

Banco Santander Chile:

Solid profitability, risk and capital trends.

Simple | Personal | Fair



Important information

Banco Santander Chile caution 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 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

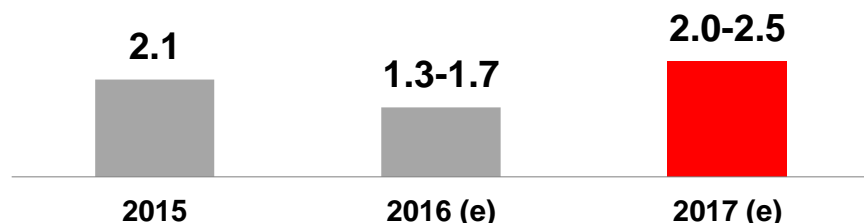
- **Macro-economic environment and financial system**
- **Strategy and activity**
- **Results**
- **Annexes**

Macroeconomic environment

GDP growth to average 2% in 2016-2017...

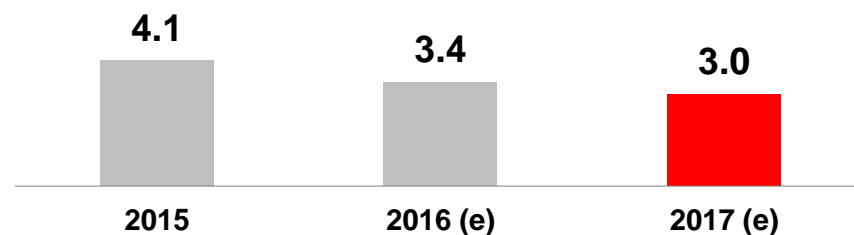
GDP

YoY real growth, %



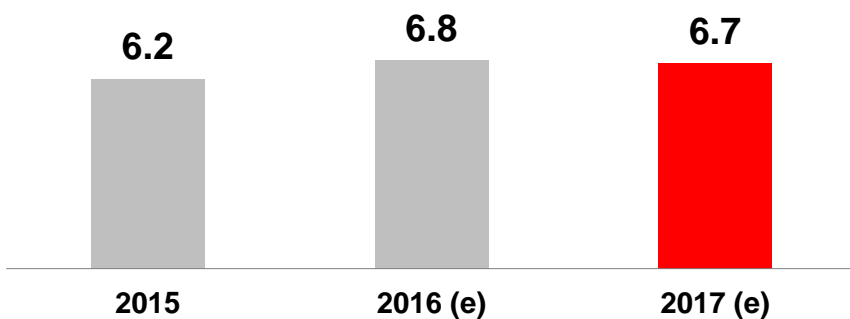
Inflation

Annual change in UF inflation, %



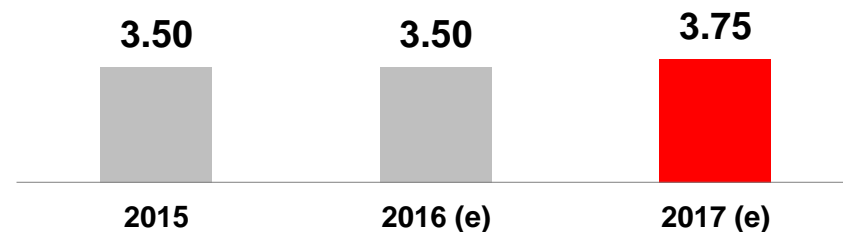
Average Unemployment

% of workforce, %



Central Bank ST Reference Rate

%



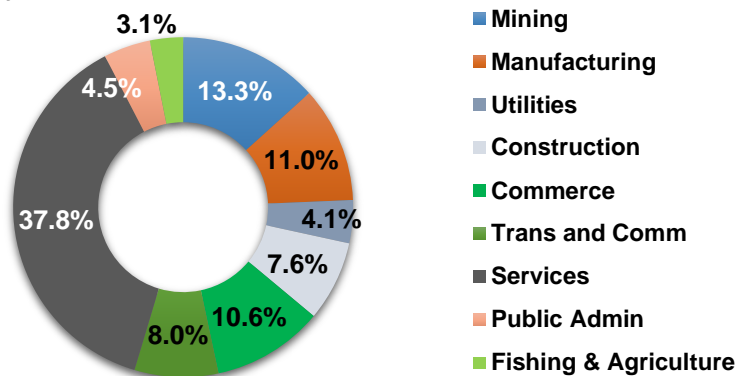
Source: Banco Central de Chile economic survey and Santander Chile estimates

Macroeconomic environment

.... led by sectors financed by banks

Chile's economy is well diversified

GDP by economic sector, %

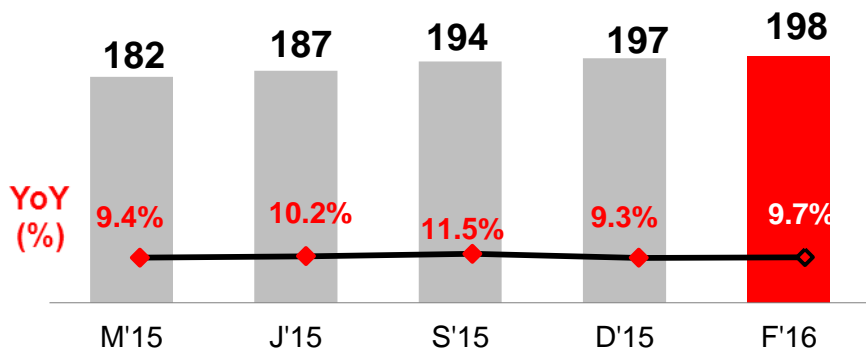


GDP growth by economic sector¹

Sector	2015e	2016e	2017e
Comm. & Transp.	4.5	2.5	3.1
Agro / Fishing	4.3	2.2	3.8
Public adm.	5.0	3.5	2.9
Utilities	4.2	2.8	3.2
Services	2.6	1.8	2.5
Commerce	0.7	1.1	1.3
Construction	3.0	0.3	-0.1
Manuf.	0.8	0.0	0.5
GDP ex-mining	2.5	1.8	2.1
Mining	-0.5	-1.4	-0.3
GDP	2.1	1.3	1.8

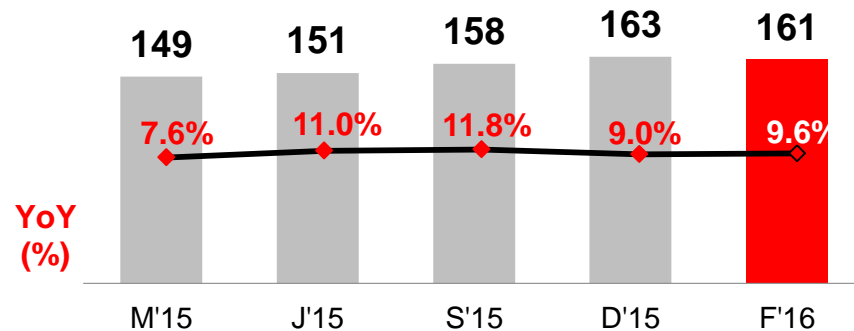
Total Loans²

US\$bn*



Total Deposits²

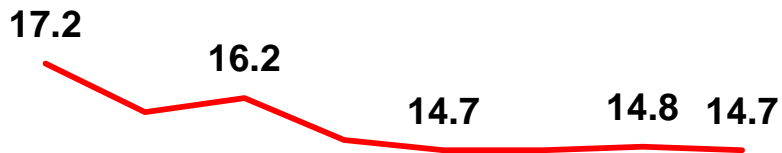
US\$bn*



1. Source: Estimates Santander Chile. 2. Source: SBIF and excludes Chilean bank assets and liabilities held abroad

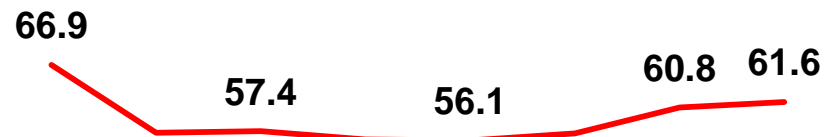
Stable risk profile

Household debt servicing ratio (%)¹



Dec-08 Dec-09 Dec-10 Dec-11 Dec-12 Dec-13 Dec-14 Dec-15

Household leverage (%)²



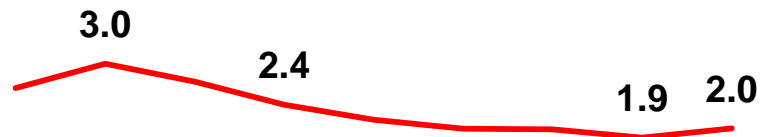
Dec-08 Dec-09 Dec-10 Dec-11 Dec-12 Dec-13 Dec-14 Dec-15

Mortgage NPL Ratio(%)³



Dec-09 Dec-10 Dec-11 Dec-12 Dec-13 Dec-14 Dec-15

Non-performing loan ratio (%)⁴



Dec-08 Dec-09 Dec-10 Dec-11 Dec-12 Dec-13 Dec-14 Dec-15 Mar-16

1. Total debt payments including amortization and interest / Disposable income. 2. Total household debt / Disposable income. 3. Mortgage loan with at least one installment 90 days or more overdue / total mortgage loans. 4. Loans with at least one installment 90 days or more overdue / Total loans. Source: Central Bank of Chile and Superintendency of Banks of Chile

Agenda

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

- **Strategy and activity**

- **Results**

- **Annexes**

Santander Chile is the nation's leading bank



US\$	3M'16	Var. YoY
Business and Results		
Gross Loans	38.4bn	9.0%
Deposits	29.7bn	12.1%
Equity	4.2bn	7.1%
Net income	188mn	31.4%

	3M'16	Mkt. share ¹
Network and Customers		
Clients	3.6 mn.	22.3% ²
Branches	470	20.6%
ATMs	1,574	19.7%

	Market Share ¹	Rank
Loans	19.3%	1
Deposits	18.7%	1
Checking accounts	22.3%	1
Bank credit cards ³	22.9%	1

1. As of March 2016 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: Superintendency of Banks of Chile. 3. Market share in terms of credit card purchases

3 objectives for healthy growth / higher profitability

I. Loan growth focused on segments with highest net contribution...

II. ...with positive growth of non-lending activities...

III. ... while managing risks and capital conservatively

Transformation
Project

Optimizing the
risk / return
relation

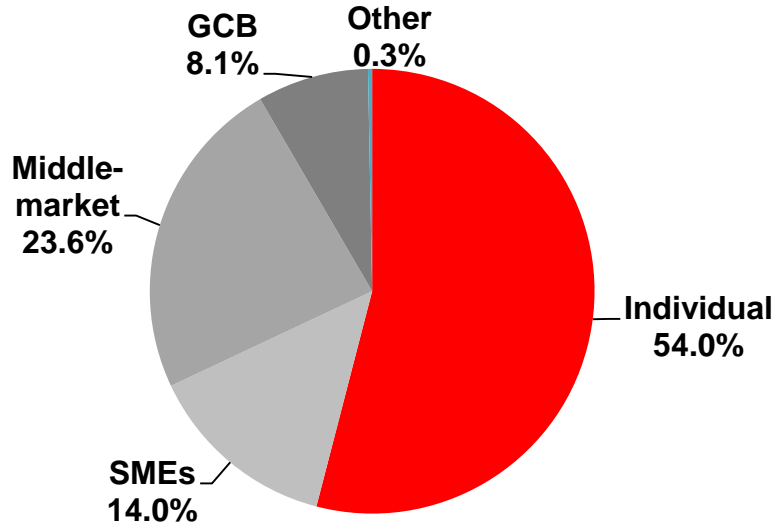


Strategy: I. Growth focused on segments with highest net contribution

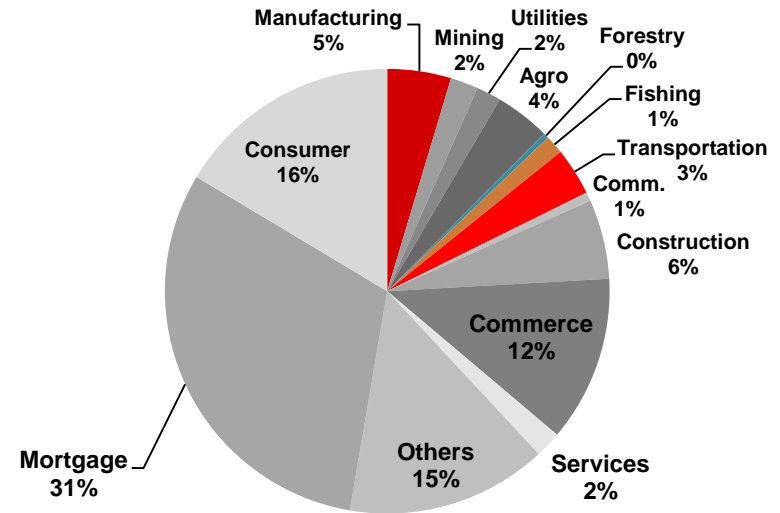
A diversified loan book

Figures as of Mar. 2016

Loans by segment



Loans by sector



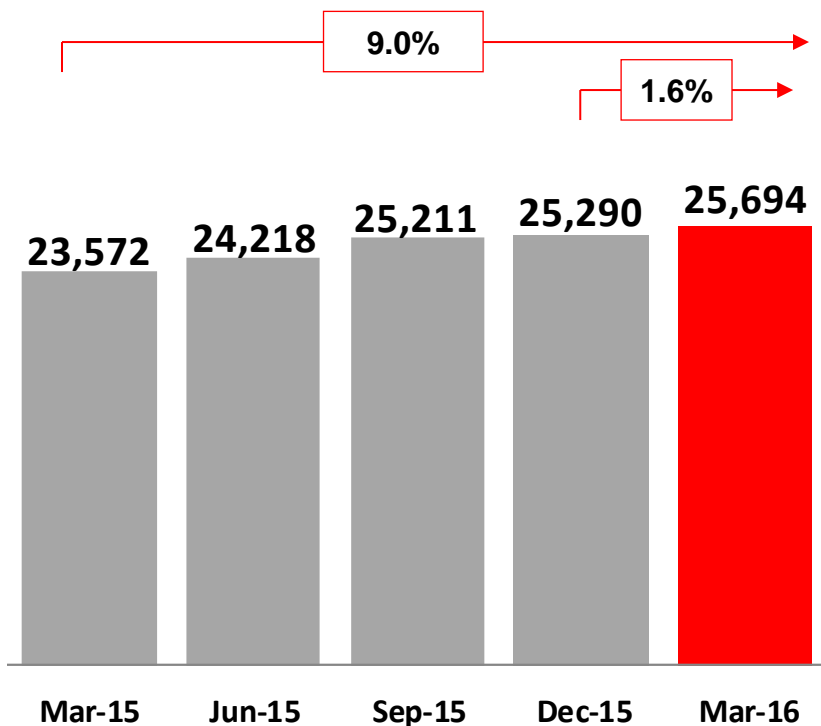
- 54% Individuals / 46% companies
- High diversification by sector
- Individuals / SMEs continue to be a lending driven segments with good growth potential in non-lending businesses
- Mid-market: balanced focused between lending and non-lending activities
- GCB: >80% of income is from non-lending activities

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

Total loans up 9.0% YoY

Total Loans

Ch\$bn



Ch\$bn

	1Q'16	YoY (%)	QoQ(%)
Individuals¹	13,894	13.6	2.8
Consumer	4,142	4.7	-0.2
Mortgages	8,099	18.4	3.7
SMEs	3,590	10.4	2.2
Middle Market	6,065	8.1	1.0
Corporate	2,096	-14.7	-3.8
Total²	25,694	9.0	1.6

QoQ loan growth decelerates in corporates due to unattractive lending spreads

1. Loans to individuals includes consumer, mortgage and commercial loans to this segment. 2. Total includes other non-segmented loans

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

Growth focused in segments with a higher risk-adjusted profitability

High Income

Middle Income

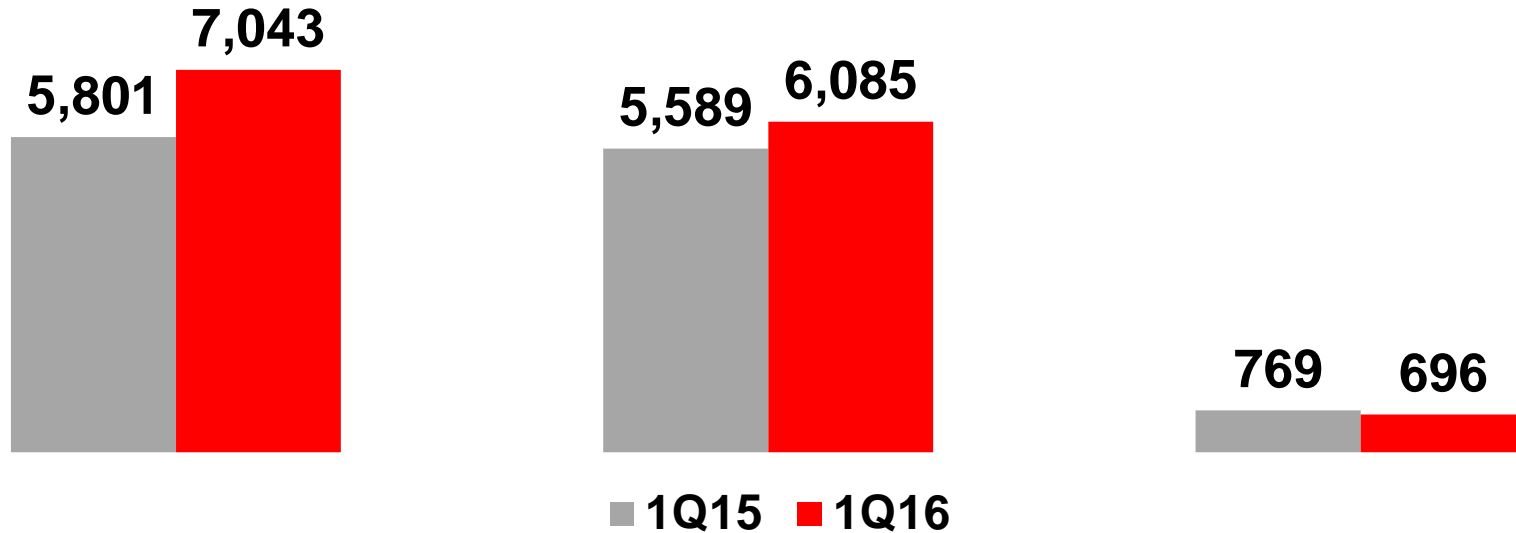
Low Income

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

+21.4%

+8.9%

-9.4%

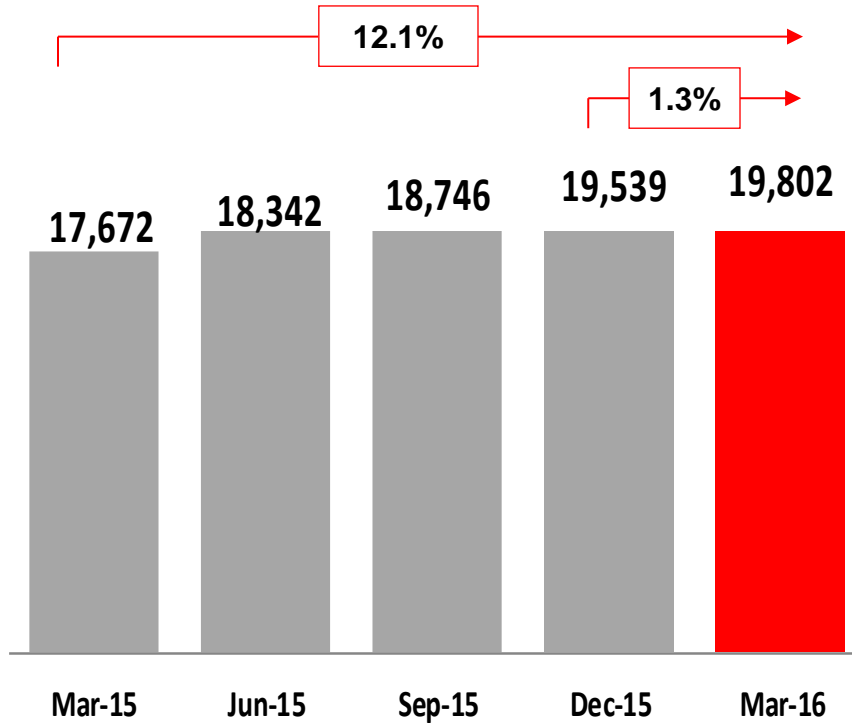


Strategy: II. Positive growth of non-lending activities

Total deposits increased 12.1% YoY

Total Deposits

Ch\$bn



Ch\$bn

Demand

Time

Total deposits

1Q'16

YoY(%)

QoQ(%)

7,079

9.9

-3.8

12,723

13.3

4.4

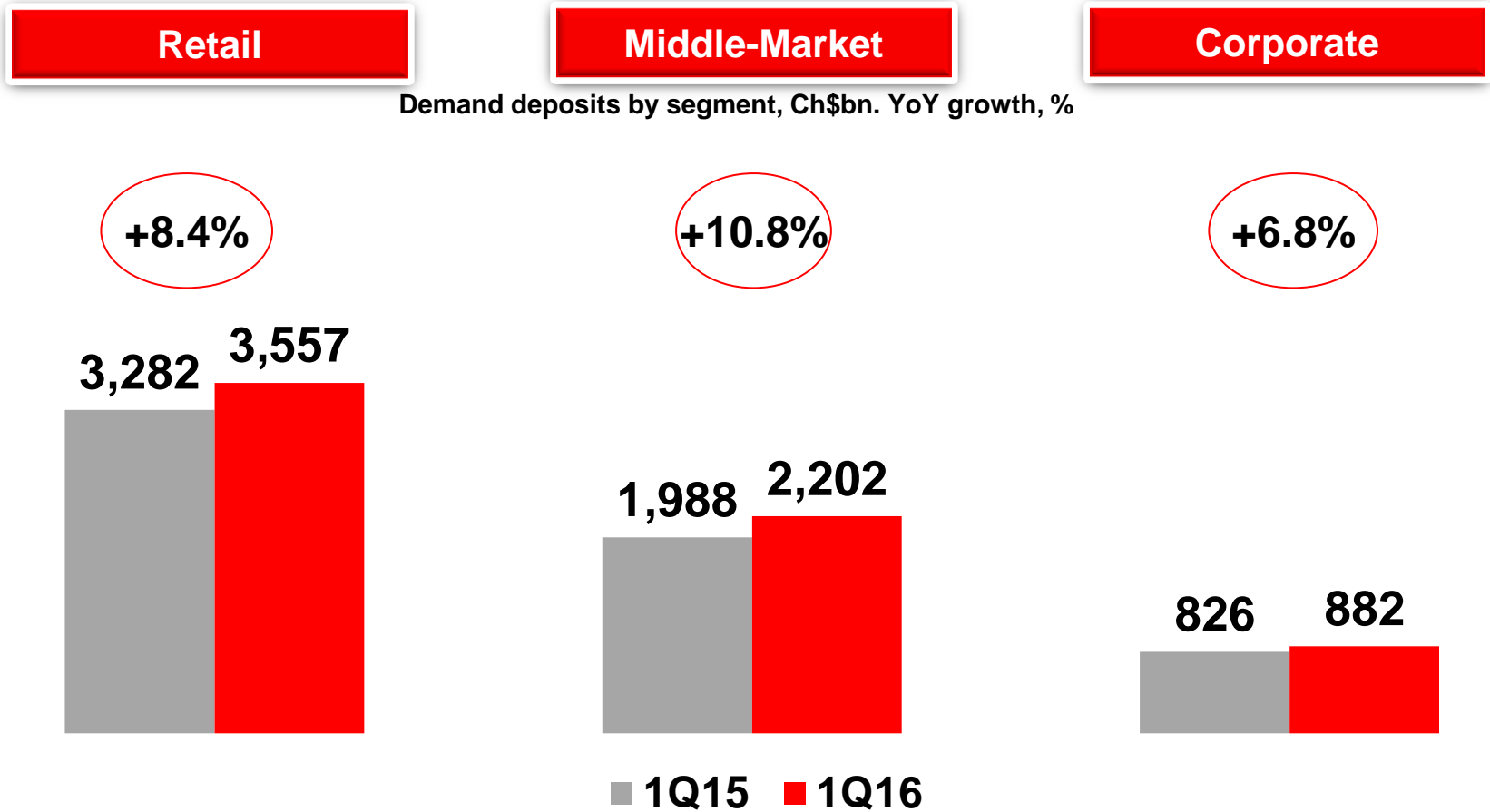
19,539

12.1

1.3

Strategy: II. Positive growth of non-lending activities

Funding improves. Steady growth of demand deposits



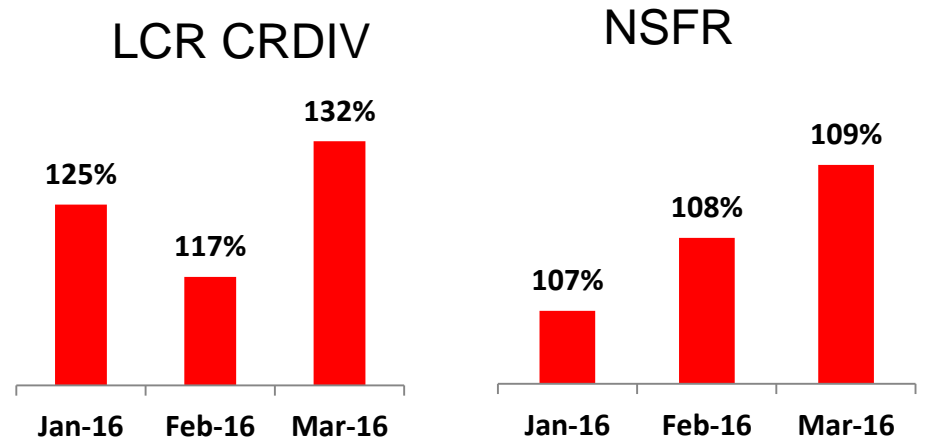
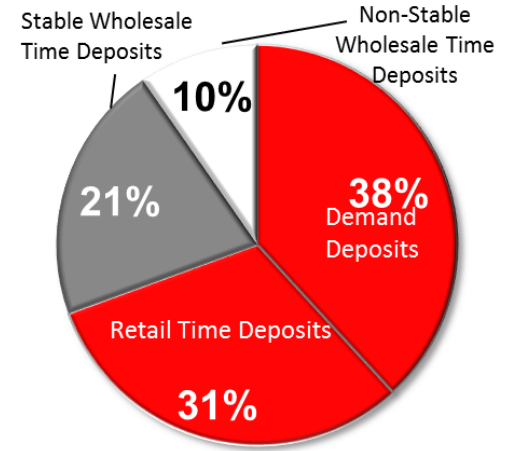
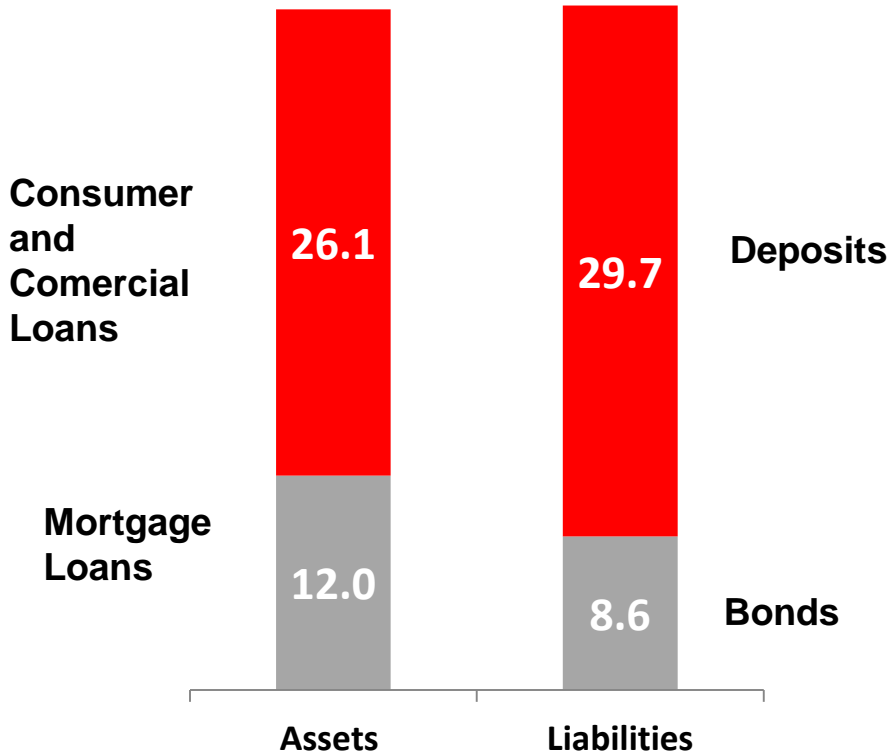
Solid growth of demand deposits supports steady growth of non-lending revenues

Strategy: III. Managing risks and capital conservatively

Solid balance structure and liquidity levels

USD bn as of march 2016

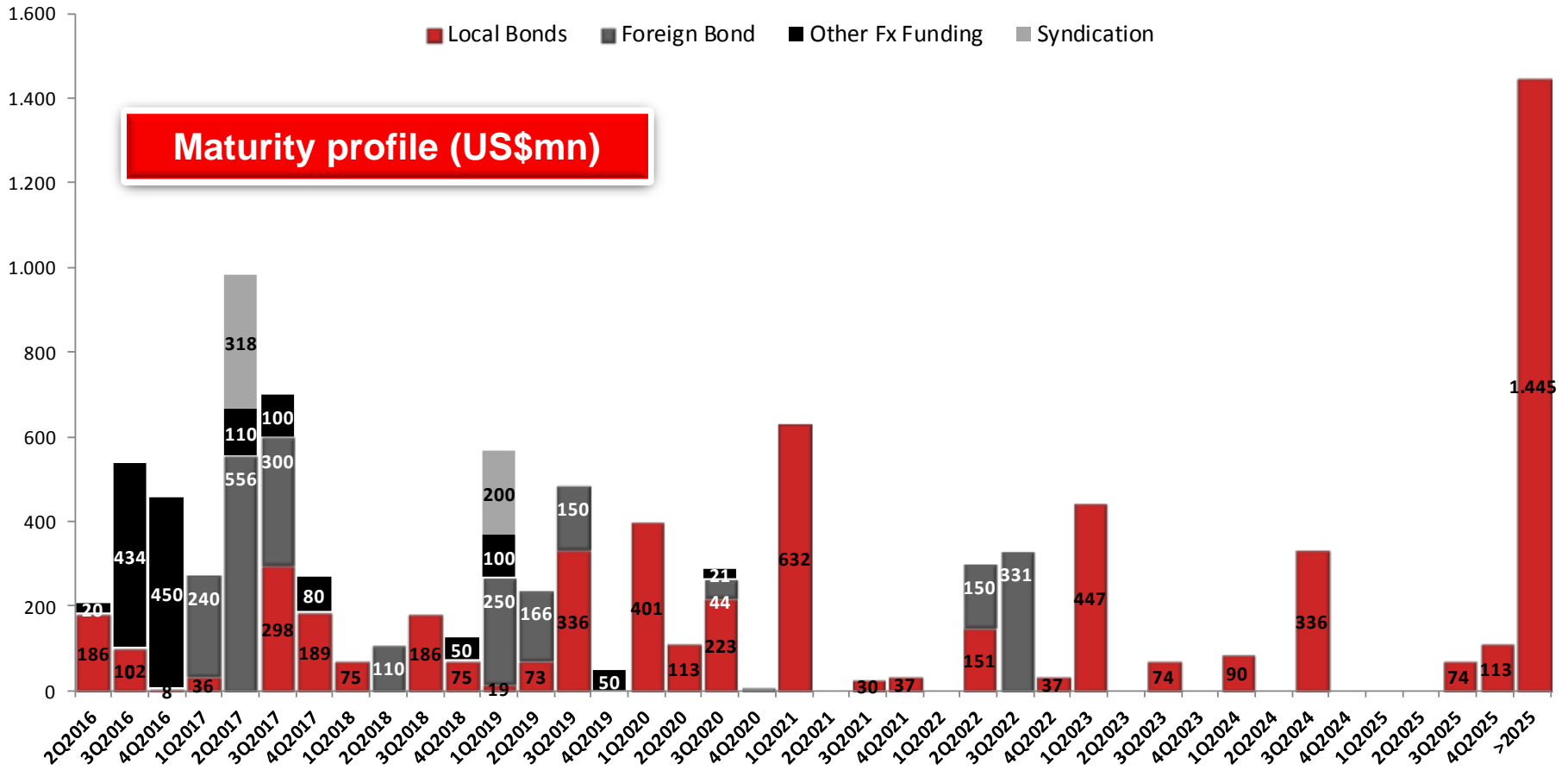
Structural Balance Sheet



Structural Time Deposits. Less than 60 days deposits value computes as 50%, between 60-120 days at 75%, 120-180 days at 85% and more then 180 days at 100%. Non-Structural Time Deposits represent the balance that is not Structural. NSFR Ration are calculated under the ECB Basel III Standard. LCR Ratio is calculated under EU Standard (CRDIV)

Strategy: III. Managing risks and capital conservatively

Conservative debt maturity profile



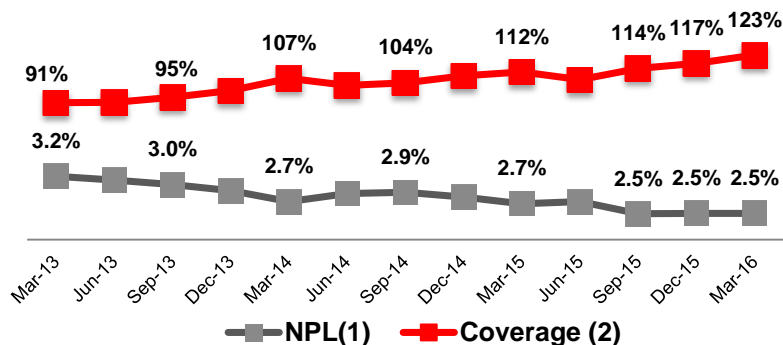
This year we have preferred issuing locally, but we are always searching for opportunities abroad, including private placements

Strategy: III. Managing risks and capital conservatively

Improved asset quality metrics. Coverage at 123%

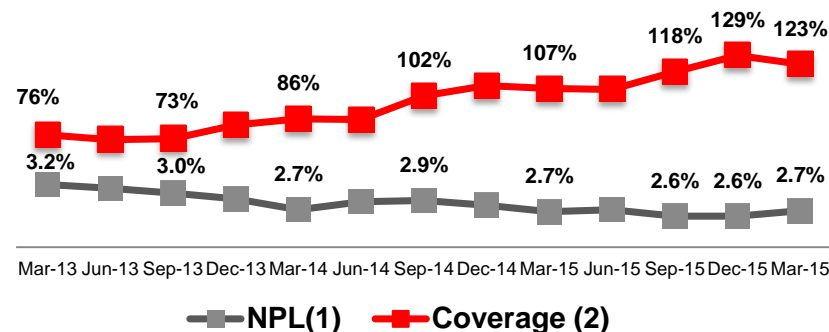
Total loans

% of loans



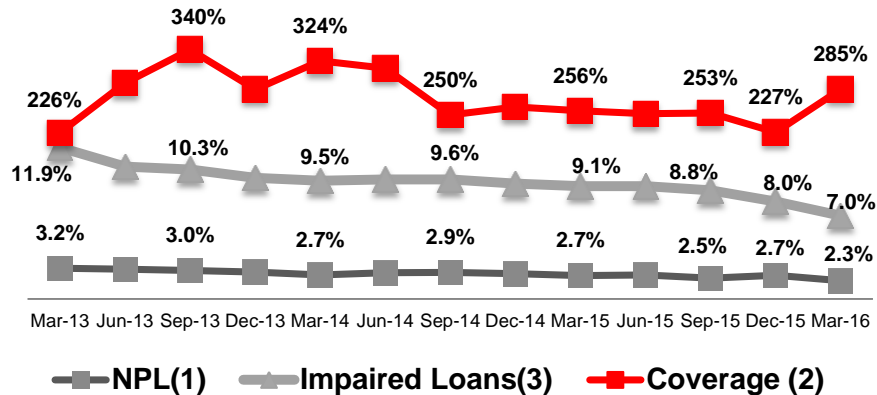
Commercial loans

% of loans



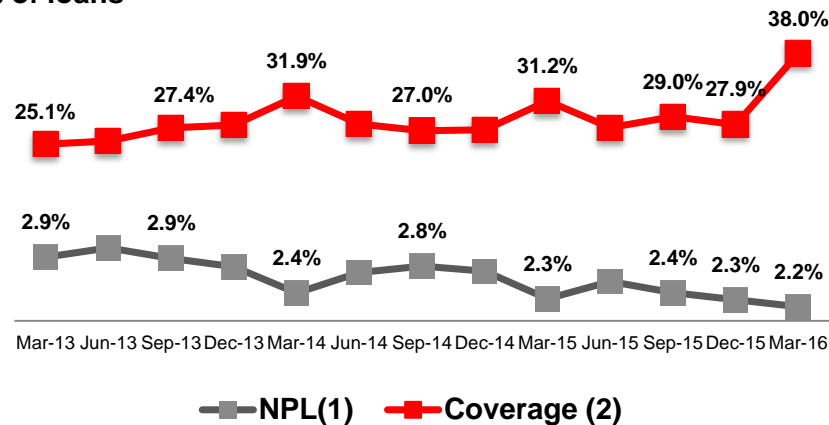
Consumer loans

% of loans



Mortgage loans

% of loans

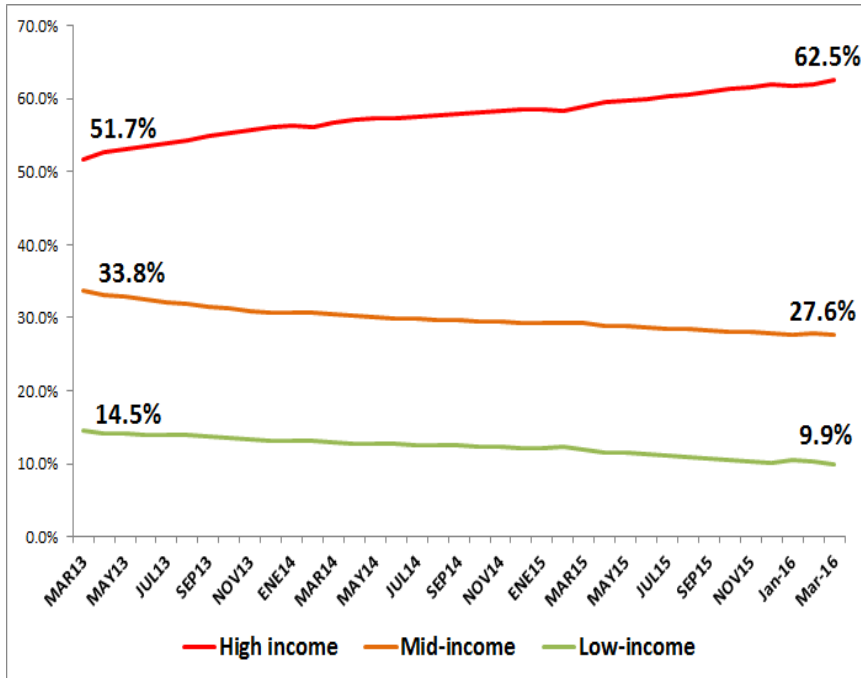


1. 90 days or more NPLs. 2. Loan loss reserves over NPLs. 3. Impaired: NPL+restructured loans

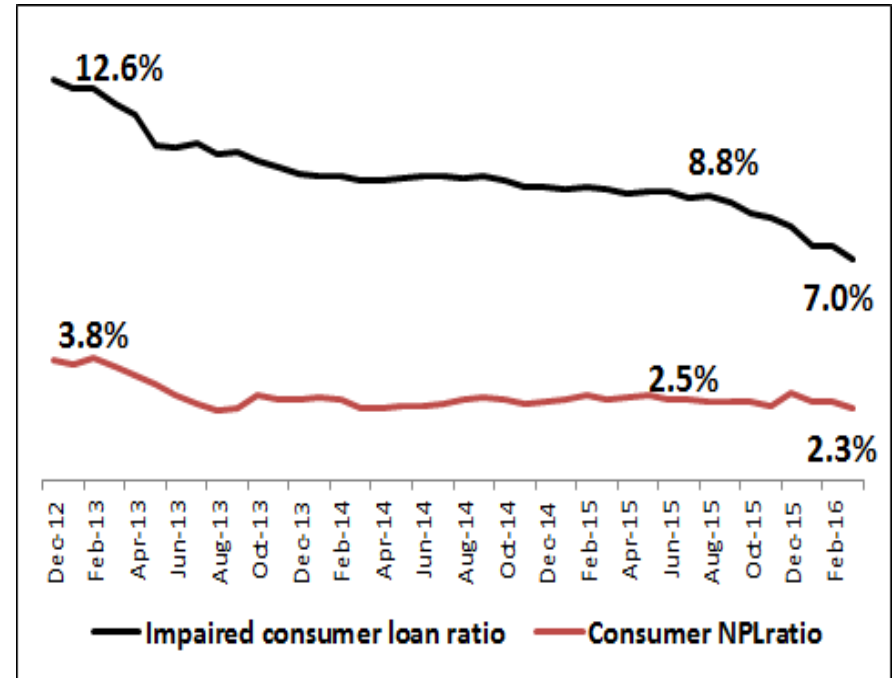
Strategy: III. Managing risks and capital conservatively

Better consumer loan mix should lower the cost of credit in 2016

Consumer loan breakdown



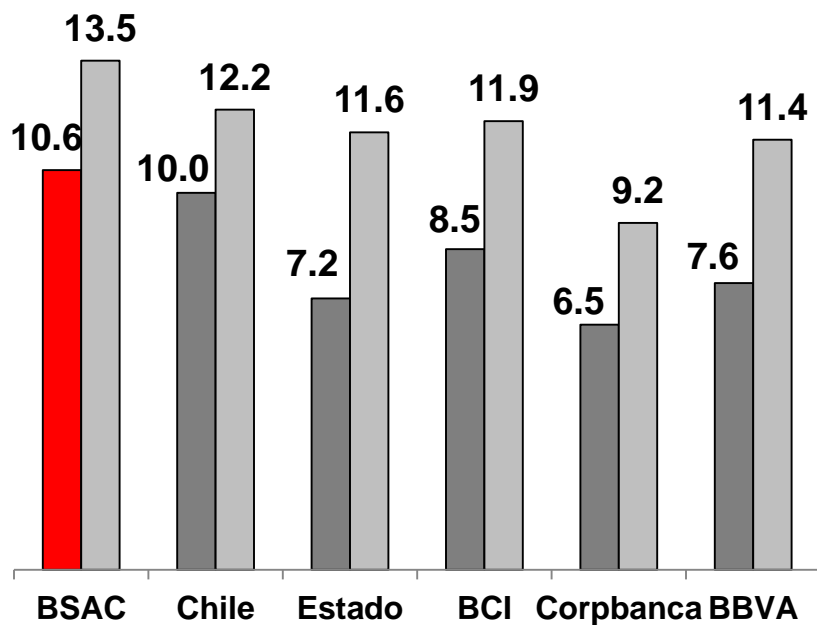
Consumer impaired and NPL ratios^{1,2}



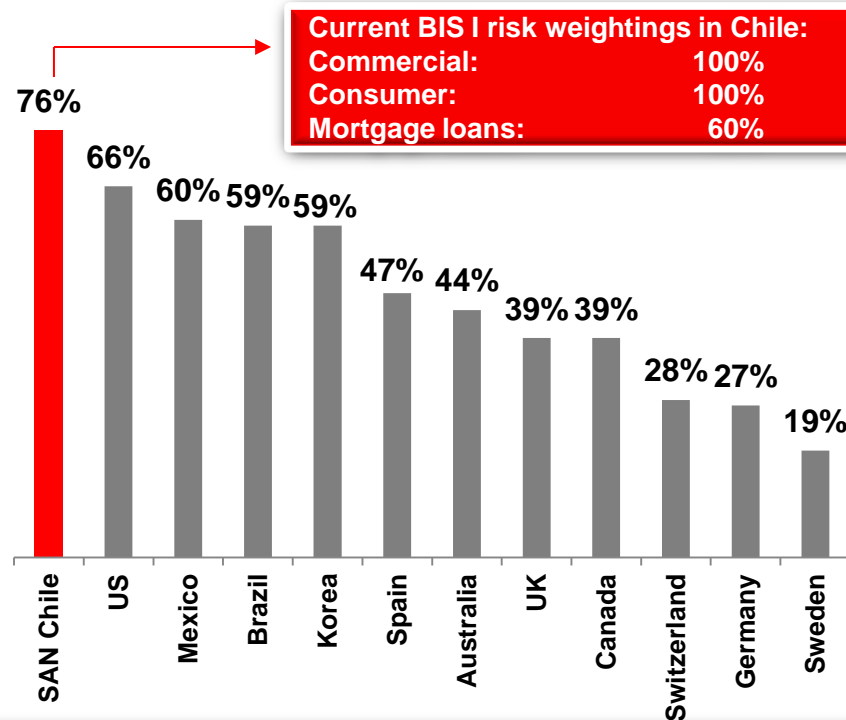
1. 90 days or more NPLs. 2. Impaired: NPL+restructured loans

Solid capital levels for further growth

Core capital and BIS ratio (%)¹



RWA Density Selected countries (2014)²



Advanced preparation for the transition into Basel III

1. According to SBIF BIS I definitions. Figures are as of March, 2016 or the latest available. 2. Source: Oliver Wyman

2. Source: Financial Information from Banks, Bloomberg, Oliver Wyman analysis

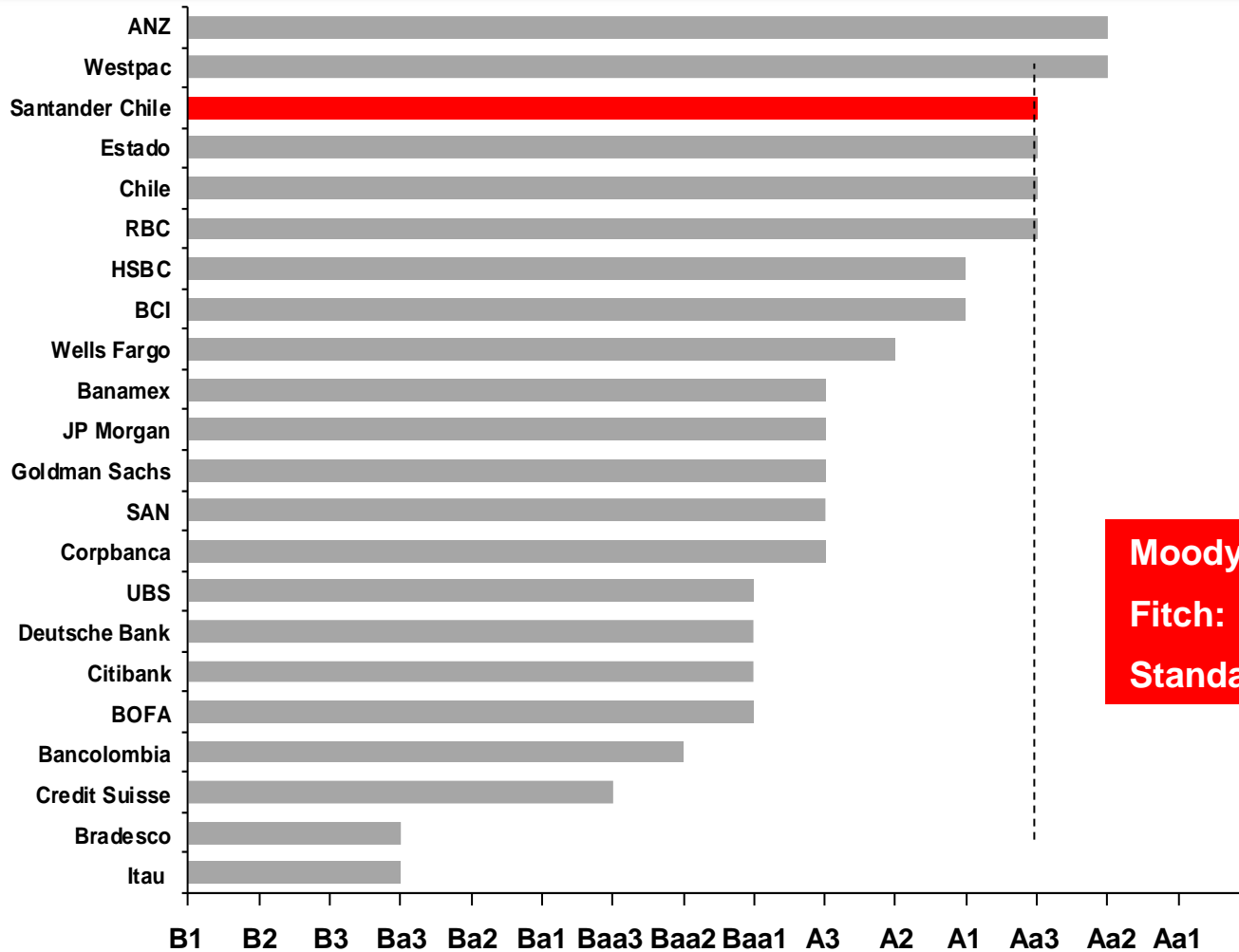
Switzerland and Sweden included as reference

Depending on country classification, can be Equity risk exposure (South Africa, Australia), Non-counterparty risk (Switzerland), Interest rate risk in banking book (Australia)

Strategy: III. Managing risks and capital conservatively

Among banks with best international rating

Risk rating: Moody's scale



Moody's	Aa3
Fitch:	A+
Standard & Poor's:	A

Source: Moody's via Bloomberg. UBS is the equivalent from the S&P rating scale

Agenda

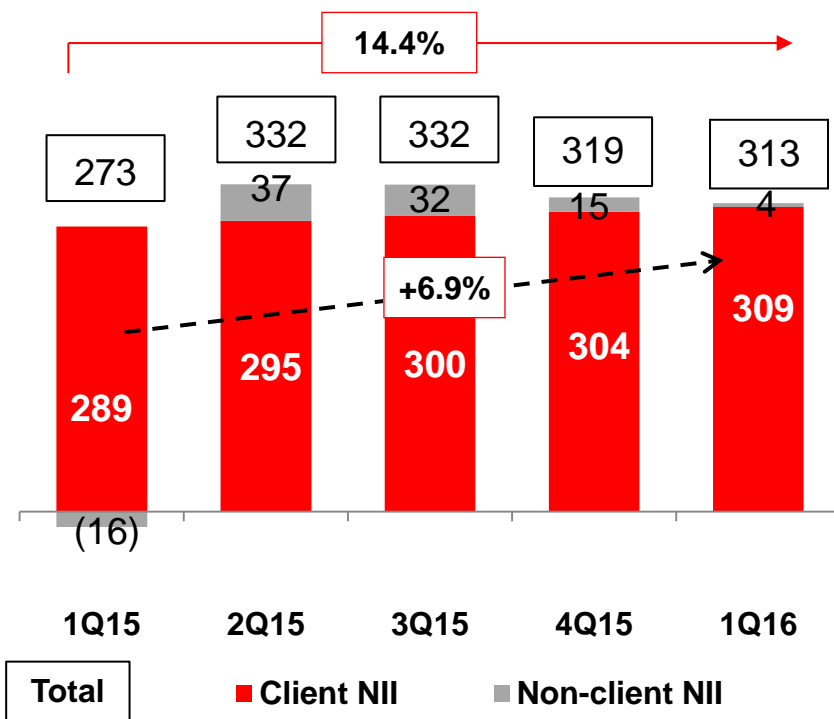
- **Macro-economic environment and financial system**
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Santander Chile's 1Q16 results

NII increases 14.4% YoY due to higher inflation, stable loan spreads & improved funding mix

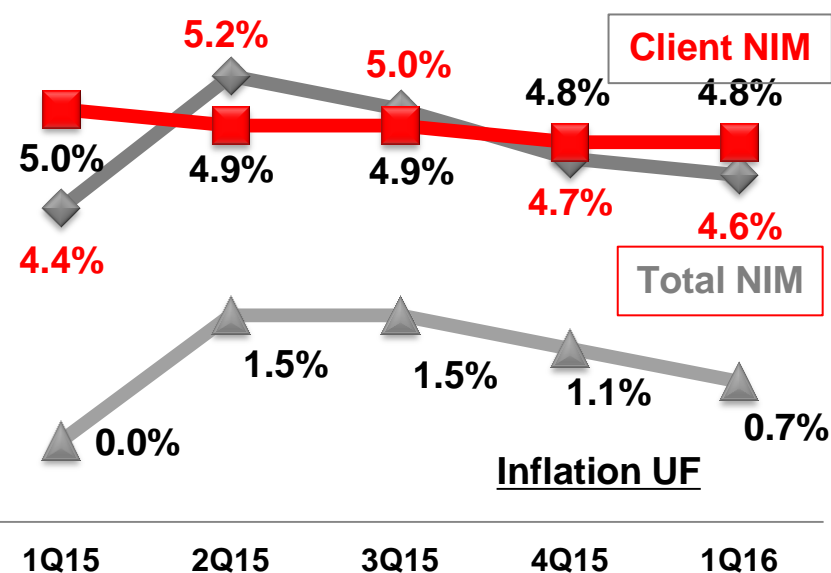
Client and total net interest income¹

Ch\$bn



NIM & Client NIM

Net Interest Margin (NIM), %



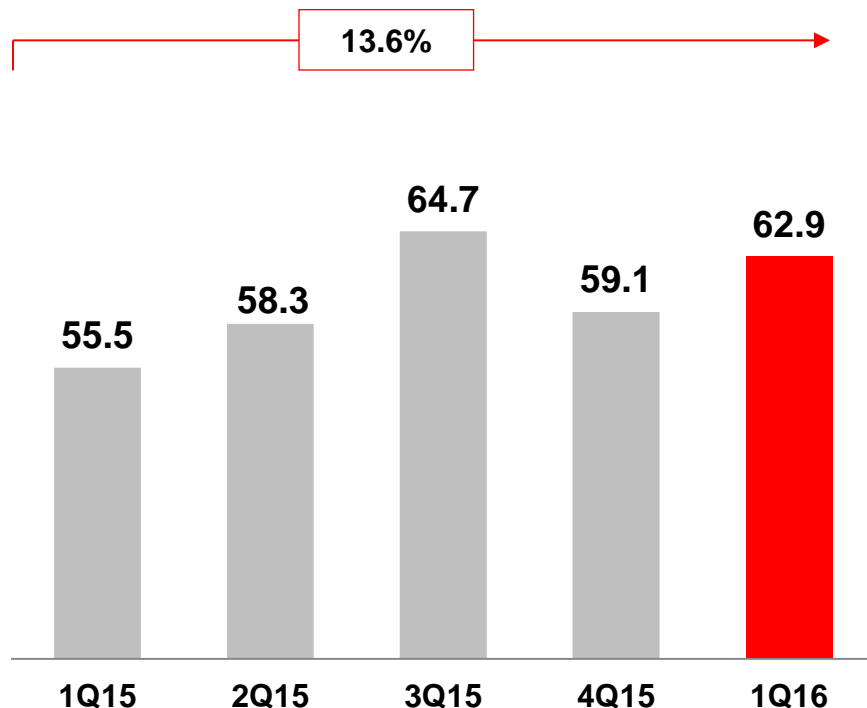
1. Client net interest income (NII) is NII from the business segments (Retail, Middle-market and GCB) Non-client NII is NII mainly from the banks's ALCO position and includes the effects of inflation on the Bank's NII

Santander Chile's 1Q16 results

Fee income increases 13.6% YoY as Client loyalty expands

Net fee income

Ch\$bn



Fee income from business segments

Ch\$bn

	1Q'16	YoY (%)	QoQ (%)
Retail	49.0	13.7	2.0
Middle Market	7.7	11.2	8.7
Corporate	6.6	51.5	95.1
Subtotal	58.6	-0.8	-8.3
Others	-0.4		
Subtotal	63.3	14.9	8.2
Total fees	62.9	13.6	6.5

New CRM and other client initiatives is delivering recurrent growth of fee income

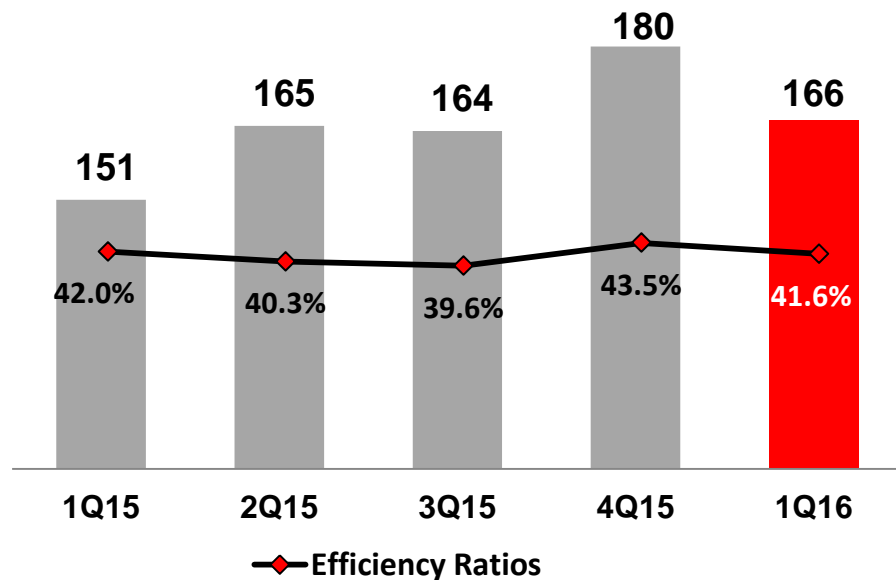
Santander Chile's 1Q16 results

Efficiency ratio reached 41.6% in 1Q16

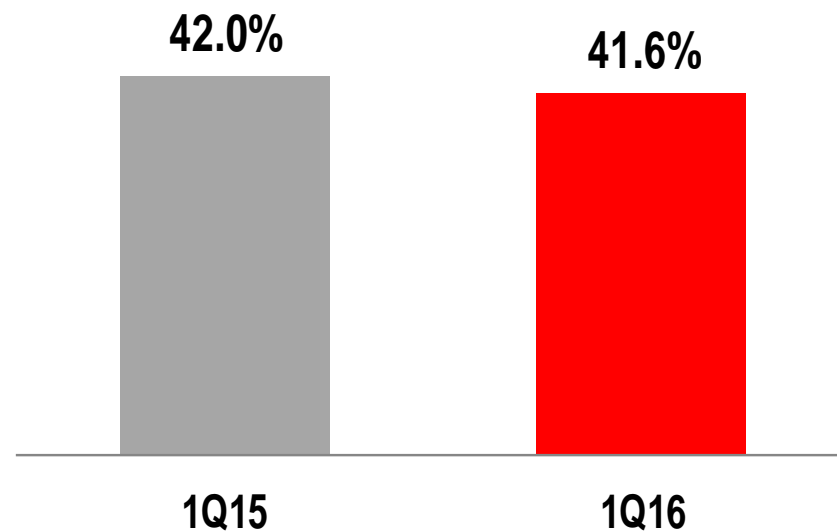
Operating expenses

Ch\$bn

9.9%



Efficiency ratio¹



Targeting productivity gains through leaner distribution, simpler organization and better use of technology

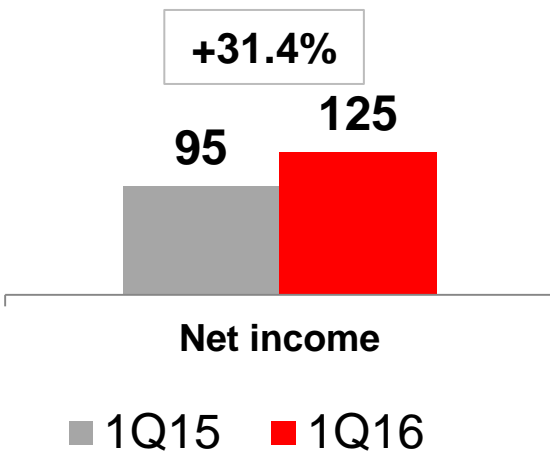
1. Efficiency ratio: Operating Expenses excluding impairment / Net interest income + Fee income + Financial transactions, net and other operating income net

Santander Chile's 1Q16 results

Net income up 31.4%. ROE reached 18.1% in 1Q16

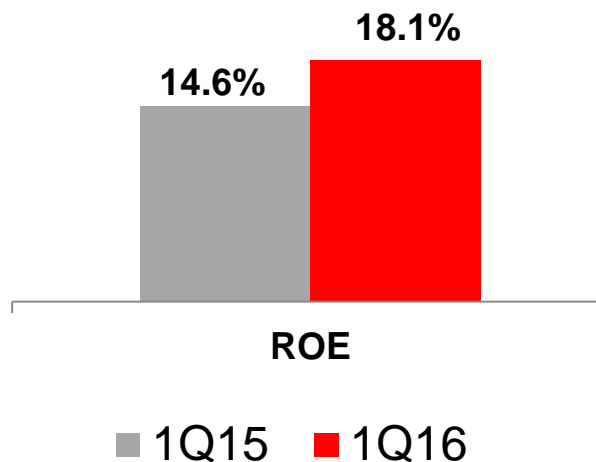
Net income

Ch\$bn



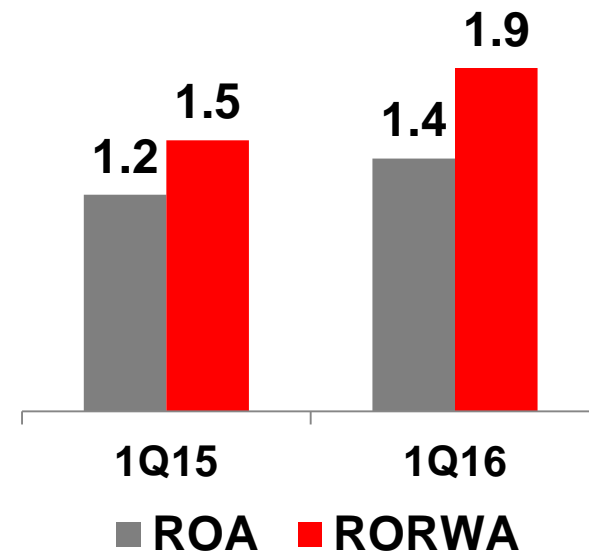
ROE

%



ROA & RORWA

%



Outlook

Sound outlook for Santander Chile in 2016

- **Chile: economy is expected to grow 2% on average in 2016-2017**
- **Financial system with stable 9%-10% growth in loans and deposits. Stable risk trends**
- **Santander Chile: positive business and client profitability trends sustained in 1Q16**
 - **Loan growth up 9.0% YoY, especially in segments with higher risk-adjusted profitability**
 - **Deposits increase 12.1% YoY. Steady growth of demand deposits in all segments**
 - **Healthy balance sheet with strong liquidity levels**
 - **Coverage ratio rises to 123% / NPLs stable at 2.5% / Cost of credit falls to 1.2%**
 - **Net interest income grows 14.4% and fees 13.6% YoY**
 - **Efficiency ratio reached 41.6%. Cost control and branch optimization plans launched**
 - **ROE reached 18.1%**

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Balance Sheet: Assets

Unaudited Balance Sheet Assets	Mar-16 US\$ths	Mar-16 Ch\$ million	Dec-15	Mar. 16 / Dec. 15 % Chg.
Cash and deposits in banks	2,120,979	1,416,135	2,064,806	(31.4%)
Cash items in process of collection	1,563,483	1,043,906	724,521	44.1%
Trading investments	232,700	155,369	324,271	(52.1%)
Investments under resale agreements	0	0	2,463	--%
Financial derivative contracts	4,478,514	2,990,214	3,205,926	(6.7%)
Interbank loans, net	47,771	31,896	10,861	193.7%
Loans and account receivables from customers, net	37,308,234	24,909,962	24,535,201	1.5%
Available for sale investments	4,023,162	2,686,185	2,044,411	31.4%
Held-to-maturity investments	-	-	-	--%
Investments in associates and other companies	31,244	20,861	20,309	2.7%
Intangible assets	77,372	51,660	51,137	1.0%
Property, plant and equipment	351,168	234,468	240,659	(2.6%)
Current taxes	-	-	-	--%
Deferred taxes	485,977	324,477	331,714	(2.2%)
Other assets	1,471,606	982,562	1,097,826	(10.5%)
Total Assets	52,192,210	34,847,695	34,654,105	0.6%

Balance Sheet: Liabilities & Equity

	Mar-16	Mar-16	Dec-15	Mar. 16 / Dec. 15
	US\$ths	Ch\$ million		% Chg.
Liabilities				
Deposits and other demand liabilities	10,602,790	7,079,271	7,356,121	(3.8%)
Cash items in process of being cleared	1,308,194	873,455	462,157	89.0%
Obligations under repurchase agreements	77,017	51,423	143,689	(64.2%)
Time deposits and other time liabilities	19,055,384	12,722,899	12,182,767	4.4%
Financial derivatives contracts	4,169,974	2,784,208	2,862,606	(2.7%)
Interbank borrowings	1,972,151	1,316,766	1,307,574	0.7%
Issued debt instruments	8,578,708	5,727,832	5,957,095	(3.8%)
Other financial liabilities	336,820	224,888	220,527	2.0%
Current taxes	17,672	11,799	17,796	(33.7%)
Deferred taxes	9,446	6,307	3,905	61.5%
Provisions	474,235	316,637	329,118	(3.8%)
Other liabilities	1,317,940	879,962	1,045,870	(15.9%)
Total Liabilities	47,920,332	31,995,447	31,889,225	0.3%
	Mar-16	Mar-16	Dec-15	Mar. 16 / Dec. 15
	US\$ths	Ch\$ million		% Chg.
Equity				
Capital	1,334,925	891,303	891,303	0.0%
Reserves	2,288,361	1,527,893	1,527,893	0.0%
Valuation adjustments	710	474	1,288	(63.2%)
Retained Earnings:	602,118	402,022	314,215	27.9%
Retained earnings from prior years	672,295	448,878	-	--%
Income for the period	187,873	125,439	448,878	(72.1%)
Minus: Provision for mandatory dividends	(258,050)	(172,295)	(134,663)	27.9%
Total Shareholders' Equity	4,226,114	2,821,692	2,734,699	3.2%
Non-controlling interest	45,764	30,556	30,181	1.2%
Total Equity	4,271,879	2,852,248	2,764,880	3.2%
Total Liabilities and Equity	52,192,210	34,847,695	34,654,105	0.6%

Income Statement: Quarters

Unaudited Quarterly Income Statement	1Q16	1Q16	4Q15	1Q15	1Q16 / 1Q15	1Q16 / 4Q15
	US\$ths.		Ch\$mn		% Chg.	
Interest income	776,913	518,729	549,675	400,715	29.5%	(5.6%)
Interest expense	(308,315)	(205,856)	(231,004)	(127,296)	61.7%	(10.9%)
Net interest income	468,597	312,873	318,671	273,419	14.4%	(1.8%)
Fee and commission income	156,524	104,508	105,341	94,552	10.5%	(0.8%)
Fee and commission expense	(62,181)	(41,517)	(46,194)	(39,091)	6.2%	(10.1%)
Net fee and commission income	94,343	62,991	59,147	55,461	13.6%	6.5%
Net income (expense) from financial operations	(269,139)	(179,699)	(111,983)	(140,559)	27.8%	60.5%
Net foreign exchange gain	320,454	213,961	145,610	181,550	17.9%	46.9%
Total financial transactions, net	51,315	34,262	33,627	40,991	(16.4%)	1.9%
Other operating income	7,860	5,248	4,496	5,108	2.7%	16.7%
Net operating profit before provisions for loan losses	622,115	415,374	415,941	374,979	10.8%	(0.1%)
Provision for loan losses	(116,712)	(77,926)	(150,257)	(79,226)	(1.6%)	(48.1%)
Net operating profit	505,404	337,448	265,684	295,753	14.1%	27.0%
Personnel salaries and expenses	(139,239)	(92,967)	(108,961)	(84,217)	10.4%	(14.7%)
Administrative expenses	(87,907)	(58,694)	(55,344)	(54,853)	7.0%	6.1%
Depreciation and amortization	(21,485)	(14,345)	(15,821)	(12,134)	18.2%	(9.3%)
Operating expenses excluding Impairment and Other operating expenses	(248,631)	(166,006)	(180,126)	(151,204)	9.8%	(7.8%)
Impairment of property, plant and equipment	(55)	(37)	(1)	0	--%	--%
Other operating expenses	(24,314)	(16,234)	(2,105)	(14,646)	10.8%	671.2%
Total operating expenses	(273,001)	(182,277)	(182,232)	(165,850)	9.9%	0.0%
Operating income	232,403	155,171	83,452	129,903	19.5%	85.9%
Income from investments in associates and other companies	795	531	610	485	9.5%	(13.0%)
Income before tax	233,199	155,702	84,062	130,388	19.4%	85.2%
Income tax expense	(44,425)	(29,662)	(4,480)	(31,318)	(5.3%)	562.1%
Net income from ordinary activities	188,773	126,040	79,582	99,070	27.2%	58.4%
Net income discontinued operations	-	-	-	-		
Net income attributable to:						
Non-controlling interest	900	601	(4,201)	3,593	--%	--%
Net income attributable to equity holders of the Bank	187,873	125,439	83,783	95,477	31.4%	49.7%



Thank You

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