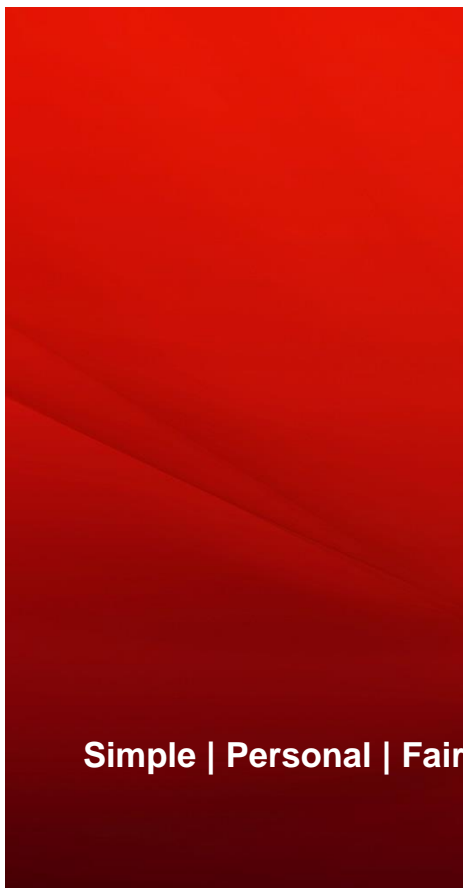


# Santander Chile: *Solid business and client profitability trends*

February 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 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

- **Growth expected to accelerate in 2017-18. Financial system with relatively stable growth and risk trends**
- **Santander Chile has adjusted its medium-term strategy and is starting to benefit from stronger client activity and improved profitability trends...**
- **... leading to a sound medium-term outlook**

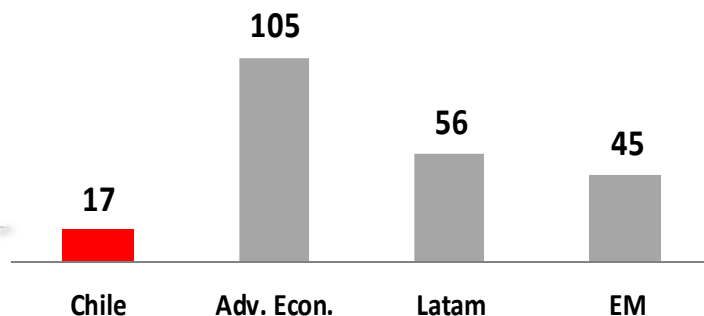
## Chile: a stable and diversified economy

### Chile: key economic indicators<sup>1</sup>

Population:	18.0 mn
GDP:	US\$220bn
GDP per capita (PPP):	US\$23,000
Exports / GDP:	28%
Investment / GDP :	22.5%
Net public debt / GDP:	-3.5%
Sovereign ratings:	AA-/A+/Aa3

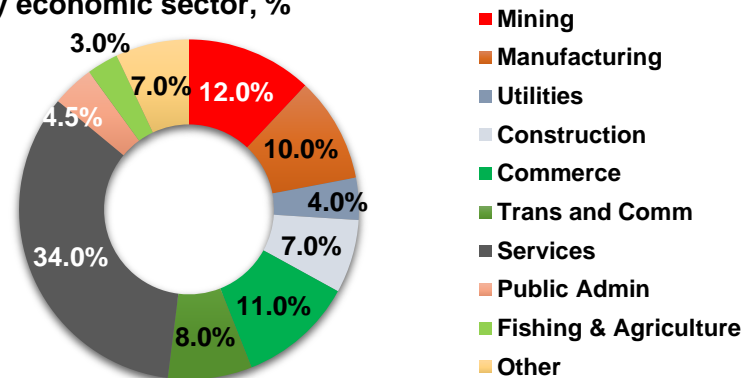
### Low public debt<sup>2</sup>

Gross public debt, % GDP

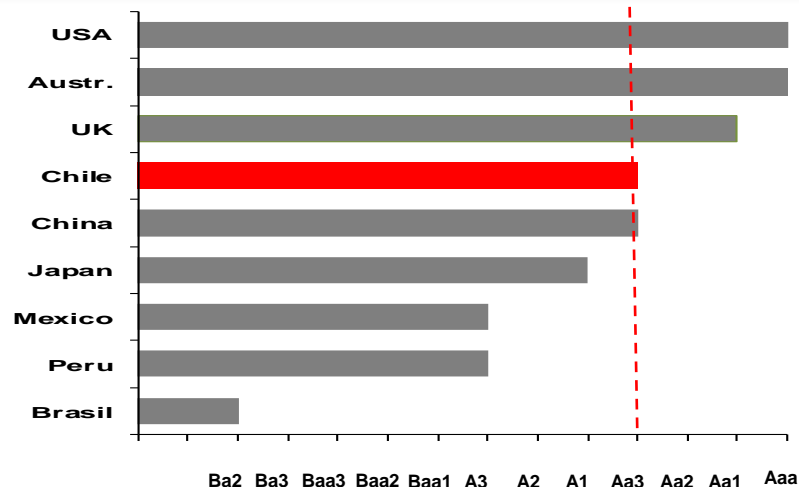


### Chile's economy is well diversified<sup>1</sup>

GDP by economic sector, %



### ... and high Sovereign rating<sup>3</sup>

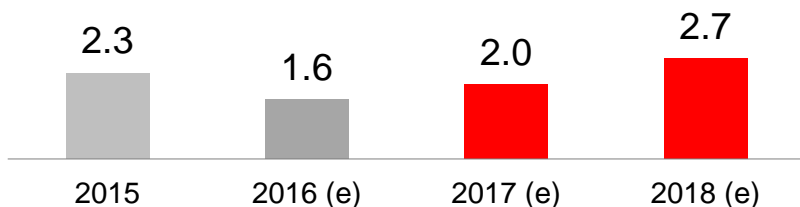


# Macroeconomic environment

## GDP growth expectations rise for 2017 and 2018

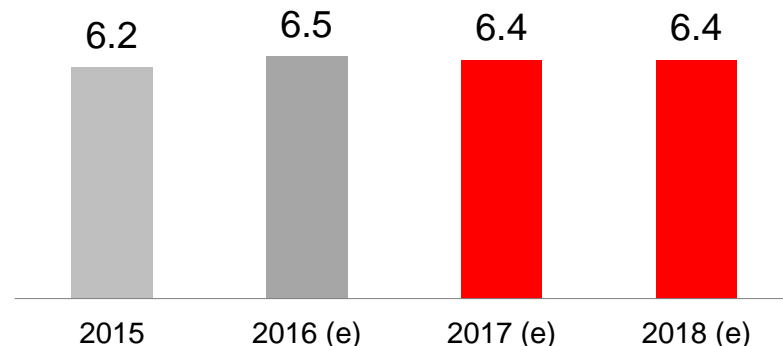
### GDP

YoY real growth, %



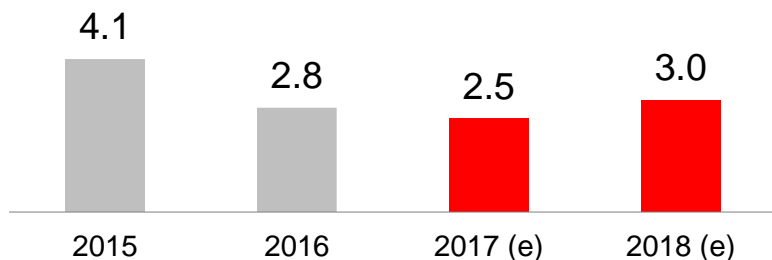
### Unemployment

% of workforce, %



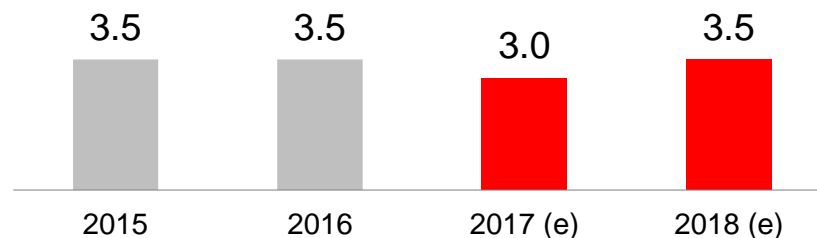
### Inflation

Annual change in UF inflation, %



### Central Bank ST Reference Rate

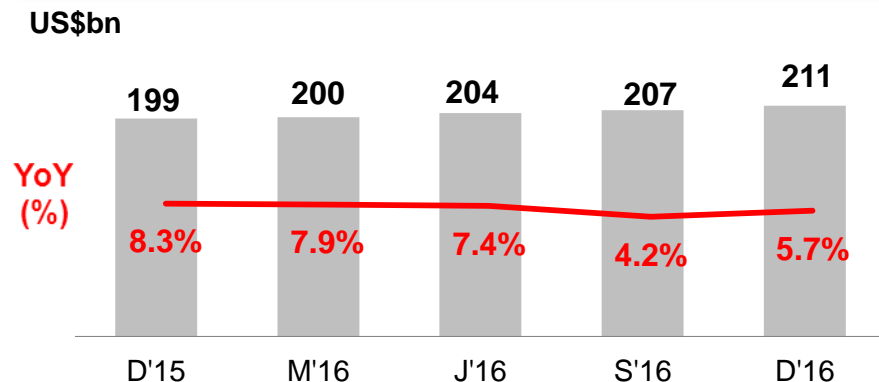
%



## Financial system: loan and deposit growth

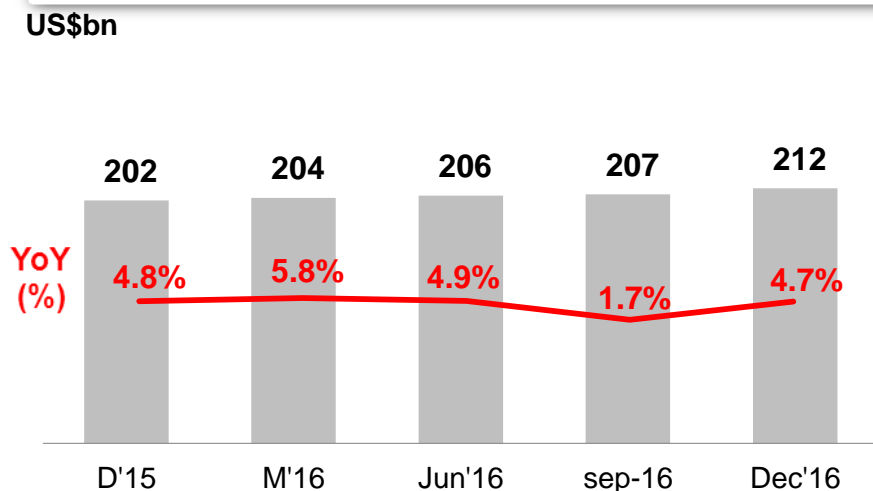
### Financial system with relatively stable growth and risk trends due to low exposure to mining industry

#### Total Loans<sup>1</sup>



- Mortgage lending leading deceleration after extraordinary growth in 2015
- Growth of retail banking and non-copper sectors drives loan growth
- Stable asset quality

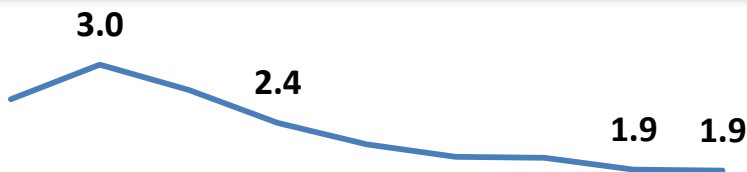
#### Customer funds<sup>1,2</sup>



- 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

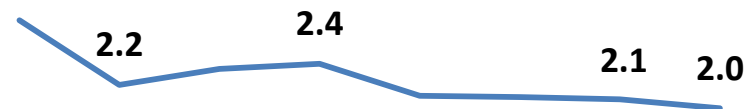
## Improving risk profile

### Non-performing loan ratio (%)<sup>1</sup>



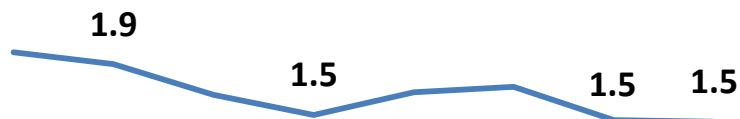
Dec-08 Dec-09 Dec-10 Dec-11 Dec-12 Dec-13 Dec-14 Dec-15 Dec-16

### Consumer NPL (%)



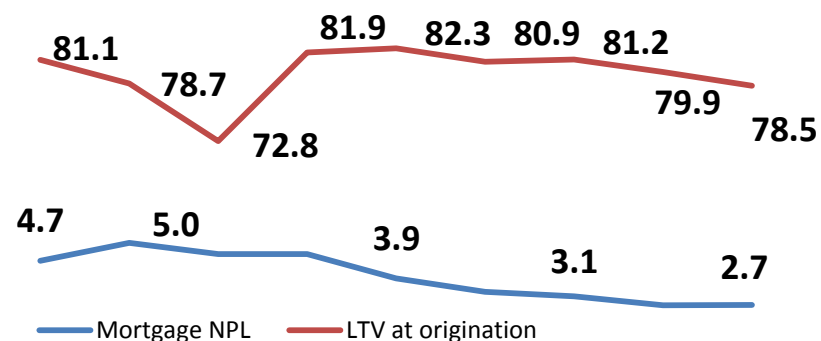
Dec-09 Dec-10 Dec-11 Dec-12 Dec-13 Dec-14 Dec-15 Dec-16

### Commercial NPL (%)



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

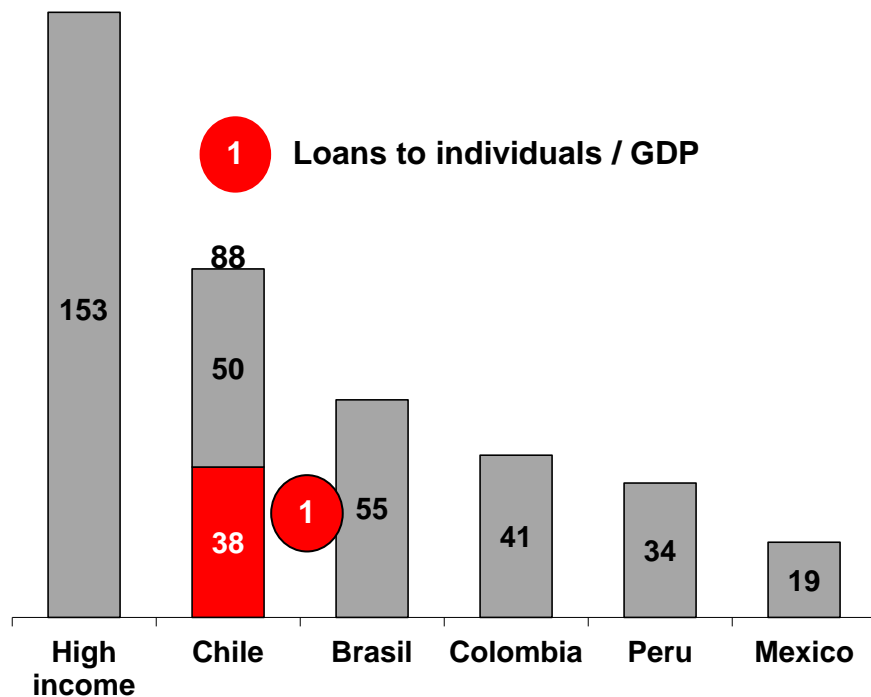
### Mortgages NPL and LTV (%)



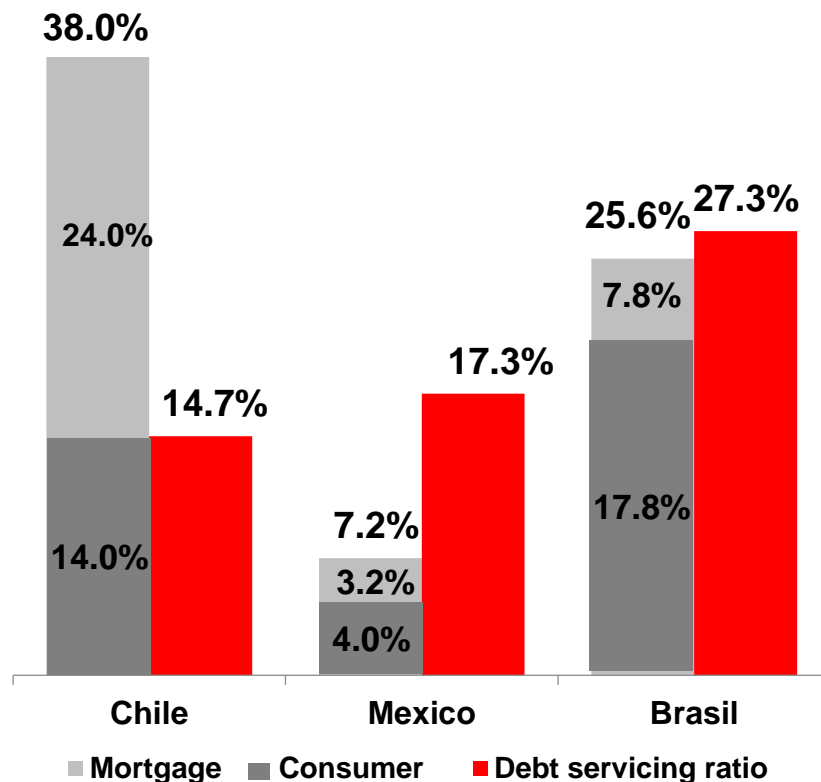
Dec-08 Dec-09 Dec-10 Dec-11 Dec-12 Dec-13 Dec-14 Dec-15 Dec-16

## The market has high growth potential in loans to individuals...

Loans to GDP, 2015 (%)<sup>1</sup>



Individual loans penetration and DSR<sup>2</sup>



1. Or latest available information. Source: World Bank, weighted by size of world economies. Chilean loan include bank and non-bank lending. Source Chile: Santander Chile based on information from SBIF, BCCh, Superintendency of Securities of Chile, SVS, and [www.cajasdechile.cl](http://www.cajasdechile.cl).

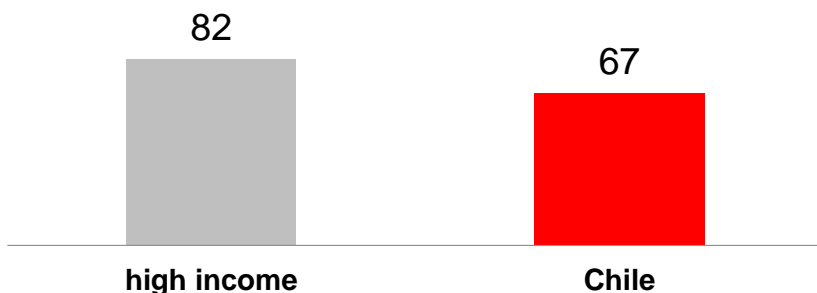
2. Debt servicing ratio, DSR: Total debt payments including amortization and interest / Disposable income. Sources: for Chile: SVS, SBIF and SVS; for Brazil and Mexico: JP Morgan, Scotiabank and Felaban



# Financial system: growth potential

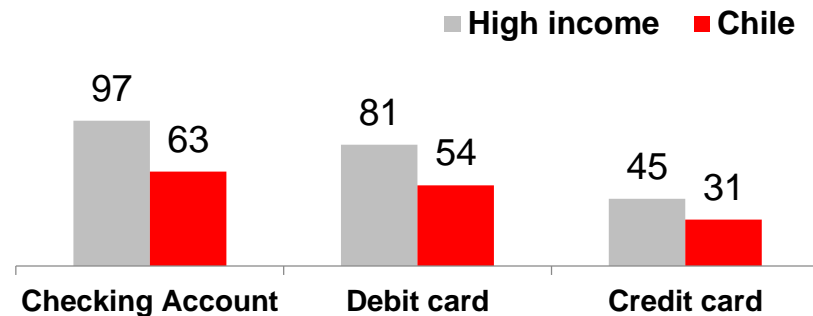
## ... and in other transactional and non-lending products

### Deposits (% GDP)

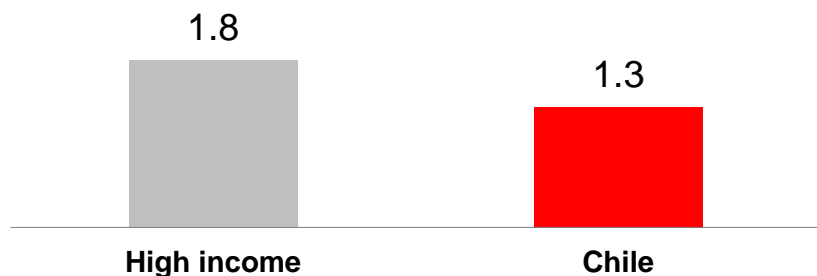


### Transactional product penetration (%)

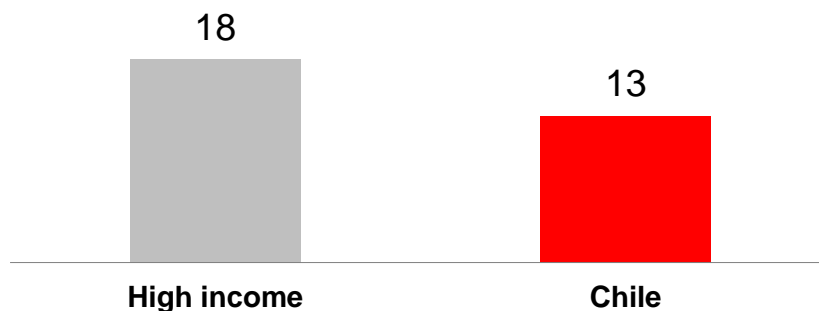
% of pop. > 15 yrs. having product



### Non-life insurance premiums (% GDP)

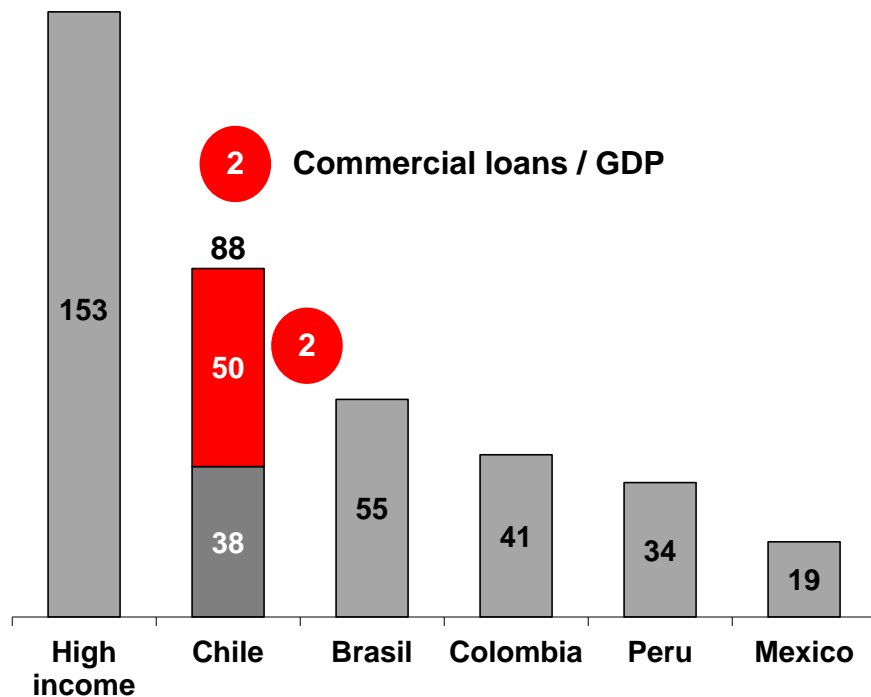


### Mutual funds (% GDP)

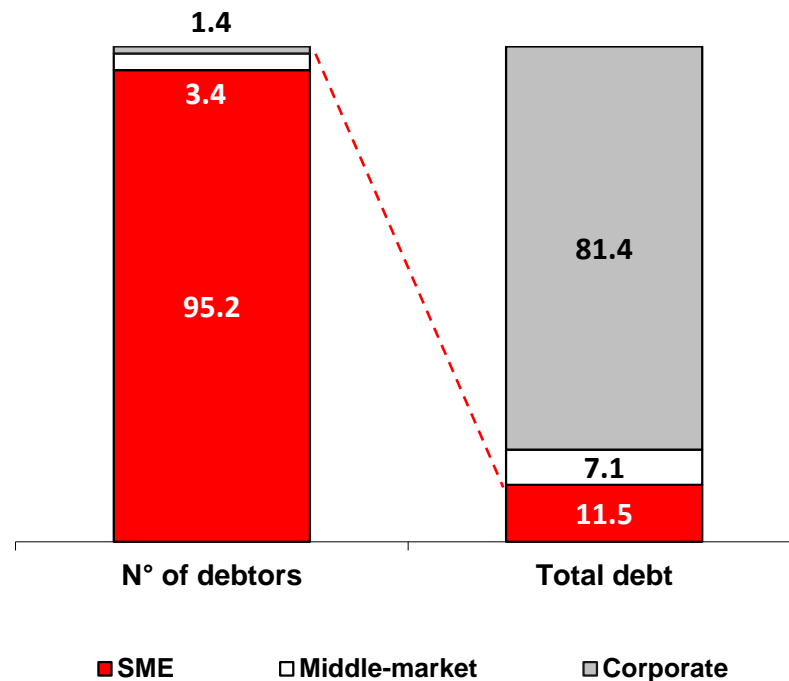


## High growth potential in Middle-market and SME customers...

Loans to GDP, 2015 (%)<sup>1</sup>



Commercial lending by type of client



1. Or latest available information. Source: World Bank, weighted by size of world economies. Chilean loan include bank and non-bank lending. Source Chile: Santander Chile based on information from SBIF, BCCh, Superintendency of Securities of Chile, SVS, and [www.cajasdechile.cl](http://www.cajasdechile.cl).

Source: SBIF, 2015

# Financial system: growth potential

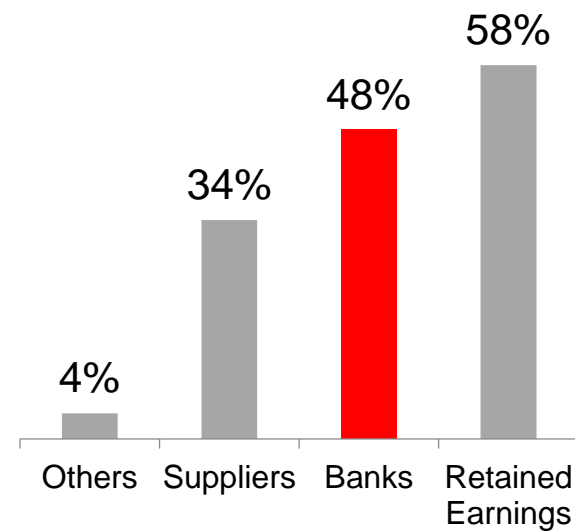
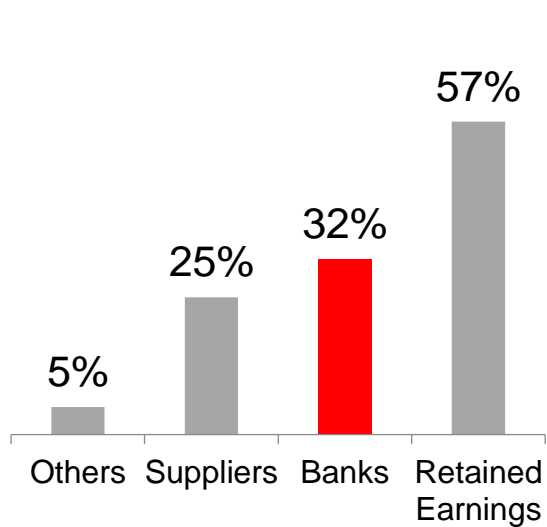
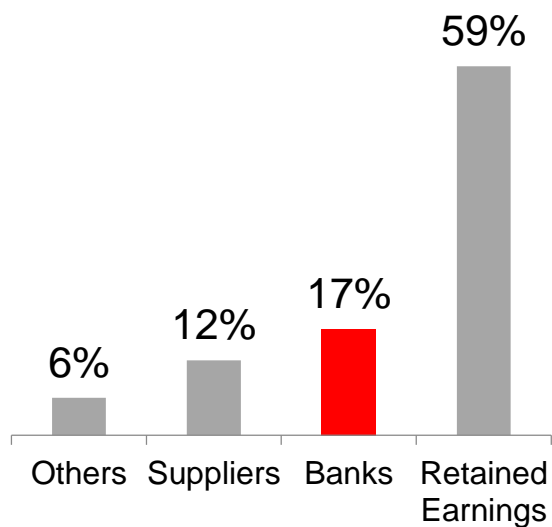
... as non-bank sources of financing are still widely used

## Micro-entrepreneurs

## SMEs

## Middle-market

Funding structure by type of borrower\*



# Agenda

- **Growth expected to accelerate in 2017-18. Financial system with relatively stable growth and risk trends**
- **Santander Chile has adjusted its medium-term strategy and is starting to benefit from stronger client activity and improved profitability trends...**
- **... leading to a sound medium-term outlook**

## Santander Chile is the nation's leading bank...

Figures in US\$



### Business and Results

	12M'16	Var. YoY
<b>Gross Loans</b>	40.9bn	7.5%
<b>Deposits</b>	31.1bn	5.9%
<b>Equity</b>	4.3bn	4.9%
<b>Net inc. business segments</b>	906mn	25.6%
<b>Net income</b>	713mn	5.0%

### Network and Customers

	12M'16	Mkt. share <sup>1</sup>
<b>Clients</b>	3.6 mn.	21.6% <sup>2</sup>
<b>Internet banking</b>	1.8mn	40.0% <sup>3</sup>
<b>Branches</b>	434	19.7%

### Market Share<sup>1</sup>

	%	Rank
<b>Loans</b>	19.4%	1
<b>Deposits</b>	18.8%	1
<b>Checking accounts</b>	21.6%	1
<b>Bank credit cards<sup>4</sup></b>	30.0%	1

1. As of Dec. 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: SBIF. 3. 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 Nov. 2016 4. Market share in terms of credit card purchases.

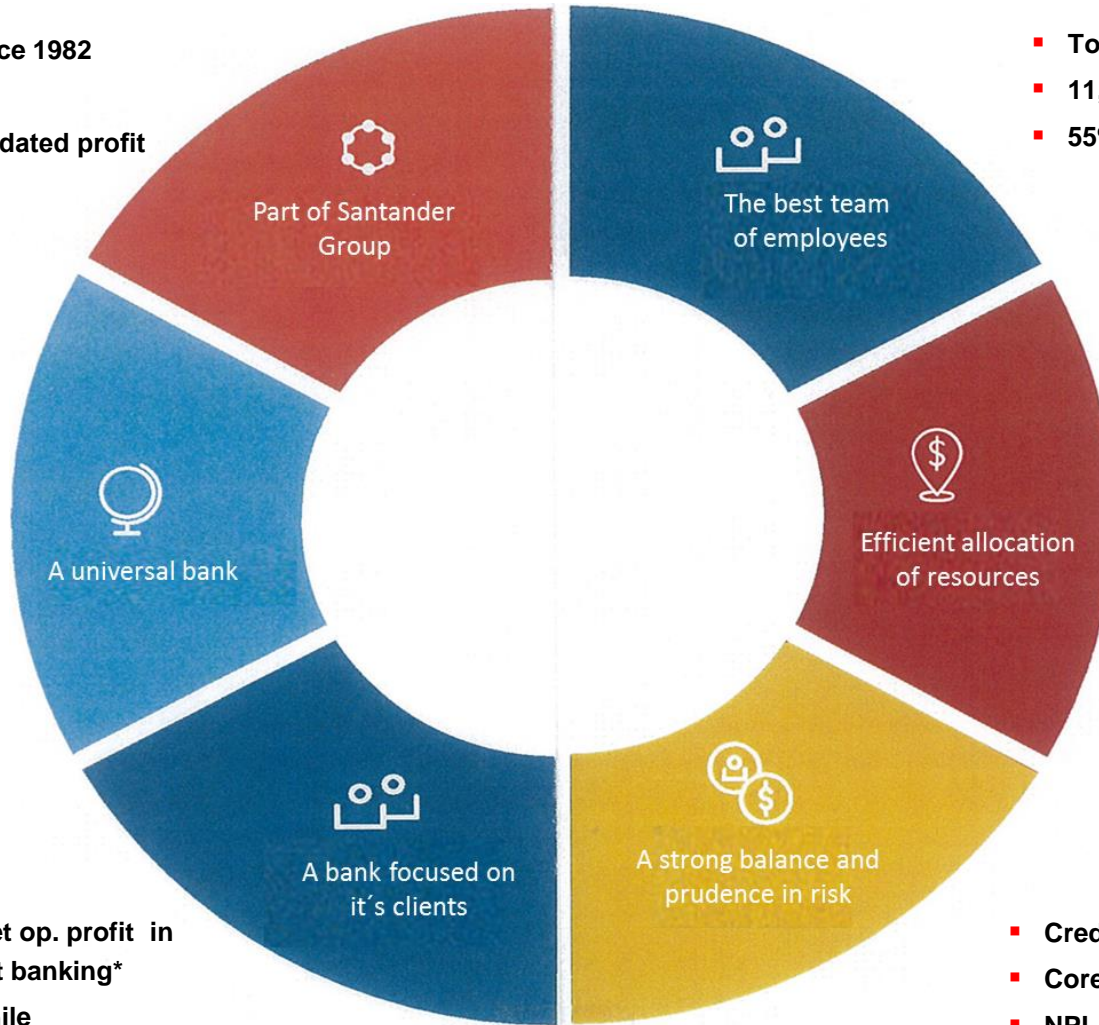
# Our Franchise

## ... with a solid business model

- Part of Santander since 1982
- 3.8% of Group assets
- 9.1% Group's consolidated profit

- 54% loans to individuals
- 46% loans to companies
- Market leader in most products

- 92% loans and 93% of net op. profit in Retail and middle-market banking\*
- Largest client base in Chile
- # 1 in loans in deposits in Chile



- Top 5 Best Place to Work\*\*
- 11,400 employees
- 55% women

- Simple organization
- Cost / Income: 42.7%
- Cost / Assets: 1.9%

- Credit rating: Aa3
- Core Capital BIS I: 10.5%\*\*\*
- NPL ratio : 2.1%
- Provisions / NPLs: 145%

## 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**



### 4 objectives for healthy growth / higher profitability

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



- **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)
- Steady improvement in retail banking **asset quality**. Focus on **NIMs, net of provisions**
- **Middle-market:** focus on non-lending business activities. Loans as part of an integral client relationship
- **Corporate:** strong focus on non-lending activities

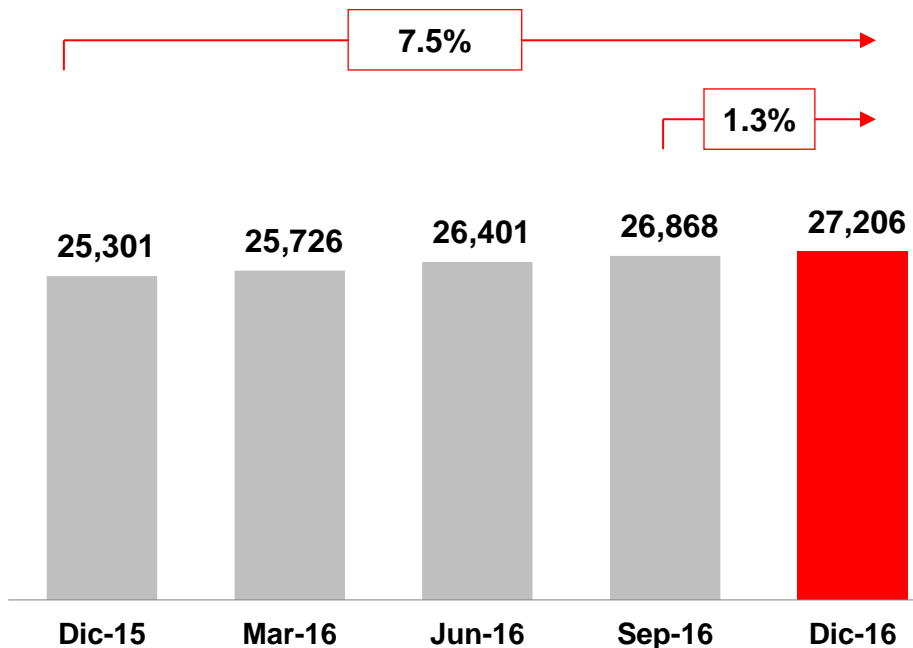


Strategy: I. Growth focused on segments with highest contribution, net of risk

**Loans grow 7.5% YoY, with retail loans expanding 9.2%**

### Total Loans

Ch\$bn



Ch\$bn

	12M'16	YoY (%)	QoQ(%)
<b>Individuals<sup>1</sup></b>	<b>14,774</b>	<b>9.3</b>	<b>2.2</b>
Consumer	4,446	7.1	3.1
Mortgages	8,619	10.3	1.7
<b>SMEs</b>	<b>3,830</b>	<b>9.6</b>	<b>2.1</b>
<b>Retail</b>	<b>18,605</b>	<b>9.2</b>	<b>2.3</b>
<b>Middle Market</b>	<b>6,396</b>	<b>6.5</b>	<b>1.3</b>
<b>Corporate</b>	<b>2,121</b>	<b>-2.6</b>	<b>-6.0</b>
<b>Total<sup>2</sup></b>	<b>27,206</b>	<b>7.5</b>	<b>1.3</b>

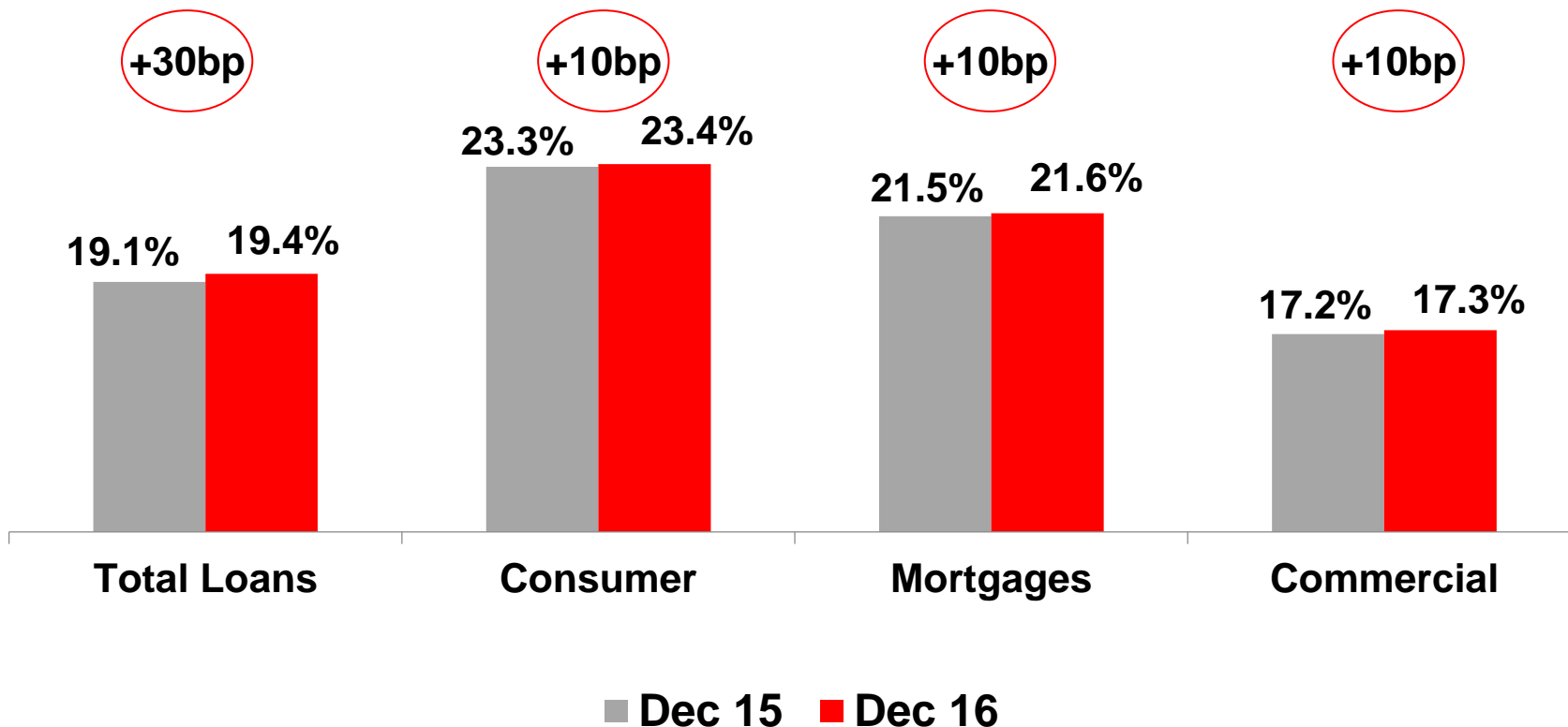
**Consumer loan growth accelerates in the quarter**

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

## Gaining market share in all loan categories

Banco Santander Chile's market share

Loans market share (%)

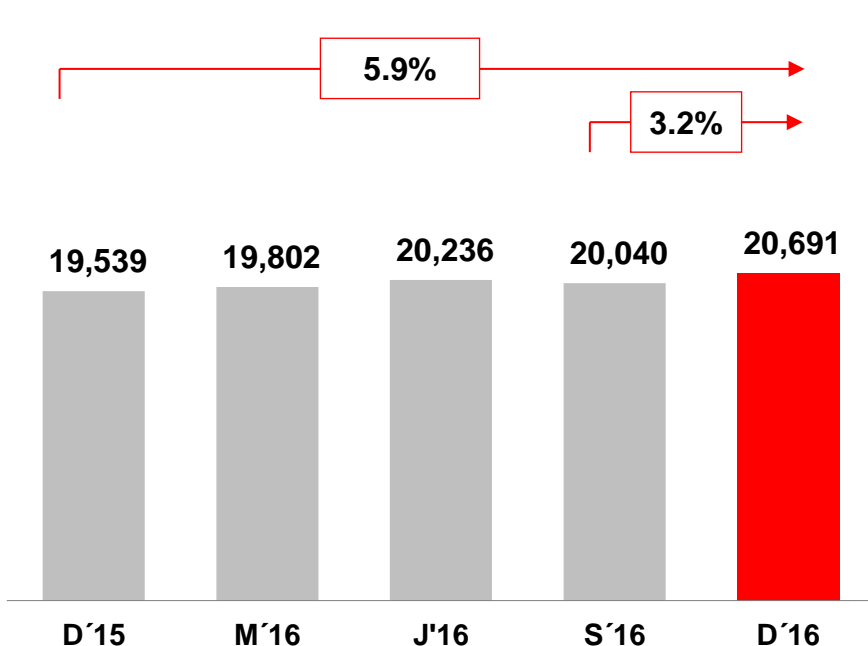


Strategy: I. Growth focused on segments with highest contribution, net of risk

**Non-interest bearing demand deposits increase 9.1% QoQ**

## Total Deposits

Ch\$bn



Ch\$bn

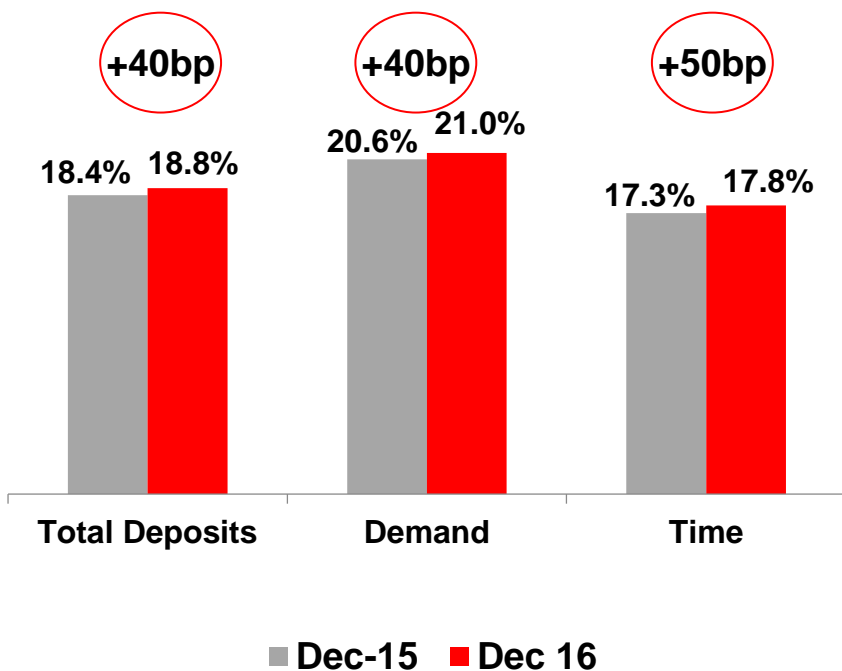
	12M'16	YoY(%)	QoQ(%)
Demand	7,539	2.5	9.1
Time	13,152	8.0	0.2
<b>Total deposits</b>	<b>20,691</b>	<b>5.9</b>	<b>3.2</b>
Mutual funds <sup>1</sup>	5,026	11.4	-4.6
<b>Customer funds</b>	<b>25,717</b>	<b>6.9</b>	<b>1.6</b>
Loan to deposit <sup>2</sup>	98.5%		
LT Bonds	7,326	23.0%	6.3%

**Low long-term interest rates drives bond issuances**

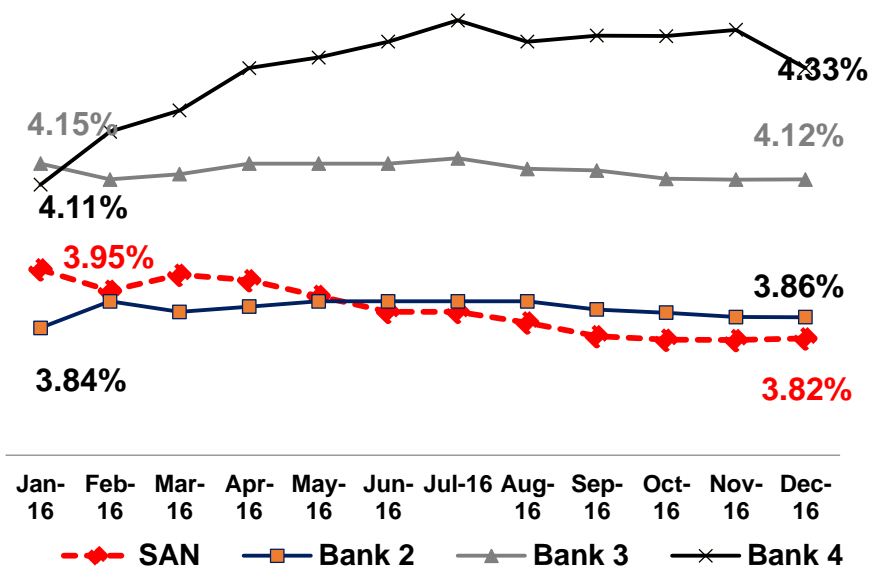
Strategy: I. Growth focused on segments with highest contribution, net of risk

## Gaining market share in deposits while improving funding costs

Total deposits market share (%)



YTD CLP time deposit cost<sup>2</sup>

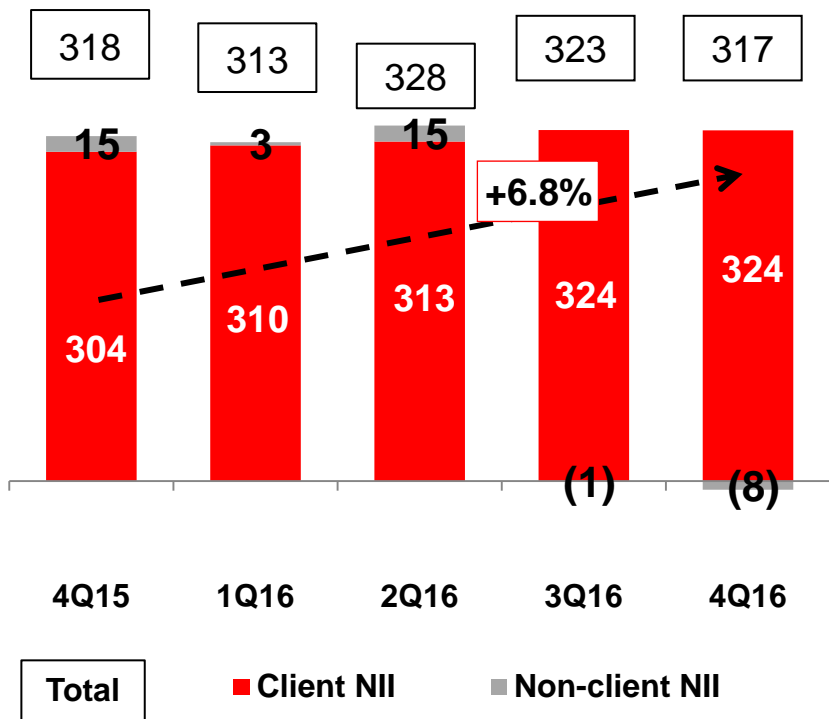


Strategy: I. Growth focused on segments with highest contribution, net of risk

## Client NII rises 6.8% YoY. Lower inflation lowers total NIM

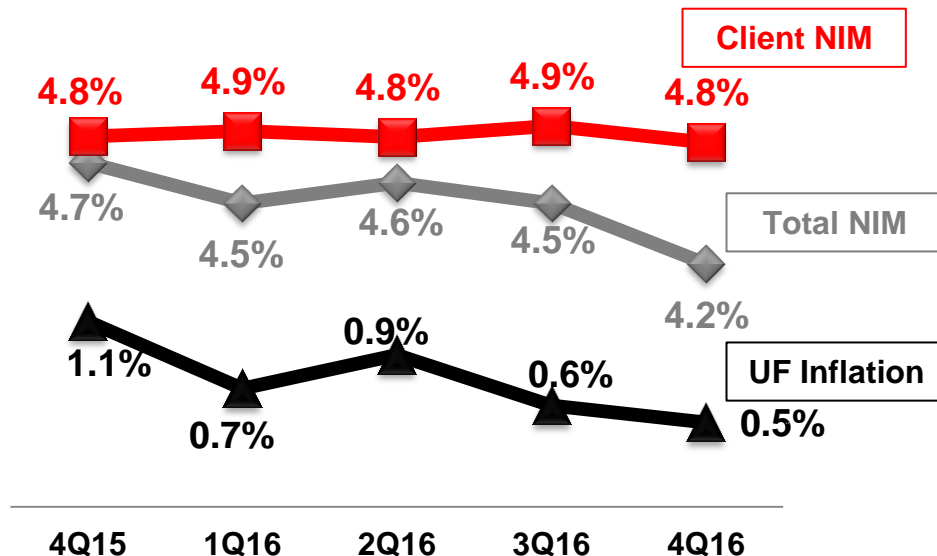
### Client and total net interest income<sup>1</sup>

Ch\$bn



### NIM & Client NIM

Net Interest Margin (NIM), %



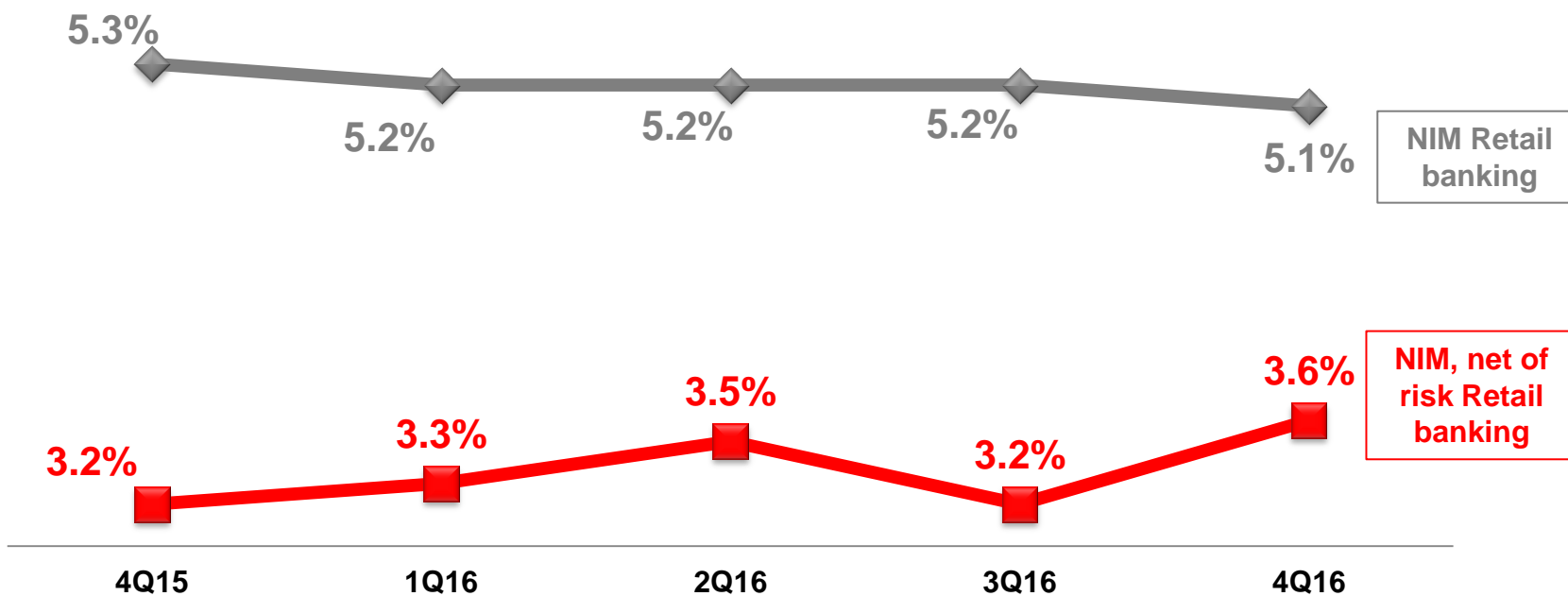
### Rate cuts in 2017 should help to stabilize NIMs in 2017

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

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

## Retail NIMs, net of risk should continue to improve in 2017

Retail: NIM and NIM net of provisions<sup>1</sup>

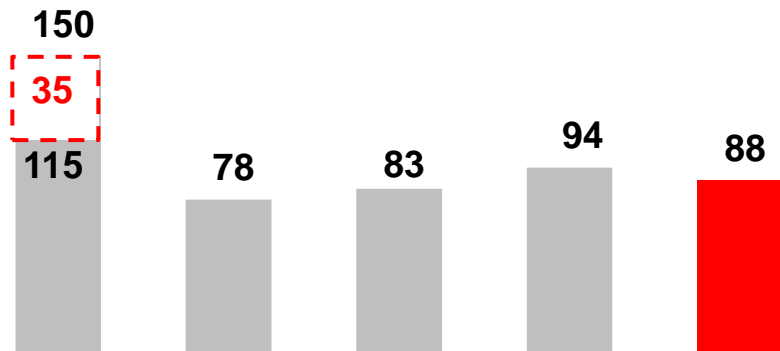
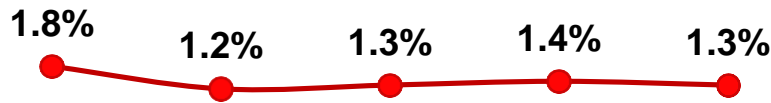


# Strategy: I. Growth focused on segments with highest contribution, net of risk

## Stable asset quality metrics...

### Provision expense & cost of credit<sup>1</sup>

Ch\$bn



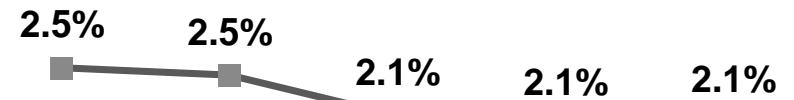
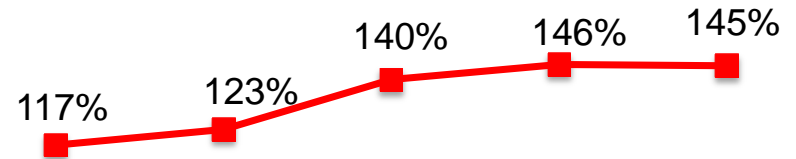
4Q15 1Q16 2Q16 3Q16 4Q16

■ Ch\$bn ● Cost of credit (%)

□ One time Provision expense

### NPL and coverage ratio

% of loans



Dec'15 Mar'16 Jun'16 Sep'16 Dec'16

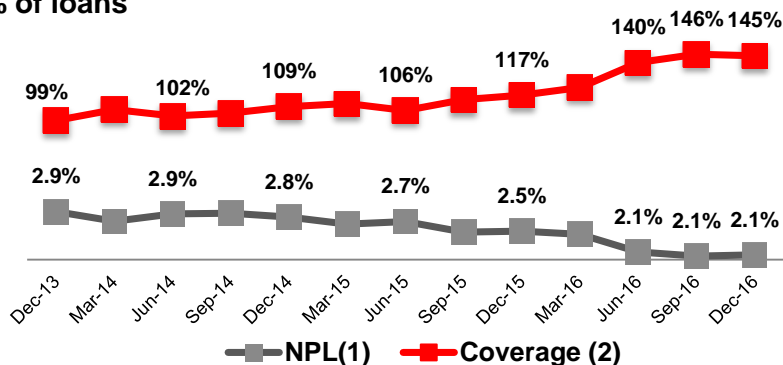
■ NPL<sup>2</sup> ■ Coverage<sup>3</sup>

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

... observable in most products

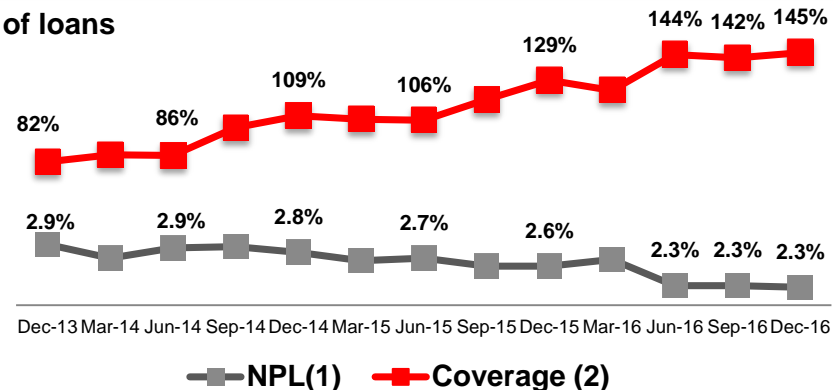
## Total loans

% of loans



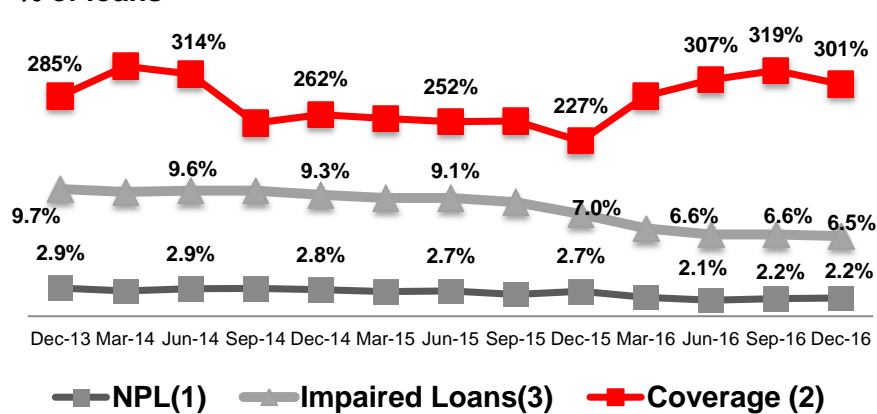
## Commercial loans

% of loans



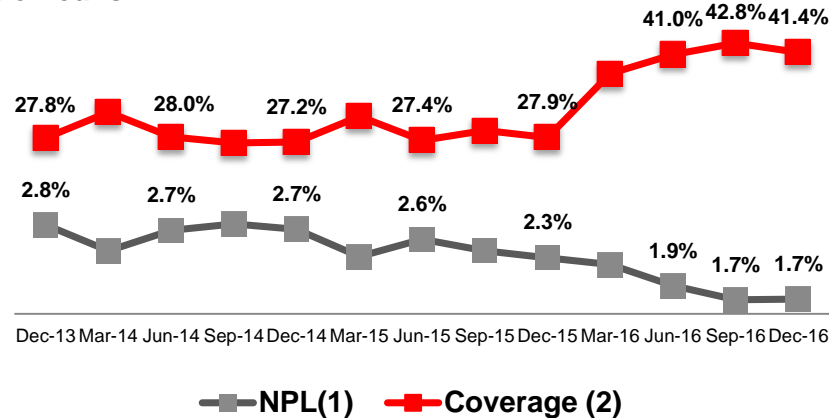
## Consumer loans

% of loans



## Mortgage loans

% of loans





### 4 objectives for healthy growth / higher profitability

II. ... by increasing client loyalty through an improved client experience and quality of service



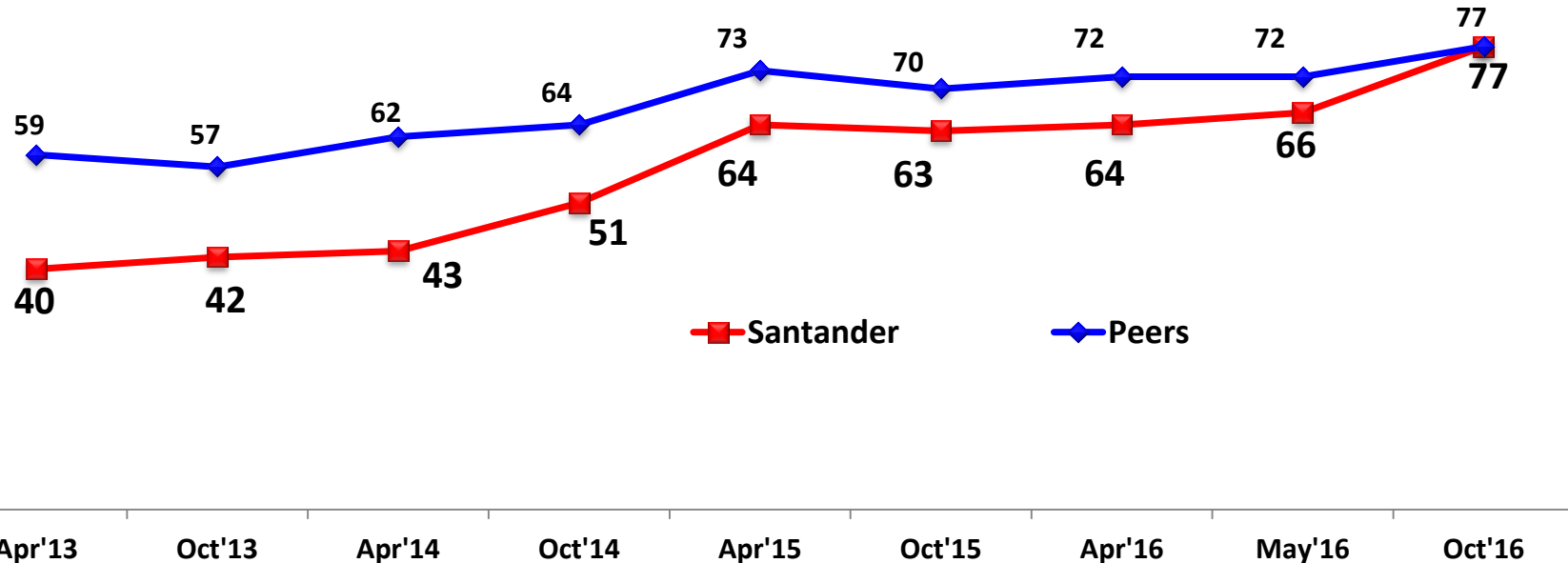
- Priority is to increase **quality of service** and improve *customer journeys*
- This should result in higher **client loyalty and cross-selling**
- Leading to **higher and sustainable fee growth**

## Strategy: II. Increasing client loyalty

### Improved customer satisfaction and service...

#### Customer Satisfaction vs peers (%)<sup>1</sup>

% of net satisfied clients



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

- Continuous investing / improving CRM and other IT systems that boost service
- Full transformation to new SPF culture

## Strategy: II. Increasing client loyalty

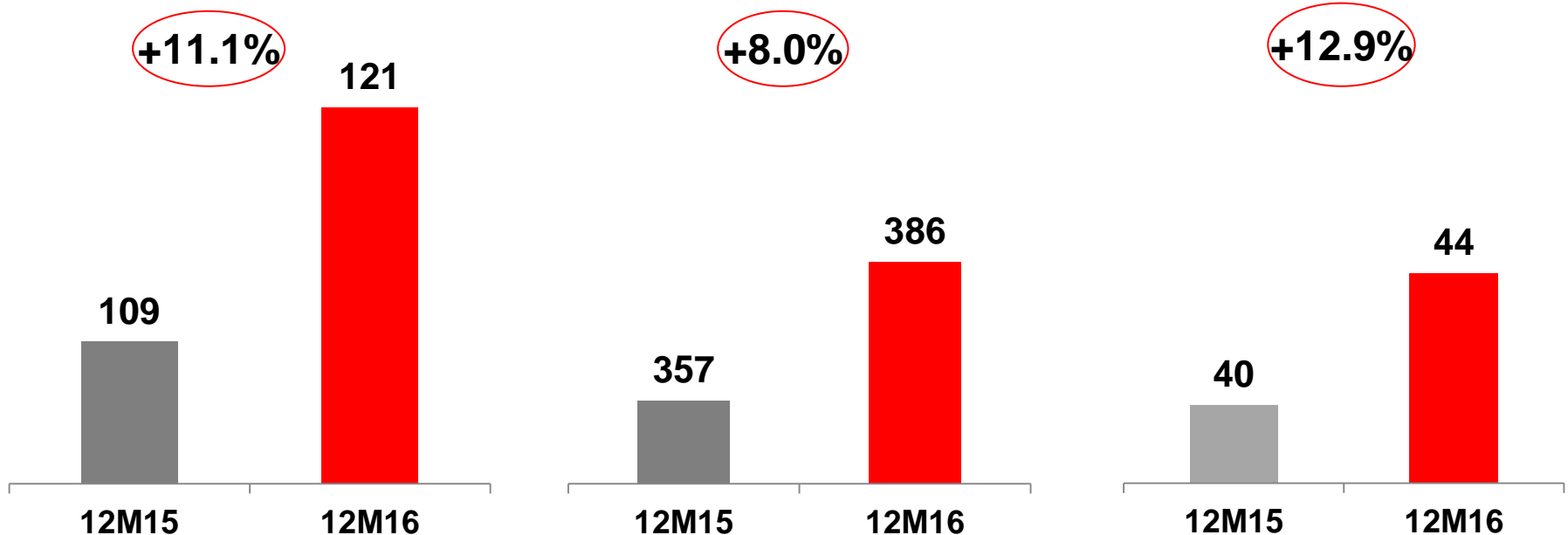
... drives growth in customer loyalty in targeted segments

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

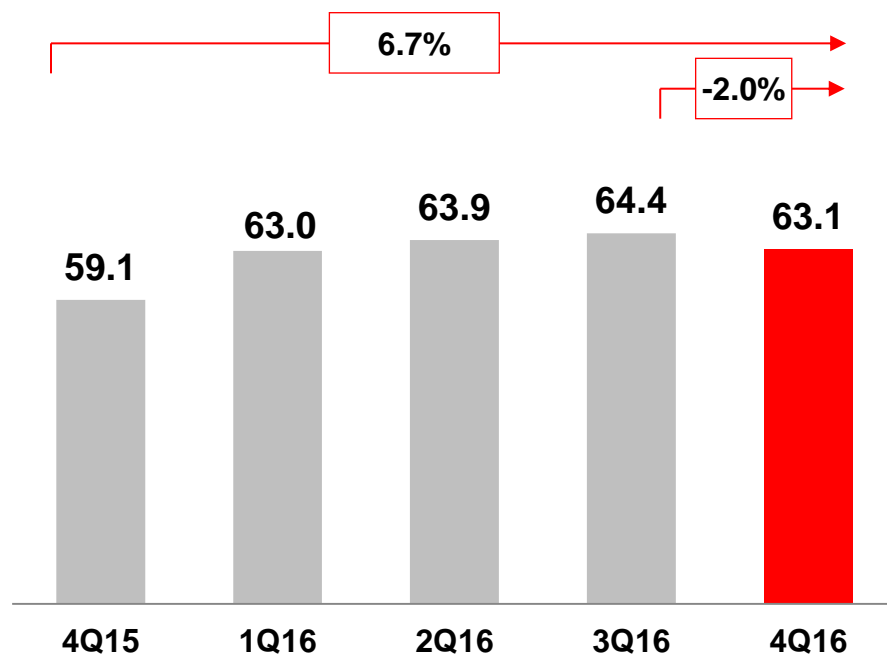


## Strategy: II. Increasing client loyalty

**This leads to a 7.1% YoY growth in fee income**

### Net fee income

Ch\$bn



### Fee income from business segments

Ch\$bn

	12M'16	YoY (%)
Retail	196.8	3.4
Middle Market	30.9	8.1
Corporate	25.0	64.6
<b>Subtotal</b>	<b>252.7</b>	<b>8.0</b>
Others	1.7	--%
<b>Total</b>	<b>254.4</b>	<b>7.1%</b>

**Fees from Corporate are driven by greater financial advisory services**

### 4 objectives for healthy growth / higher profitability

#### III. Deepening ongoing commercial transformation by expanding digital banking capabilities



- Focus on **improving and simplifying processes** and **redesigning distribution capabilities** by leveraging in our digital platform
- Focus on integrated **omni-channel** approach with **multi-segment business centers**
- Leading the system in **digital banking**
- This transformation should lead to greater **productivity and efficiency**

# 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



- New Work Cafes
- 100% dedicated to value added activities
- Multi-segment
- No tellers
- No back office
- Paperless
- Fully digital



WIFI



Cafetería



Mesas de trabajo



Todo el tiempo que necesites



Ejecutivos especialistas en asesoría financiera



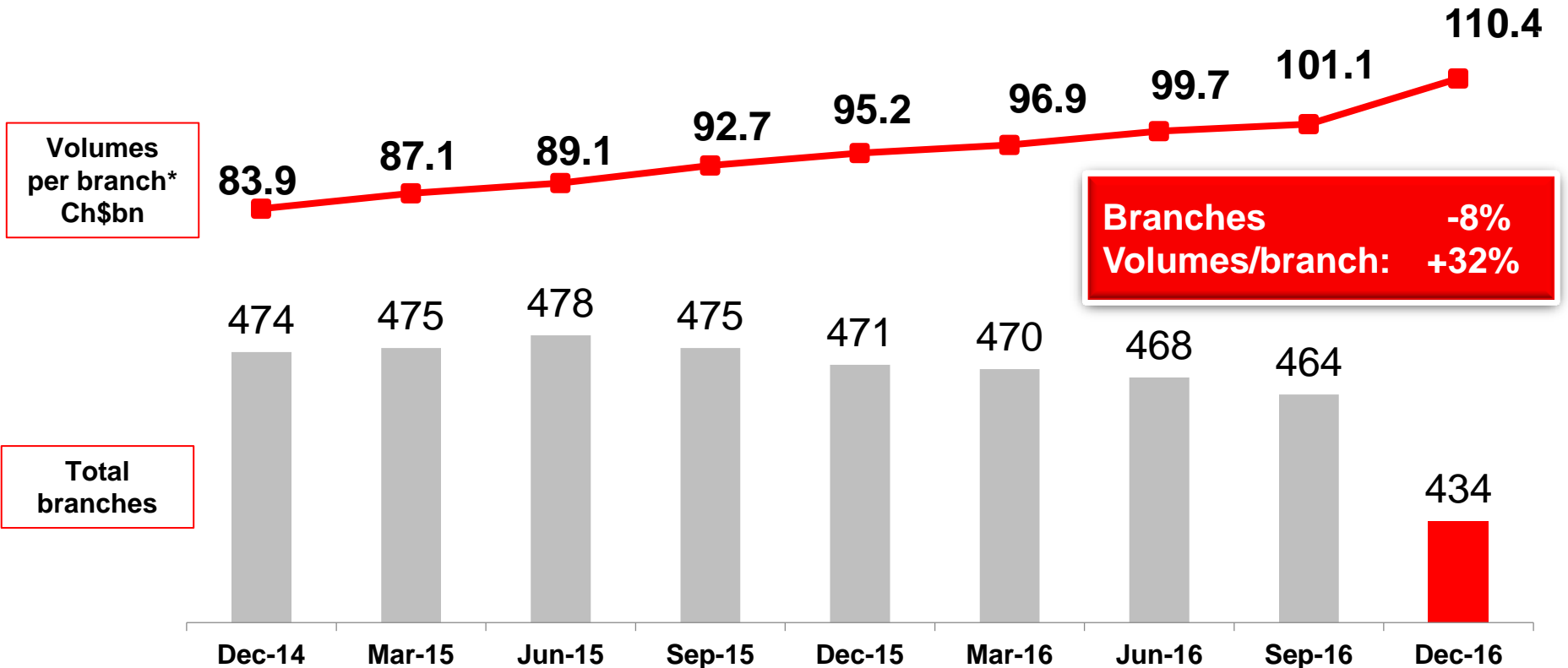
La mejor tecnología de autoservicio

# Strategy III: Digital transformation

## This transformation is boosting productivity...

### Business volumes per branch 2014-2016

Ch\$ billion per branch



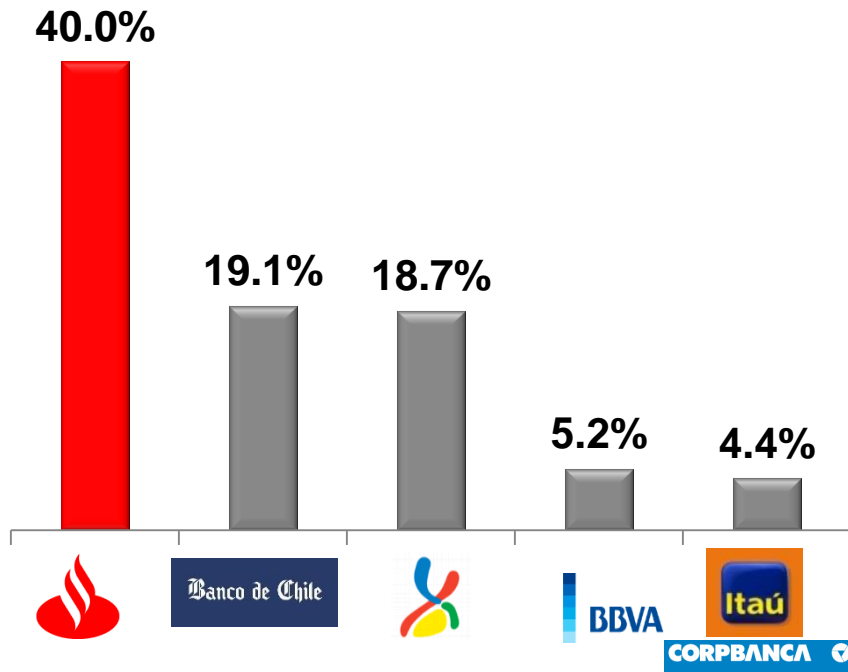
\* Ch\$ bn. Includes loans and deposits



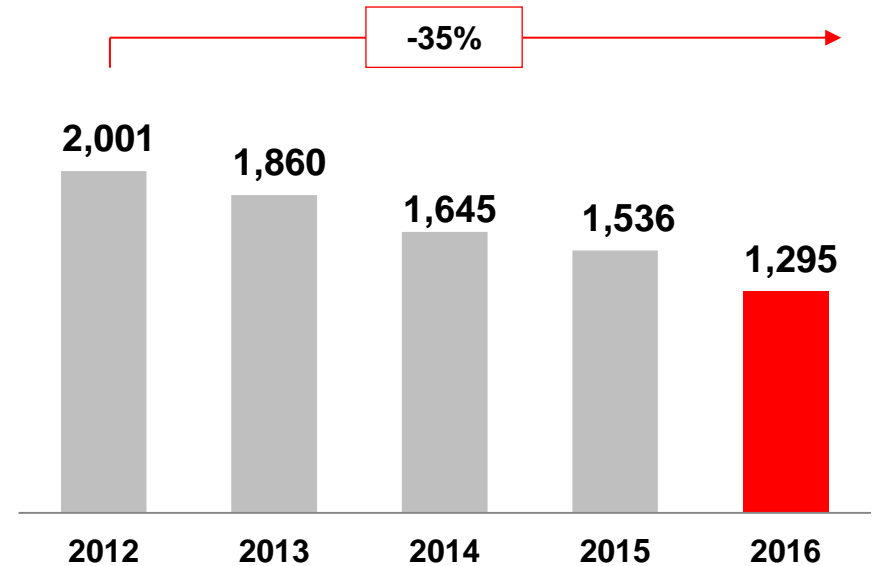
# Strategy III: Digital transformation

## ... and expanding the use of digital banking

### Internet usage market share<sup>1</sup>



### ATMs



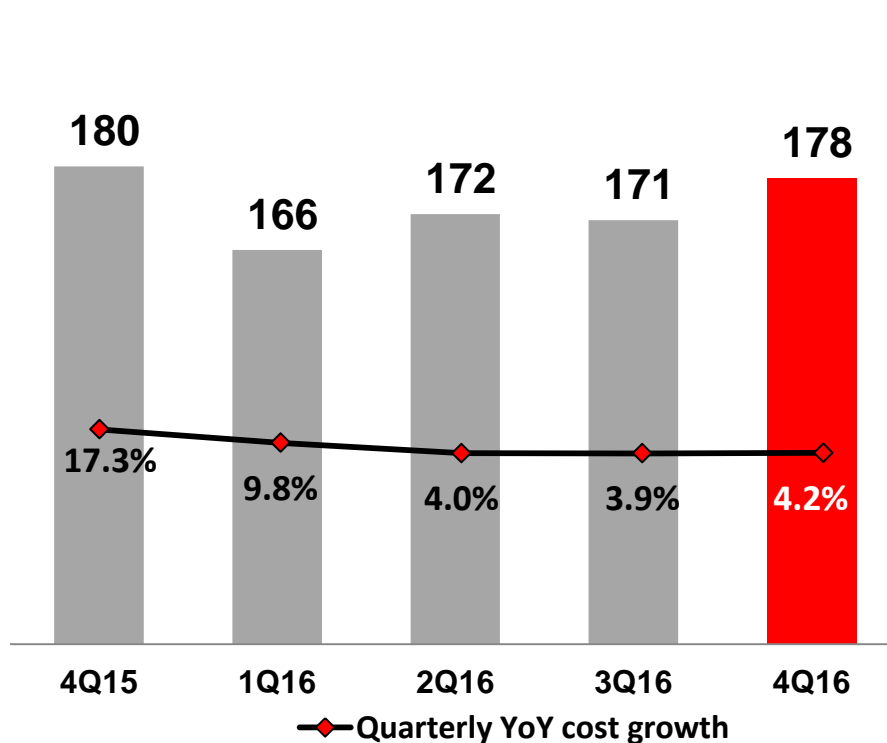
The focus in 2017 will be expanding mobile banking capabilities & usage

## Strategy III: Digital transformation

The rate of cost growth is descending

### Operating expenses

Ch\$bn



	12M16	YoY%
Personal exp.	395	2.1
Adm. exp.	226	2.7
Depreciation	65	21.9
<b>Op. expenses</b>	<b>687</b>	<b>3.9</b>
Efficiency Ratio <sup>1</sup>	42.7%	+137 bp
Cost / Assets	2.2%	+1 bp

### 4 objectives for healthy growth / higher profitability

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

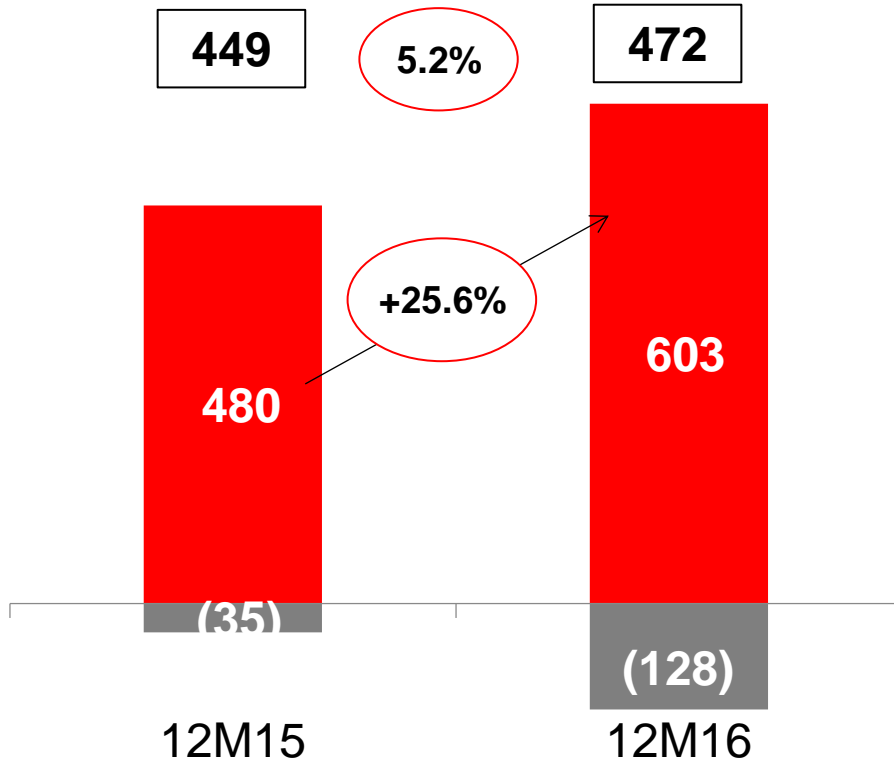


- **ROE** 17,1% in 2015 & 2016
- Strong **Core capital** ratios to support further growth
- Dividend paid in 2016 represented **dividend yield of 5.3%**
- Maximizing the **spread between ROE and COE\***

## Strategy: IV. Optimizing profitability and capital

# Stronger Client contribution driving profitability, in line with our strategy

Net income 12M16 / 12M15, Ch\$bn



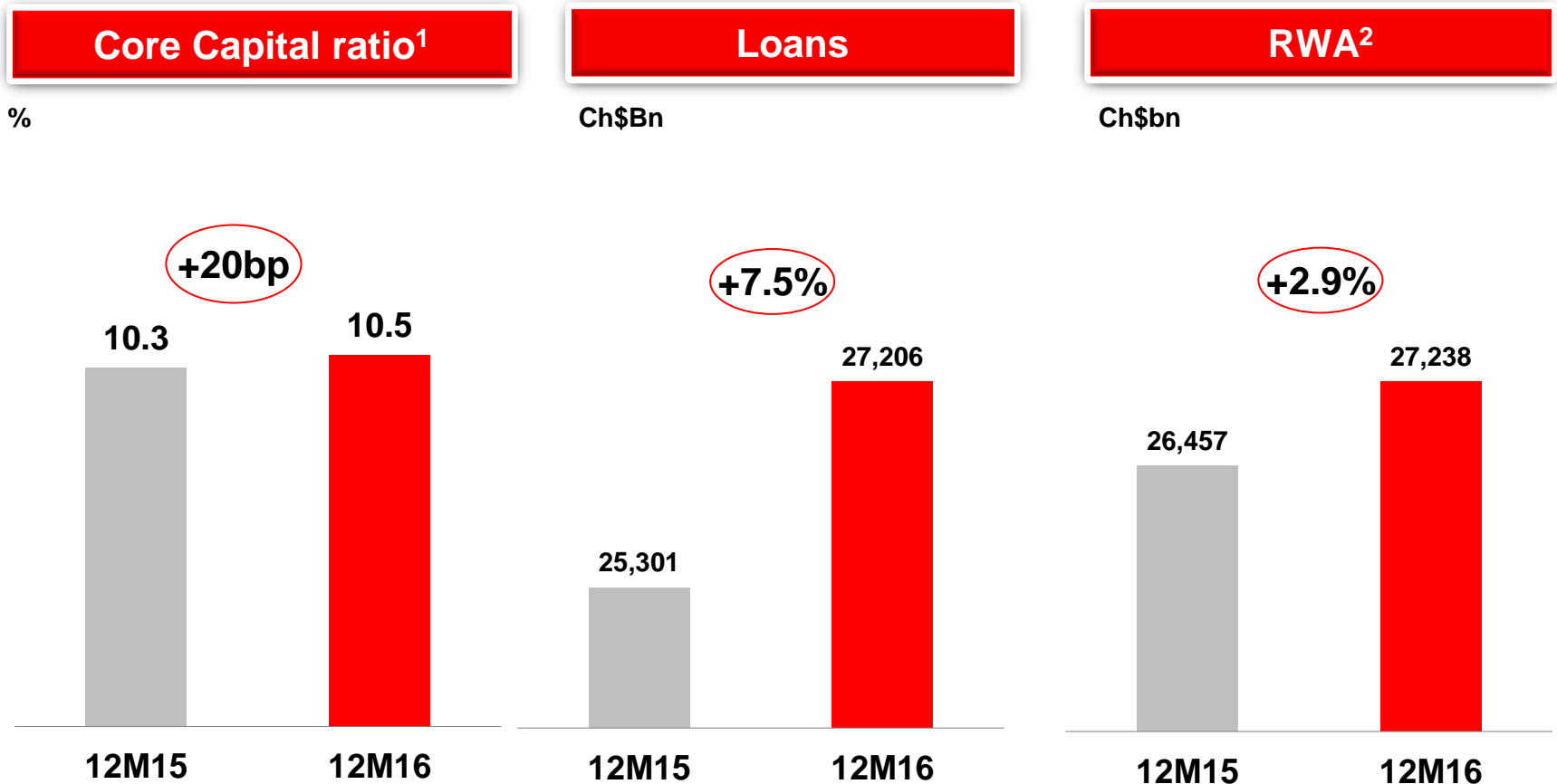
- Positive core revenue growth in all segments
- Non-client income negatively affected by lower inflation & higher tax rate

- **Business segment net contribution\***
- **Non-client income\*\***

**ROE in 2016 reached 17.1%, in line with guidance despite lower inflation**

## Strategy: IV. Optimizing profitability and capital

### Solid capital levels for further growth



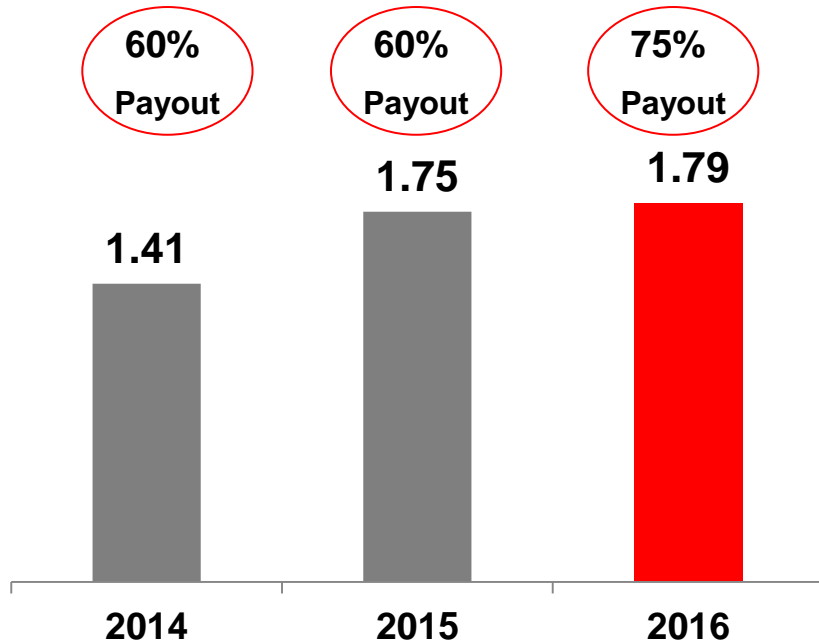
Capital ratios improve with contained RWA growth

# Strategy: IV. Optimizing profitability and capital

## Our strategy is increasing shareholder value in time

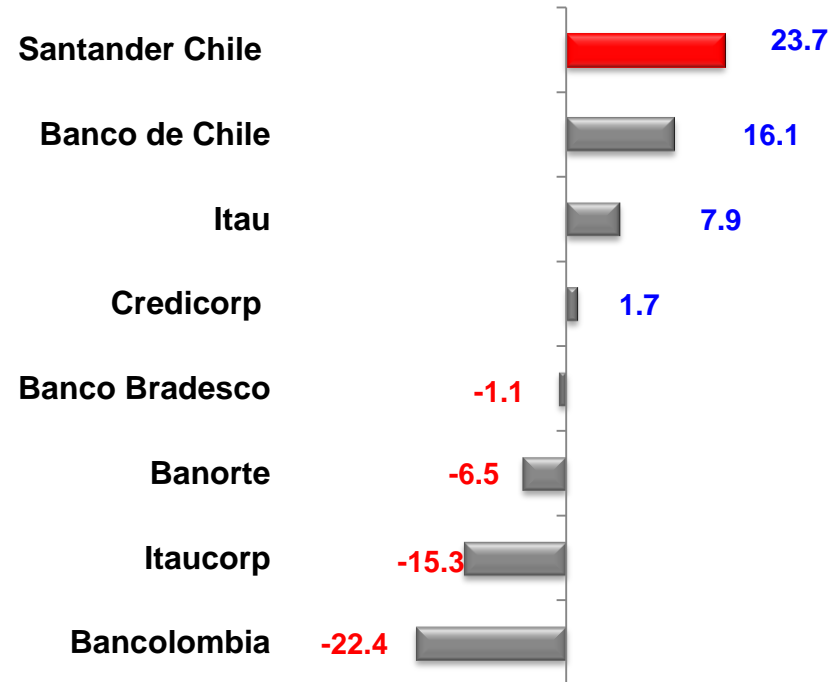
### Dividend per share

Ch\$ per share



### Total shareholder return

TSR including dividend, 12/31/14 - 12/31/16, %<sup>1</sup>



Dividend yield was 5.3% in 2016

# Agenda

- **Growth expected to accelerate in 2017-18. Financial system with relatively stable growth and risk trends**
  - **Santander Chile has adjusted its medium-term strategy and is starting to benefit from stronger client activity and improved profitability trends...**
- **... leading to a sound medium-term outlook**

## Sound outlook for Santander Chile

- **BSAC: stronger Client contribution driving profitability in 2016, in line with strategy**
  - Business segment contribution up 25.6% YoY in 12M16
  - Loan growth up 7.5%, led by segments with highest contribution, net of risk
  - Deposits grow 5.9% YoY with improving funding costs
  - Gaining market share in most loan and deposit products
  - Client NII grew 7.0% YoY in 12M16
  - Customer loyalty and satisfaction continue to improve
  - Improved asset quality: coverage rises to 145% / NPLs at 2.1% / cost of credit decreases to 1.3% with a favorable outlook
  - Cost growth under control: up 3.9% YoY in 2016. Branch optimization plans underway
  - ROE reached 17.1% in 2016
- **In 2017 we expect these sound business trends to continue**

**ROE of 17%-18 is goal for 2017**