annual change in UF inflation, %



### Central Bank ST Reference Rate

%



# Agenda

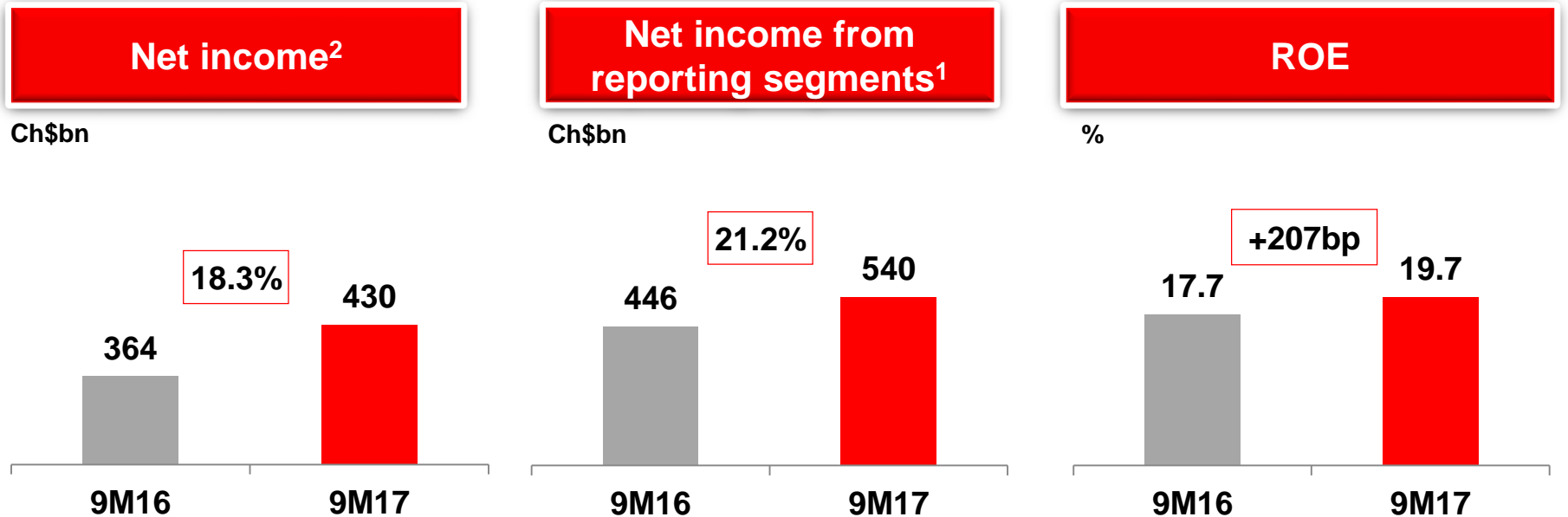
- **Macro-economic environment**

- **Strategy and results**

- **Outlook**

## Positive results in 9M17

**ROE reached 19.7% in 9M17**

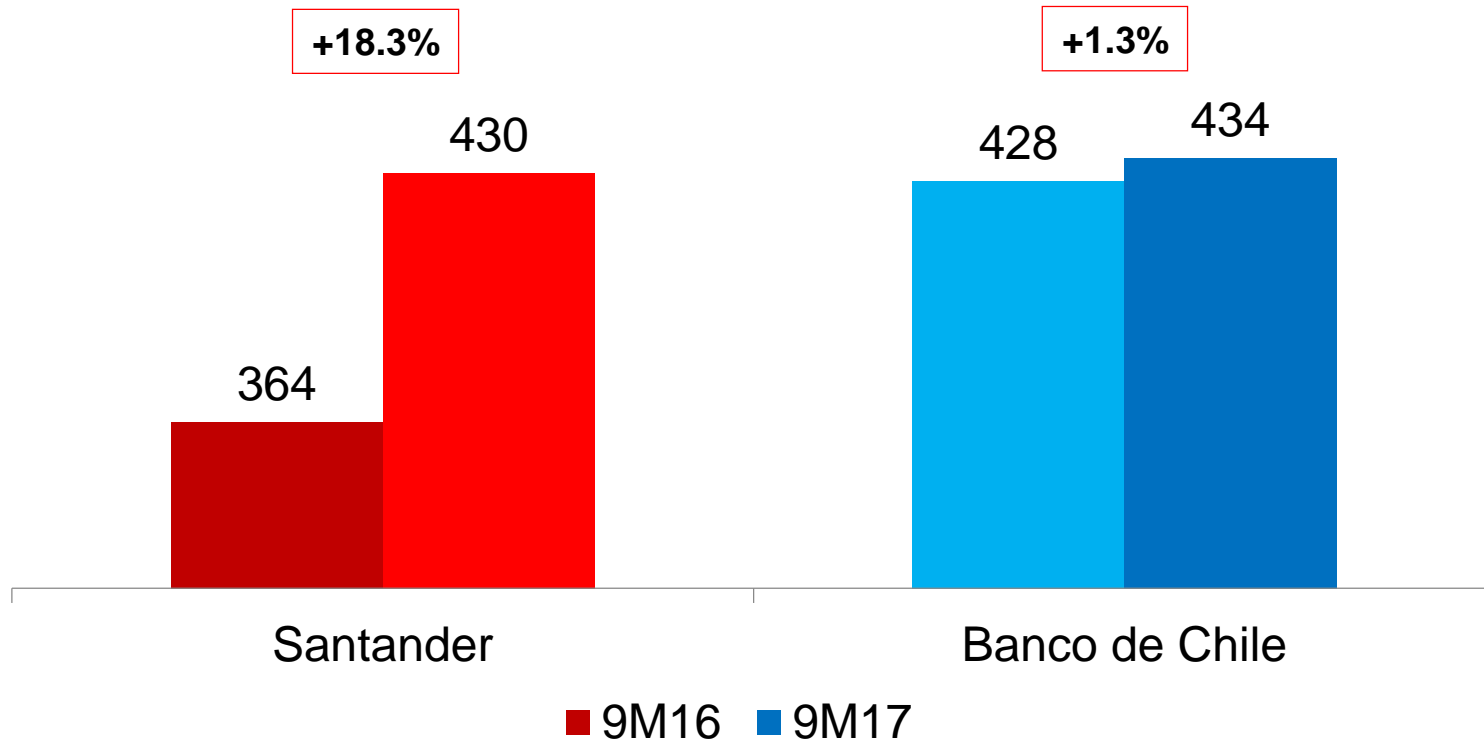


**Retail Banking results up 40% in 2017**

## Good performance against the competition

### Net income<sup>1</sup> (9M17)

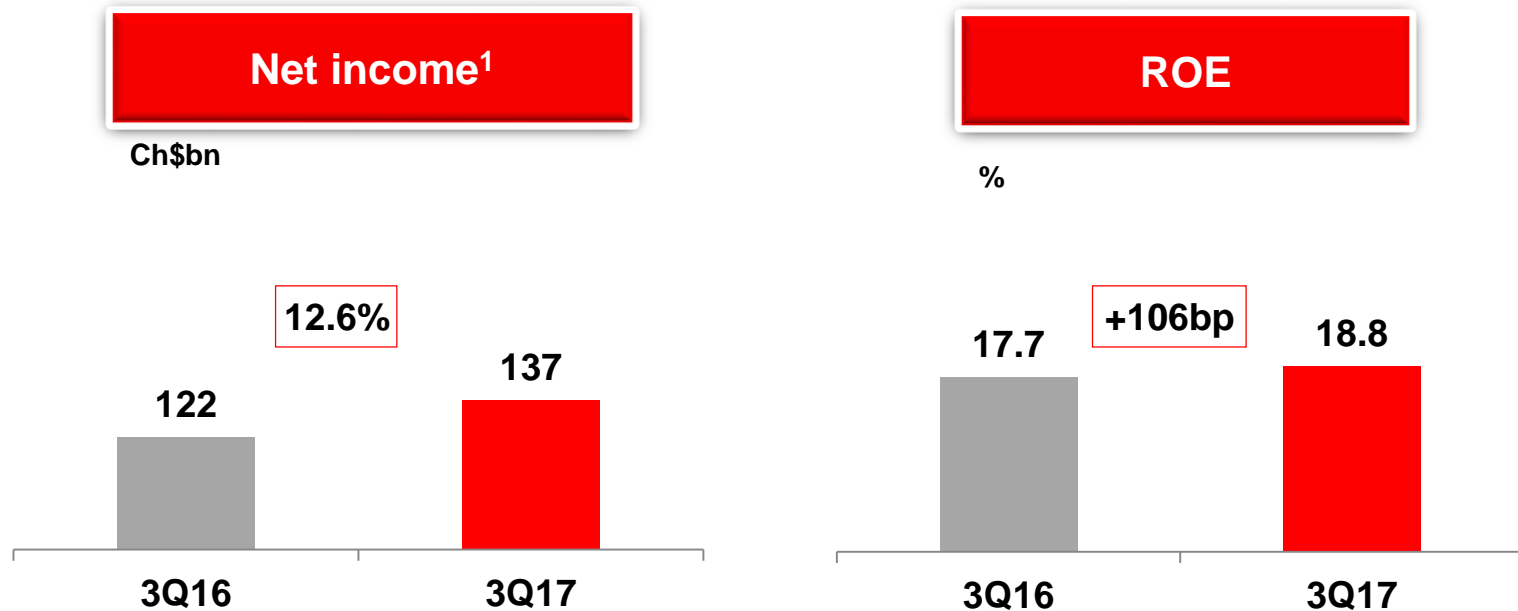
Ch\$bn; YoY change in net income, %





## Positive results in 3Q17

**ROE reached 18.8% in 3Q17**



**Strong quarterly results driven by successful management of margins, fees, cost of credit and costs which offset impact of lower inflation**

## 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**

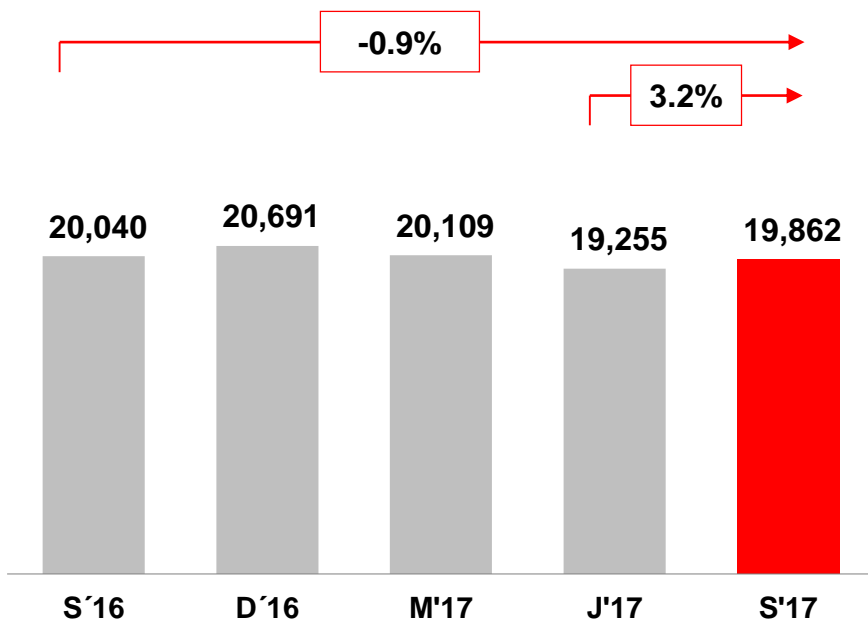


Strategy: I. Growth focused on segments with highest contribution, net of risk

## Positive growth of deposits in the quarter

### Total Deposits

Ch\$bn



Ch\$bn

	9M'17	YoY(%)	QoQ(%)
Demand	7,271	5.2%	1.0%
Time	12,592	(4.1%)	4.4%
<b>Total deposits</b>	<b>19,862</b>	<b>(0.9%)</b>	<b>3.2%</b>
Mutual funds <sup>1</sup>	5,524	4.8%	(0.7%)
Loan to deposit <sup>2</sup>	101.0%		

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

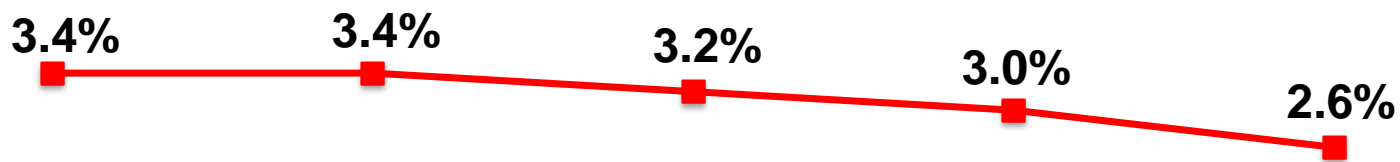
2. (Net Loans – portion of mortgages funded with long-term bonds) / (Time deposits + demand deposits).

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

## Lower funding costs

### Quarterly average time deposit cost

% of loans



Sep'16

Dec'16

Mar'17

Jun'17

Sep'17

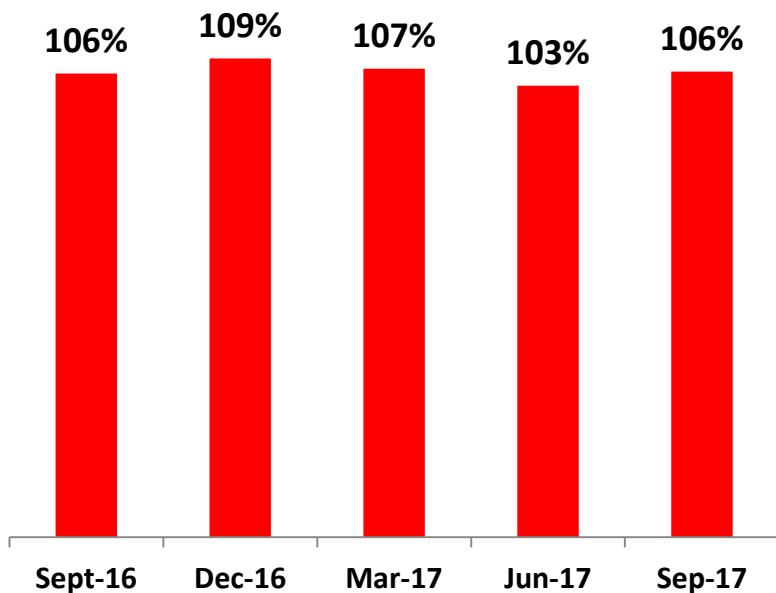


Cost of time deposits<sup>1</sup>

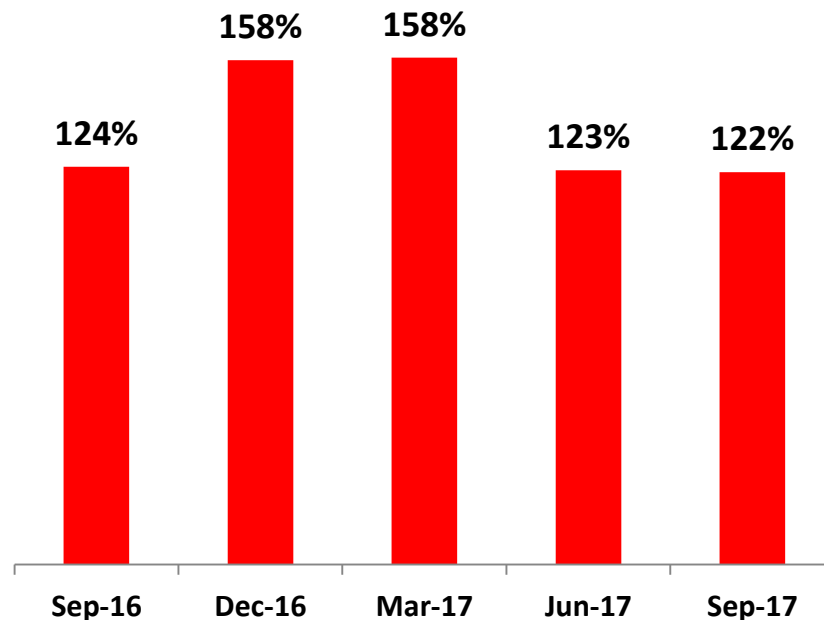
Strategy: I. Growth focused on segments with highest contribution, net of risk

## Healthy and more optimal liquidity levels

### NSFR<sup>1</sup> (BIS III)



### LCR<sup>2</sup> (CRD IV)

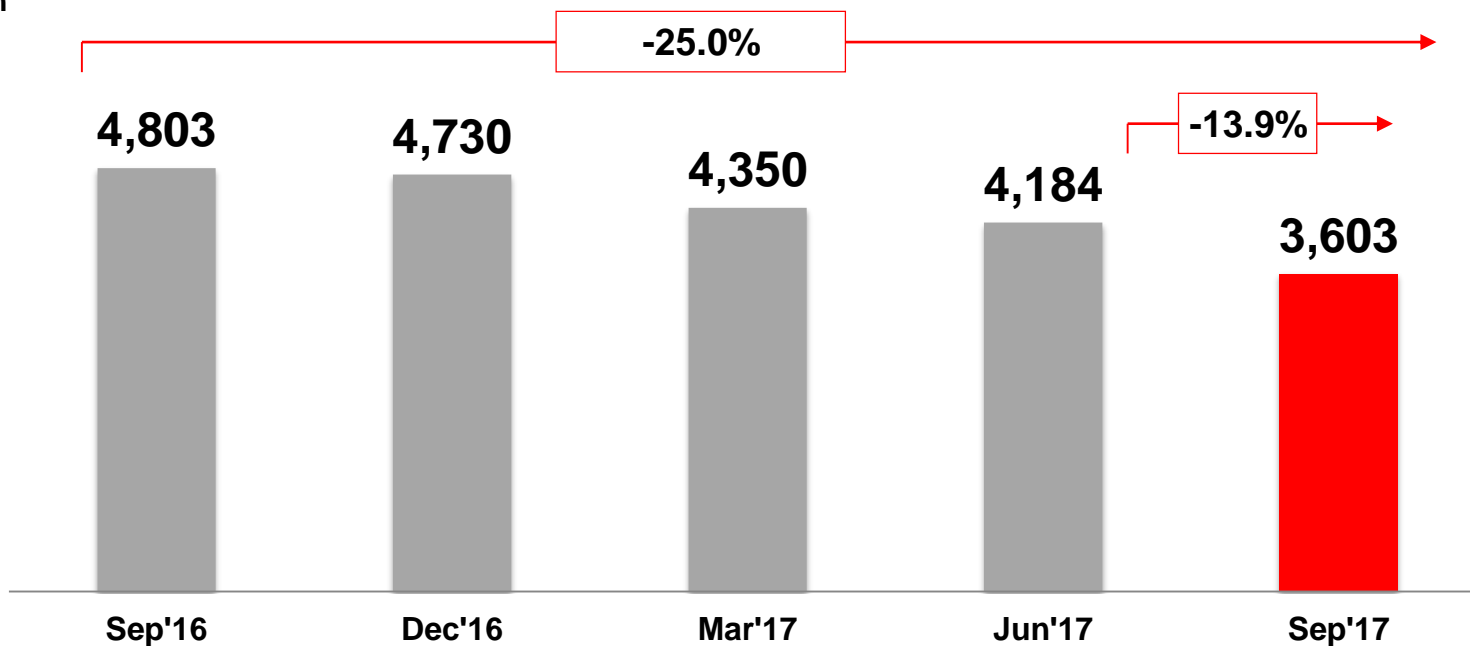


Strategy: I. Growth focused on segments with highest contribution, net of risk

## Reducing the UF GAP in line with the lower inflation scenario

### Average Quarterly UF GAP

Ch\$bn

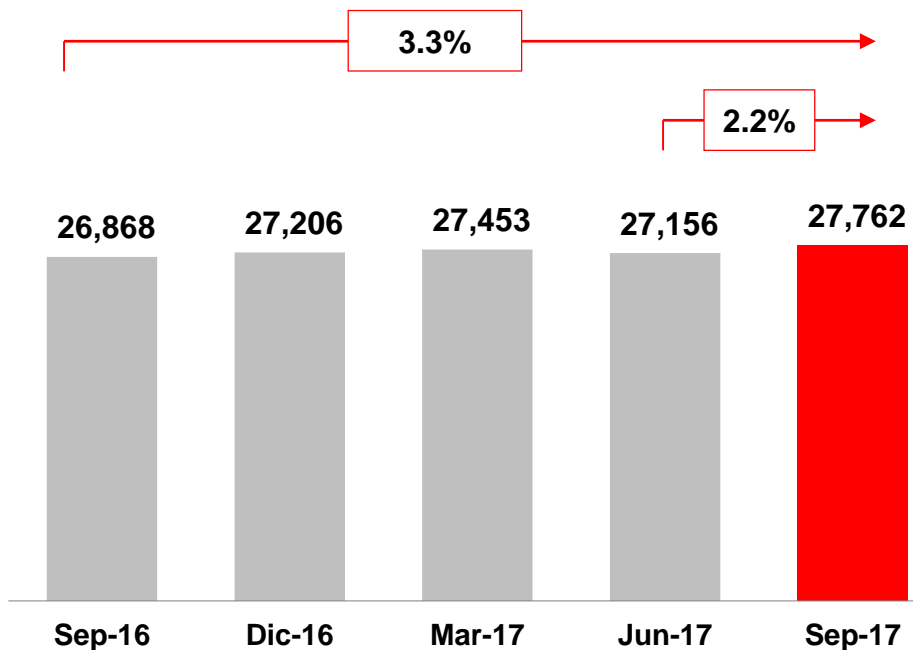


Strategy: I. Growth focused on segments with highest contribution, net of risk

## Loans up 2.2% QoQ with growth in all segments

### Total Loans

Ch\$bn



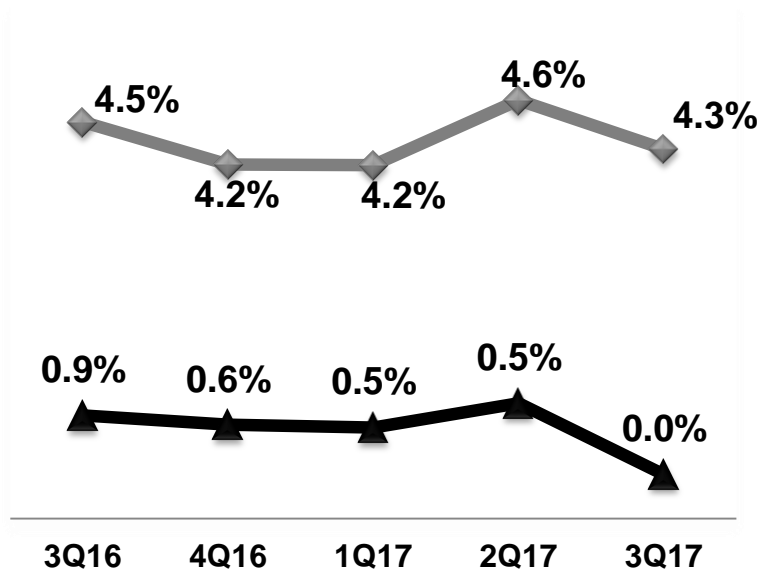
Ch\$bn

	9M'17	YoY (%)	QoQ(%)
<b>Individuals<sup>1</sup></b>	<b>15,117</b>	<b>4.5%</b>	<b>0.7%</b>
Consumer	4,477	3.8%	0.2%
Mortgages	8,936	5.5%	0.8%
<b>SMEs</b>	<b>3,773</b>	<b>4.6%</b>	<b>1.4%</b>
<b>Retail</b>	<b>18,889</b>	<b>4.5%</b>	<b>0.9%</b>
<b>Middle Market</b>	<b>6,617</b>	<b>3.5%</b>	<b>2.3%</b>
<b>Corporate</b>	<b>2,069</b>	<b>(10.9%)</b>	<b>10.3%</b>
<b>Total<sup>2</sup></b>	<b>27,762</b>	<b>3.3%</b>	<b>2.2%</b>

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

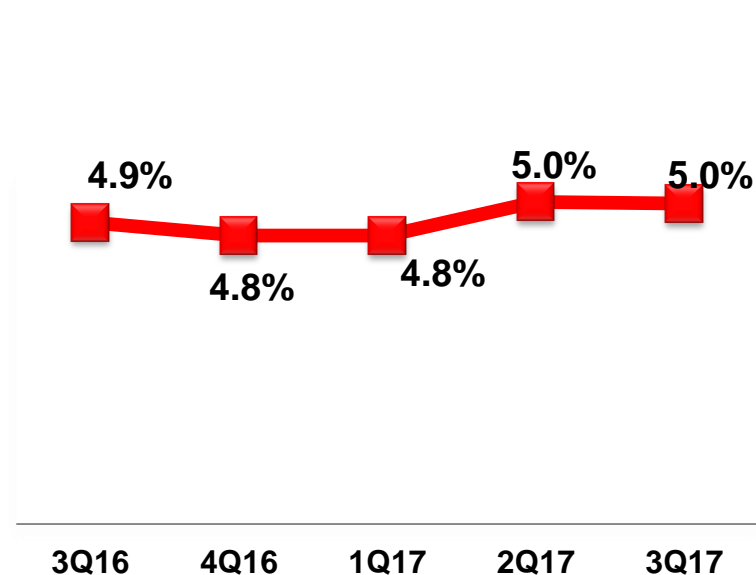
## Positive evolution of Client NIMs

NIM<sup>1</sup>, & UF Inflation



◆ NIM ▲ Inflation

Client NIM<sup>2</sup>



■ Client NIM

Lower funding cost, optimization of liquidity levels and correct management of UF GAP were fundamental in defending the Bank's profitability this quarter

1. Annualized Net interest income divided by average interest earning assets.

2. Annualized Net interest income from business segments divided by average interest earning loans.

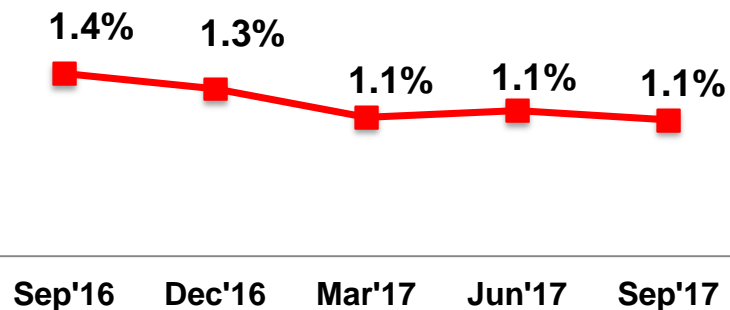


# Strategy: I. Growth focused on segments with highest contribution, net of risk

## Cost of credit at 1.1%. Stable asset quality metrics

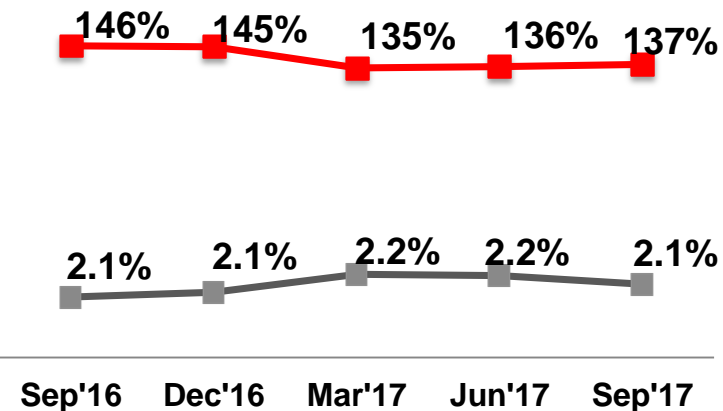
### Cost of credit

% of loans



■ Cost of Credit<sup>1</sup>

### NPL and coverage ratio



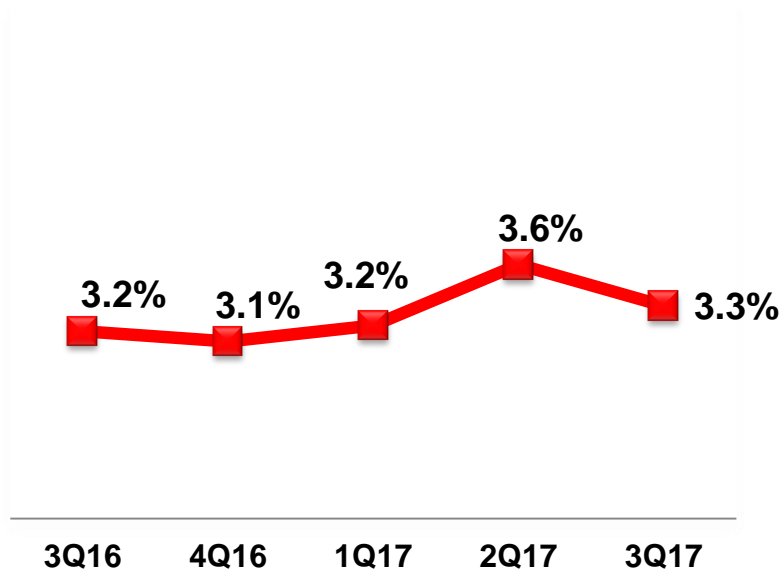
■ NPL<sup>2</sup>

■ Coverage<sup>3</sup>

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

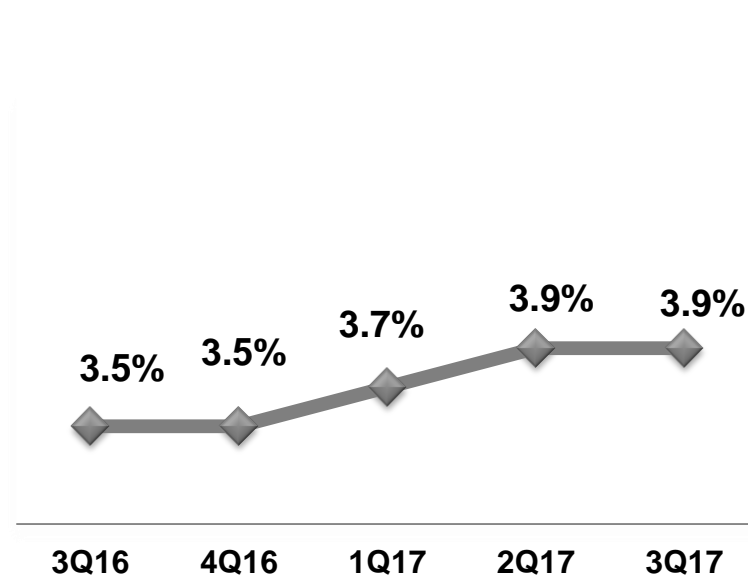
## Positive evolution of NIMs, net of risk driven by strong Client NIMs

NIM Net of Risk



■ NIM Net of risk

Client NIM Net of Risk



◆ Client NIM net of risk

### 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

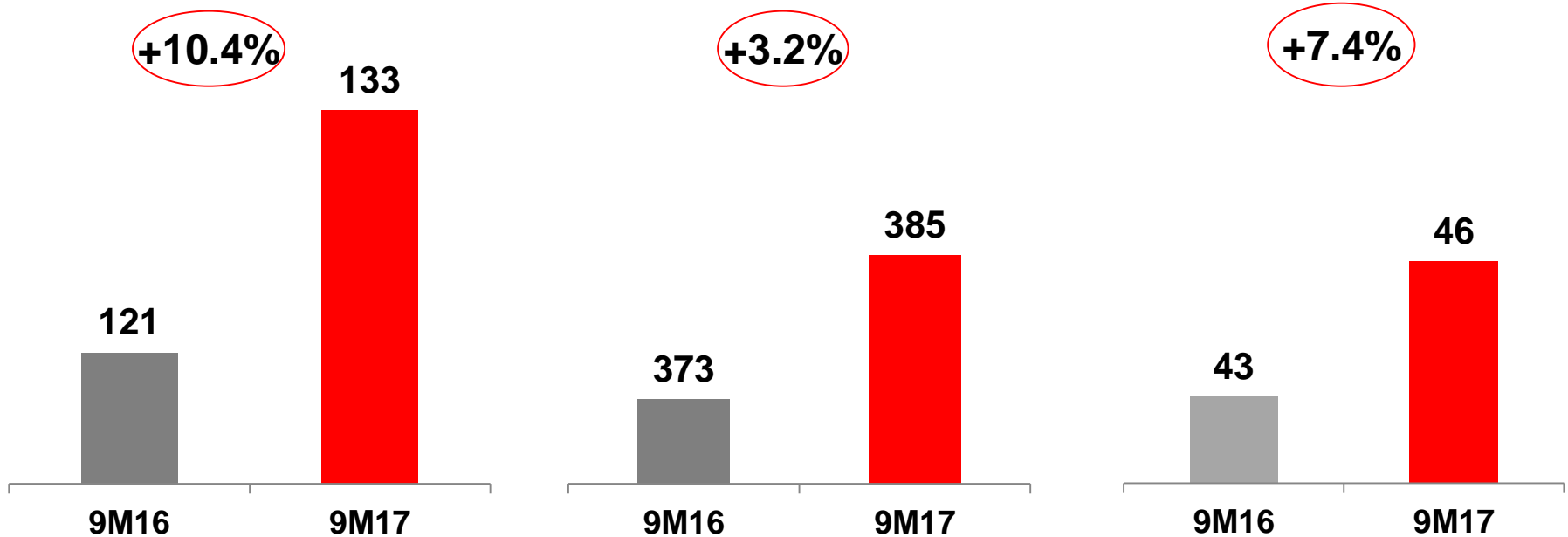
### Customer loyalty in targeted segments continues to grow

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

### In 3Q17, we continued to expand our digital capabilities with the launch of Digital On-Boarding

#### Digital On Boarding

- **First 100% digital platform for non-clients to become clients**
- **With Touch-ID (digital fingerprint) it is possible to buy a bank product in seconds**
- **Easy and simple to use with no human interaction**
- **Automatic credit scoring and data check**



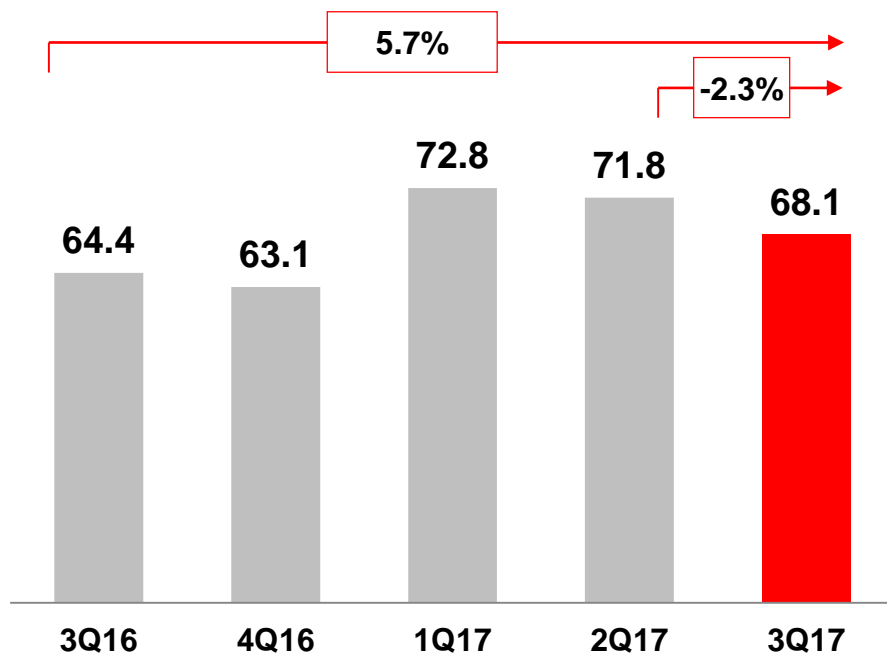
*Onboarding*  
DIGITAL

## Strategy: II. Increasing client loyalty

**This leads to a 11.2% YoY growth in fee income in 9M17**

### Net fee income

Ch\$bn



### Fee income from business segments

Ch\$bn

	9M'17	YoY (%)	QoQ(%)
Retail	155.2	2.0%	(6.0%)
Middle Market	27.2	(4.9%)	(1.3%)
Corporate	22.1	10.4%	(5.8%)
<b>Subtotal</b>	<b>204.5</b>	<b>1.8%</b>	<b>(5.3%)</b>
Others	8.2	--%	(3.2%)
<b>Total</b>	<b>212.7</b>	<b>11.2%</b>	<b>(5.2%)</b>

**QoQ decline in fees is mainly due to lower ATM fees**

### 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**



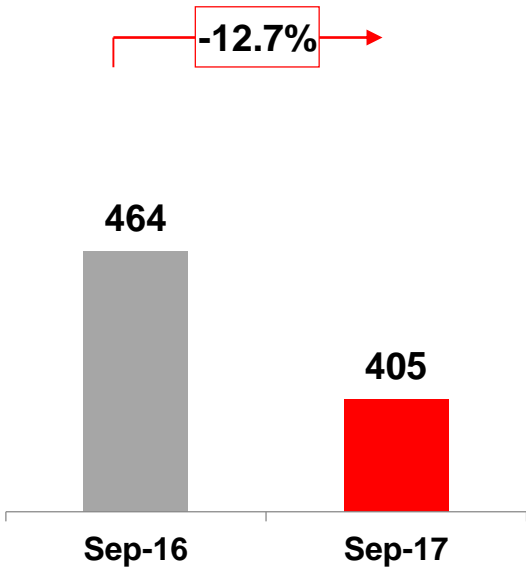
IV. Optimizing profitability and capital use to increase shareholder value in time



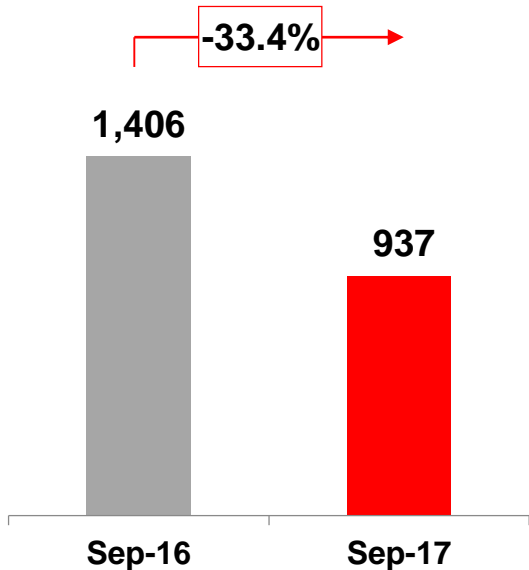
# Strategy III: Digital transformation

## Improving and reducing the physical distribution network

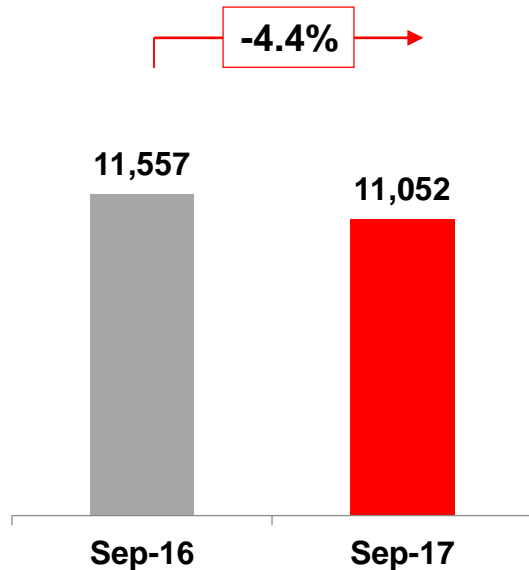
### Branches



### ATMs



### Employees





## Strategy III: Digital transformation

### In 3Q17, we accelerated the opening plans of our WorkCafé network



- **Hi-tech / Hi – touch branches. Improvement of client and non client service and advice**
- **New CRM and incentive model aimed to improve profitability and productivity**
- **Lower costs due to merger of branches and no-human tellers**
- **Centralized operative process and post sale support**

# WorkCafé: combining a high-end experience in an innovate platform



**High Income**

**Core revenues**

**+13%**

v/s Traditional Branch



**Low Cost**

**Direct Cost / Income**

**15%** v/s **17%**

Traditional Branch



**1st Class  
Experience**

**Customer Satisfaction**

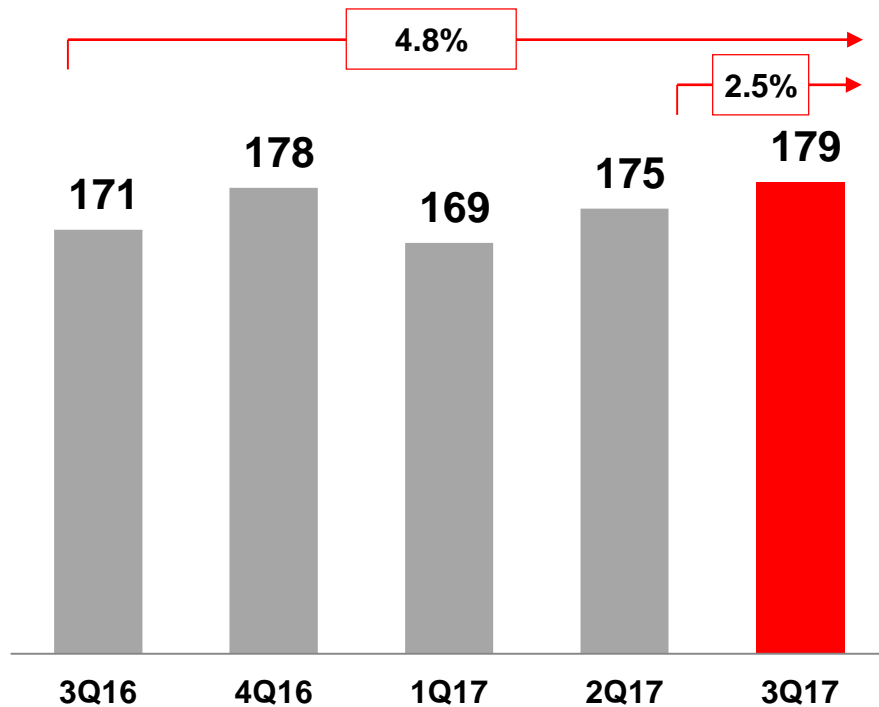
**95%**

# Strategy III: Digital transformation

## Improving our efficiency

### Operating expenses

Ch\$bn



	9M'17	YoY (%)	QoQ(%)
Personal exp.	294.8	0.4%	(0.5%)
Administrative exp.	171.9	2.0%	8.6%
Depreciation	55.5	19.2%	1.5%
<b>Op. expenses</b>	<b>522.2</b>	<b>2.6%</b>	<b>2.5%</b>
Efficiency ratio <sup>1</sup>	40.2%	-195bp	-20bp
Cost / Assets	2.0%	+13bp	+9bp

### 4 objectives for healthy growth / higher profitability

I. Focusing growth on segments with the highest contribution, net of risk...



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

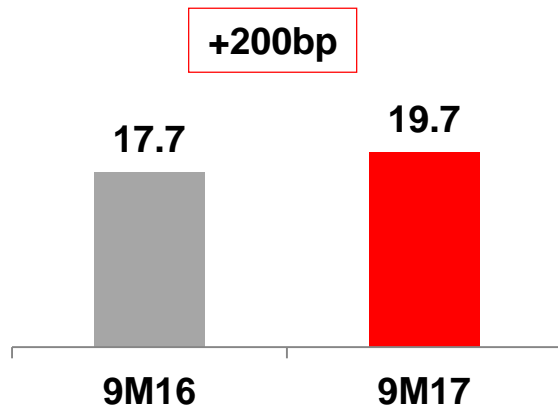


## Strategy: IV. Optimizing profitability and capital

### High profitability levels sustains high core capital ratios

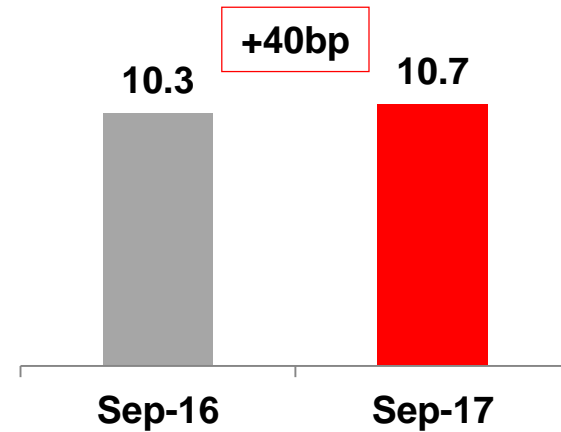
**ROE**

%



**Core Capital ratio<sup>1</sup>**

%



**Dividend payout over 2017 earnings should be 70%-75%**

# Agenda

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

## Soft guidance 4Q17 & 2018

### ● 4Q17:

- Loan growth to continue to accelerate
- Low inflation but rebounding vs 3Q17
- Stable cost of credit
- Fees seasonally higher
- Lower financial transaction income
- Stable cost levels

### ● 2018:

- Loan growth 6-8% with focus in Retail and Middle-market.
- Stable rates and 2018 UF inflation >2.5% should drive margins
- Client loyalty and higher growth of total clients to drive fee income = / > loan growth
- Cost of credit at 1.1%-1.2%
- Cost growing below inflation
- Effective tax rate to rise 1.5%-2.0%

**ROE guidance at 19%-19.5% for 2017 & 2018**