

Banco Santander Chile

Solid business and client profitability trends

May, 2017



Simple | Personal | Fair

Important information

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Agenda

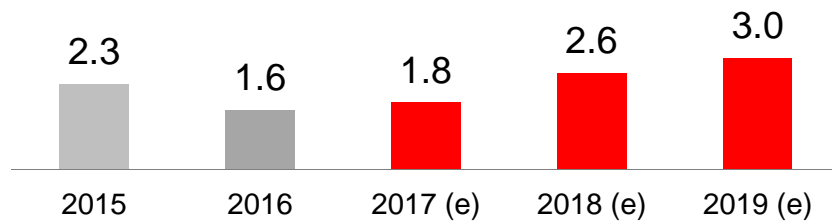
- **Macro-economic environment and financial system**
- **Strategy and results**
- **Outlook**

Macroeconomic environment

GDP growth expectations rise for 2018-19

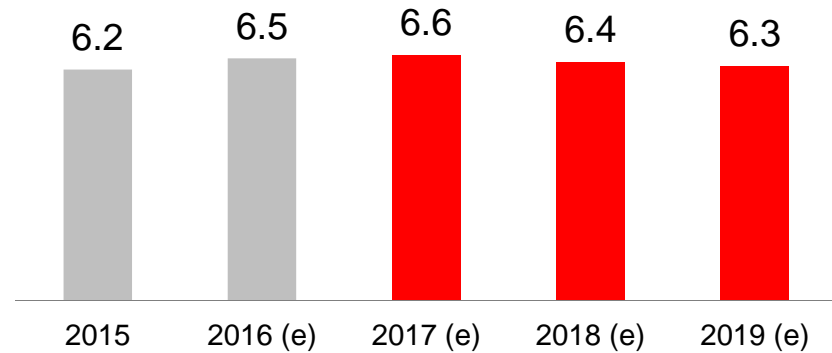
GDP

YoY real growth, %



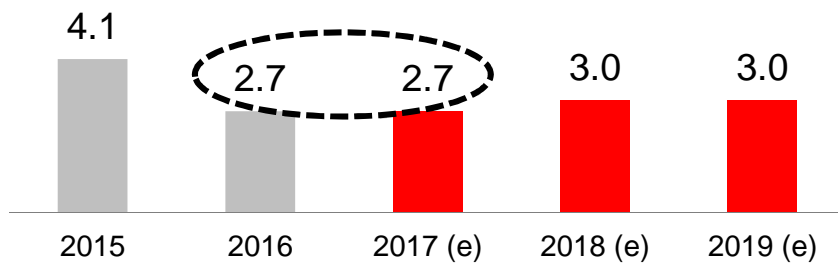
Unemployment

% of workforce, %



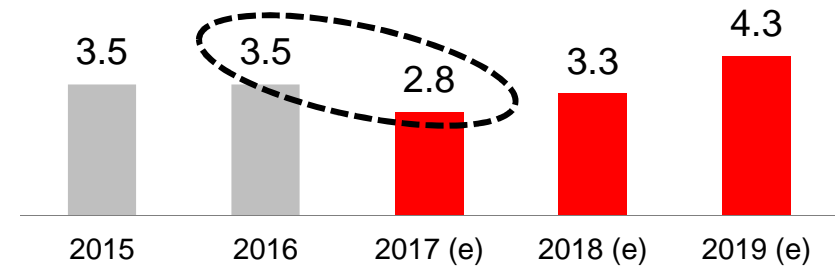
Inflation

Annual change in UF inflation, %



Central Bank ST Reference Rate

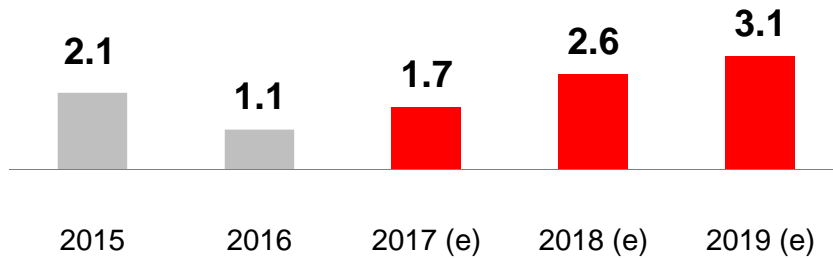
%



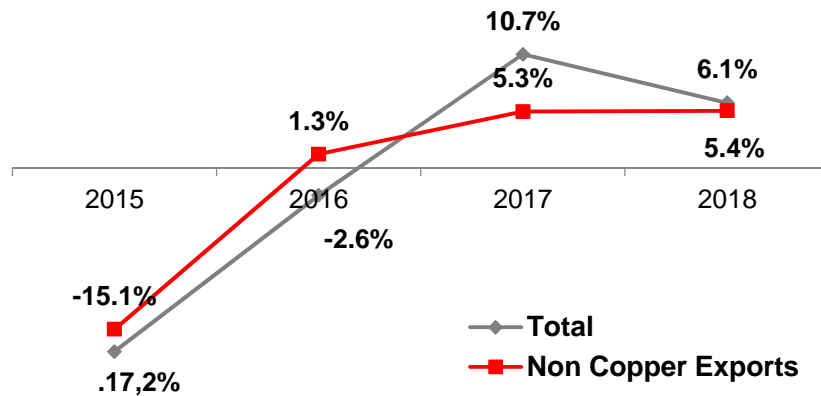
Macroeconomic environment

Exports and consumption driving growth in 2017-18

Internal Demand (YoY growth, %)



Exports (YoY growth, %)



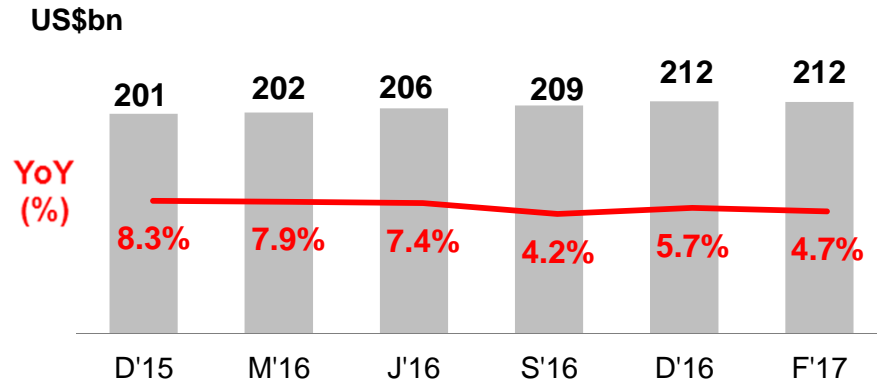
Growth by sectors (YoY growth, %)¹

Sector	2015	2016e	2017e	2018e
Communications	6.1	3.1	1.8	2.9
Agro / Fishing	6.7	4.5	3.5	4.0
Public adm.	3.9	3.0	3.3	2.9
Transportation	3.7	3.3	3.0	3.1
Services	2.3	2.3	2.1	2.7
Construction	3.9	2.5	-1.1	1.2
Manufacturing	0.2	-0.9	0.0	1.0
Commerce	2.3	3.4	3.7	4.2
Utilities	3.5	1.6	2.5	3.0
Mining	0.0	-2.9	1.0	2.5
GDP	2.3	1.6	1.8	2.6

Financial system: loan and customer funds

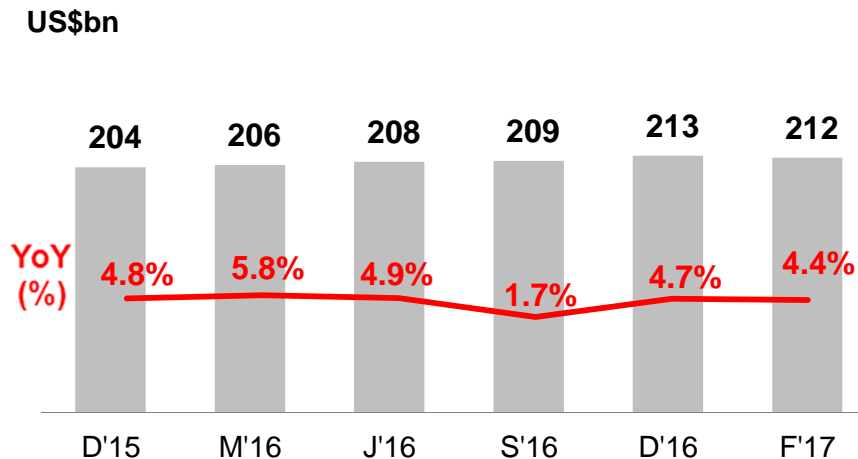
Financial system outstripping GDP growth

Total Loans¹



- Growth of consumer loans and export sectors drives loan growth
- Mortgage lending leading deceleration after extraordinary growth in 2015-16
- Stable asset quality

Customer funds^{1,2}



- 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

Agenda

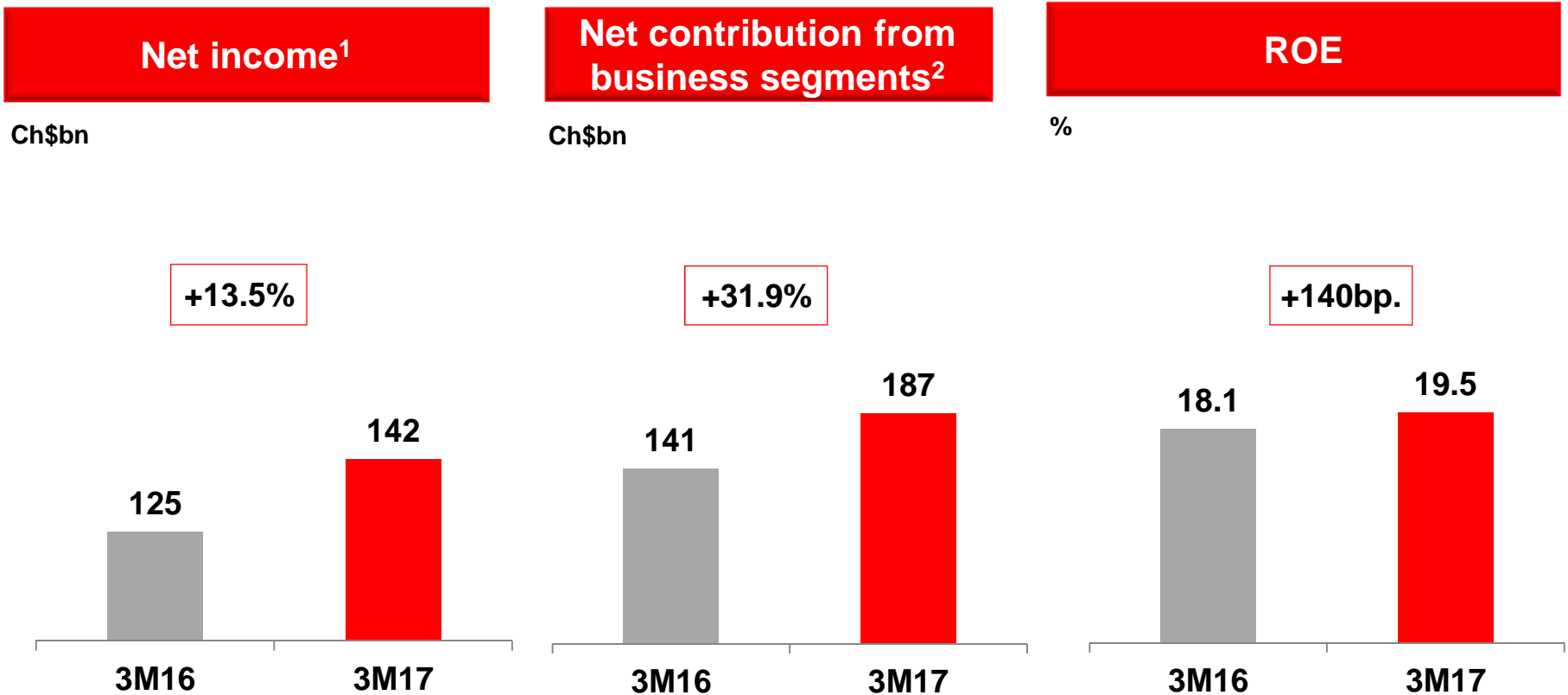
- **Macro-economic environment and financial system**

- **Strategy and results**

- **Outlook**

Results in 1Q17

Sound results in 1Q17 driven by client activities. ROE reached 19.5%



1. Net income attributable to shareholders

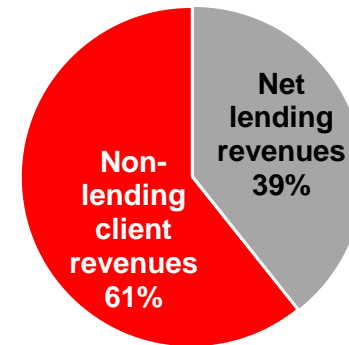
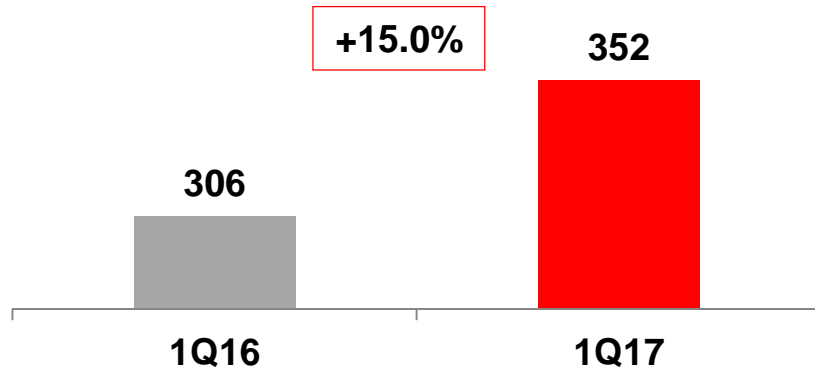
2. Net interest income + Net fee and commission income + Financial transactions, net - Provision expense – Operating expenses from our reporting segments.

Results in 1Q17

61% of our client revenues are generated by non-lending activities

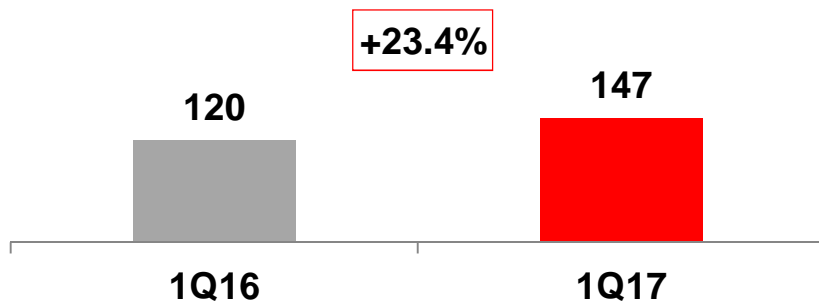
Net operating profit from business segments¹

Ch\$bn



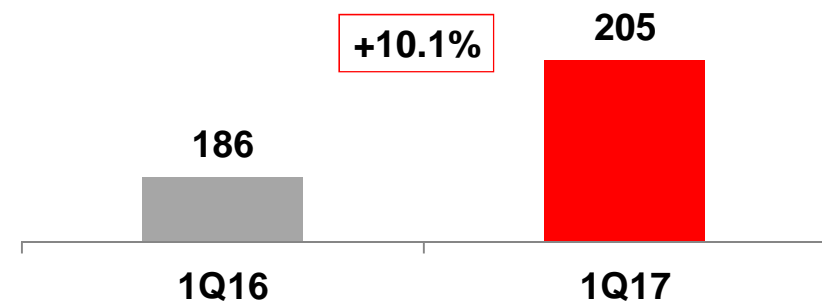
Net lending revenues²

Ch\$bn



Client non-lending revenues³

Ch\$bn



Strategy and results

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

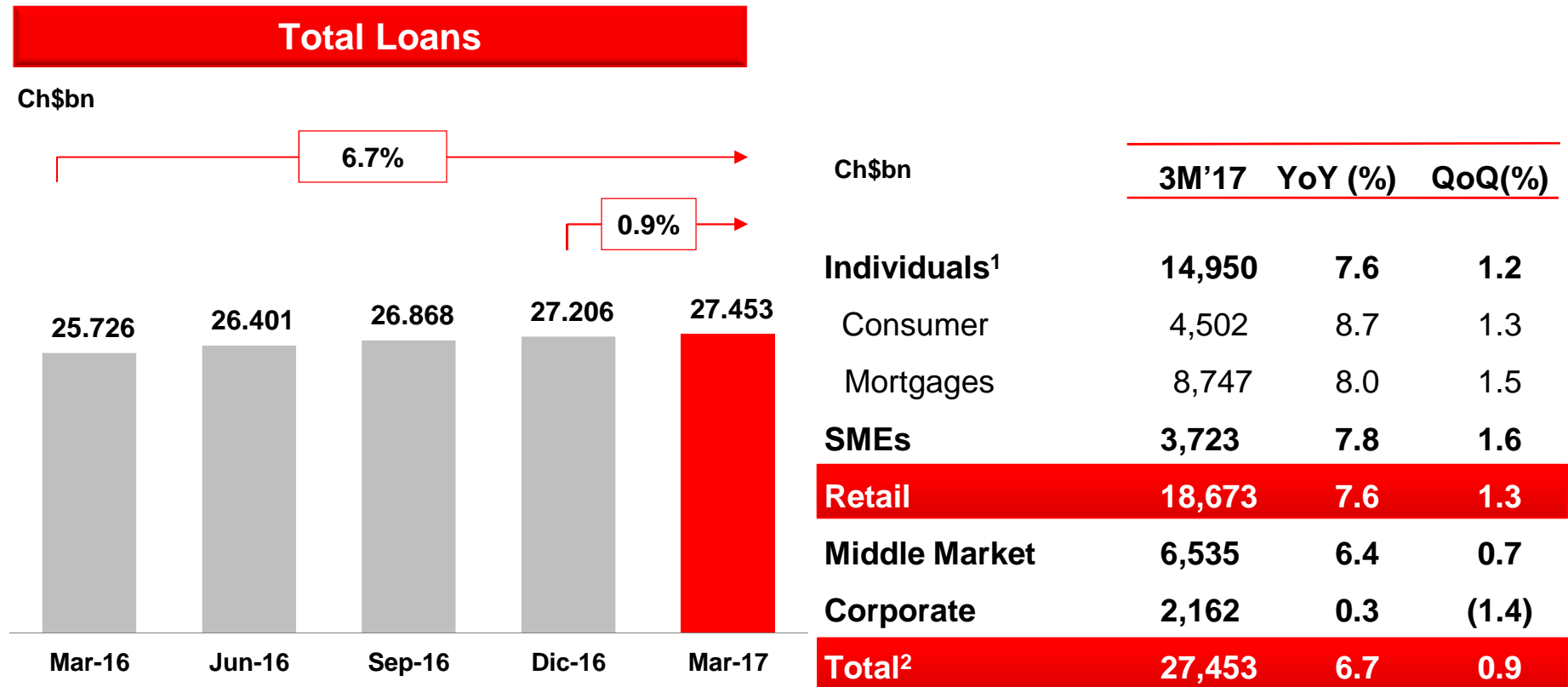


IV. Optimizing profitability and capital use to increase shareholder value in time



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

Loans grow 6.7% YoY, with retail loans expanding 7.6%

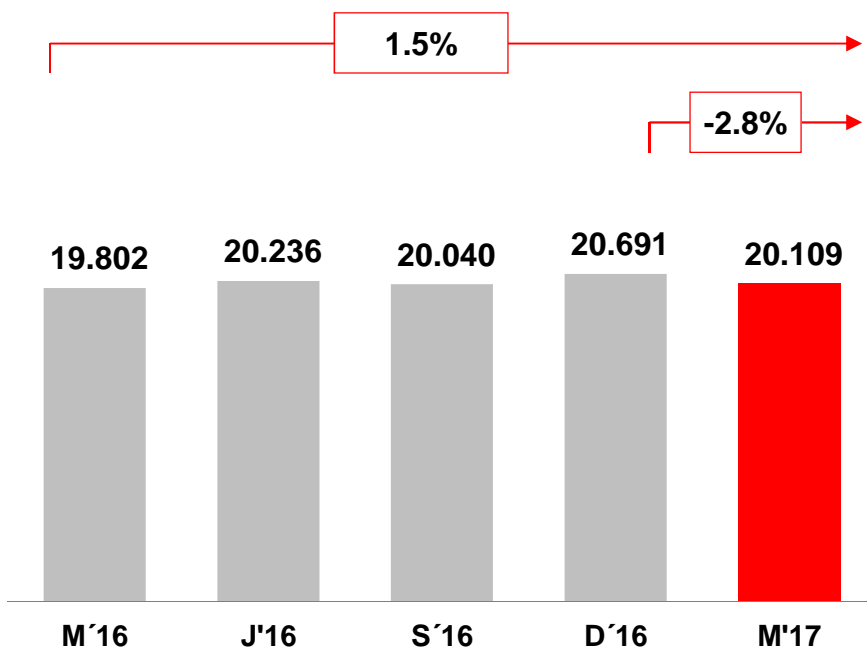


Strategy: I. Growth focused on segments with highest contribution, net of risk

Non-interest bearing demand deposits increase 4.7% YoY

Total Deposits

Ch\$bn



Ch\$bn

Demand

Time

Total deposits

Mutual funds¹

Customer funds

	3M'17	YoY(%)	QoQ(%)
Demand	7,409	4.7	(1.7)
Time	12,700	(0.2)	(3.4)
Total deposits	20,109	1.5	(2.8)
Mutual funds¹	5,490	16.9	9.2
Customer funds	25,599	4.5	(0.5)

7,409

4.7

(1.7)

12,700

(0.2)

(3.4)

20,109

1.5

(2.8)

5,490

16.9

9.2

25,599

4.5

(0.5)

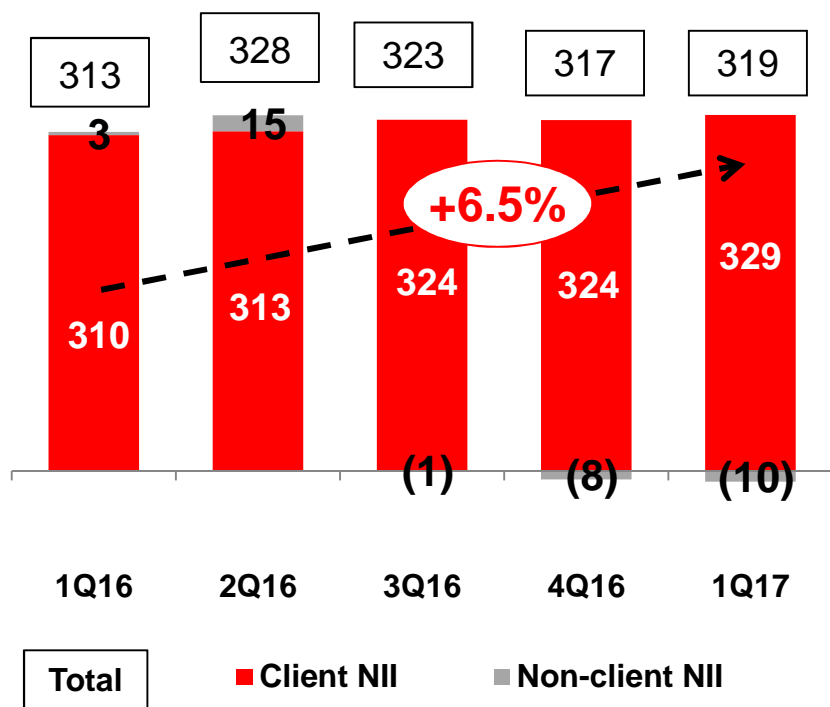
Rate cut drives shift of time deposits towards fee generating mutual funds

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

Client NII increased 6.5% YoY. Lower inflation lowers total NIM

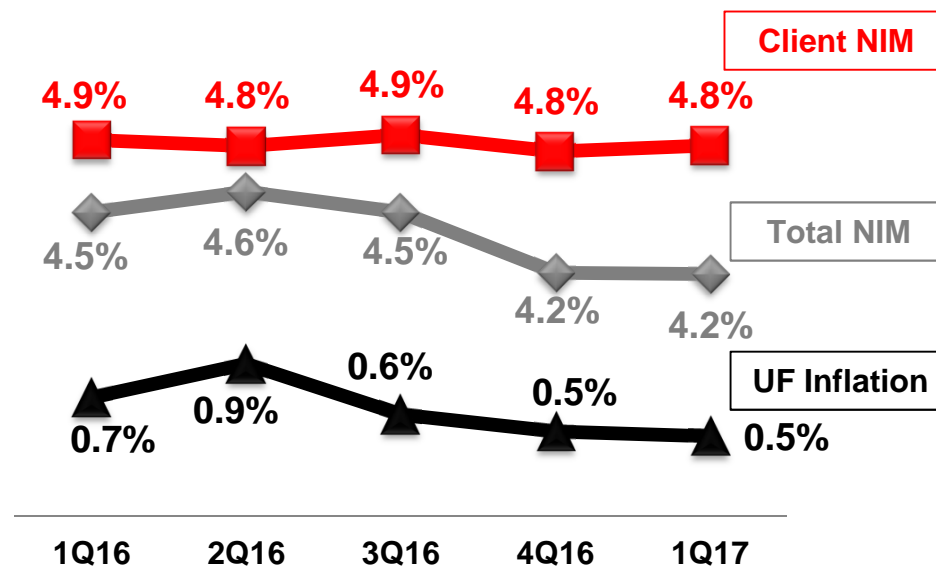
Client and total net interest income¹

Ch\$bn



NIM & Client NIM

Net Interest Margin (NIM), %



Rate cuts and higher inflation should support NIMs during the rest of 2017

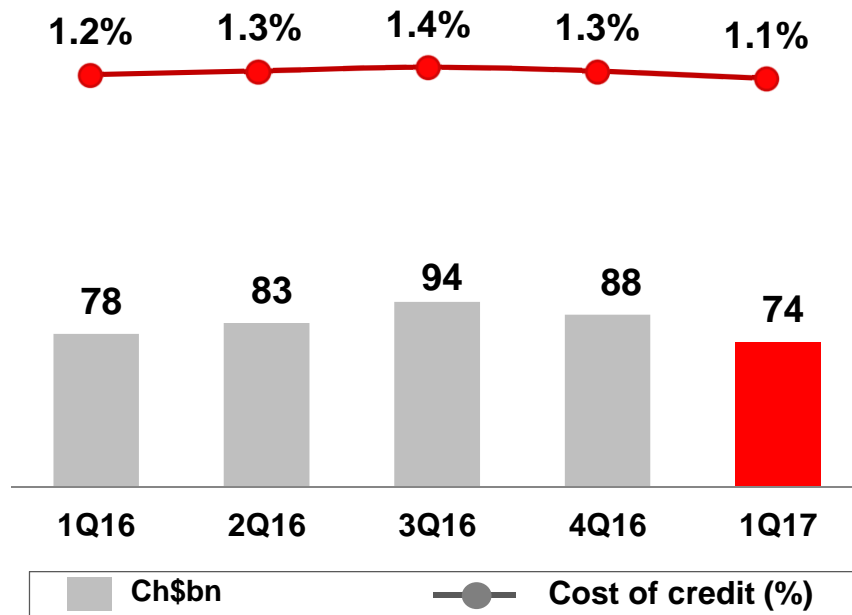
1. Client Net interest income (NII) is NII from Retail, Middle-market and GCB segments Non-client NII is NII mainly from the Bank's ALCO positions and includes the effects of inflation on the Bank's NII

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

Sound asset quality indicators. Cost of credit at 1.1%

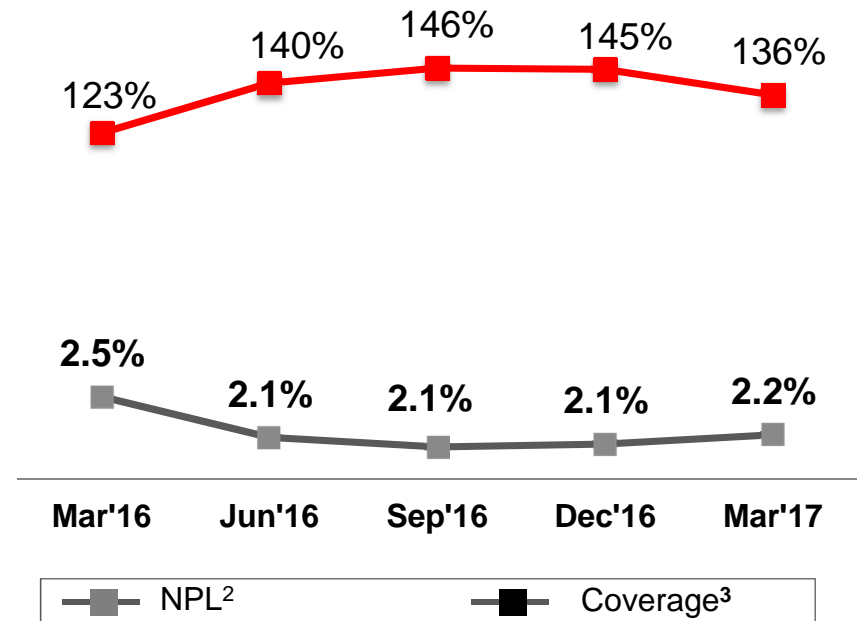
Provision expense & cost of credit¹

Ch\$bn



NPL and coverage ratio

% of loans

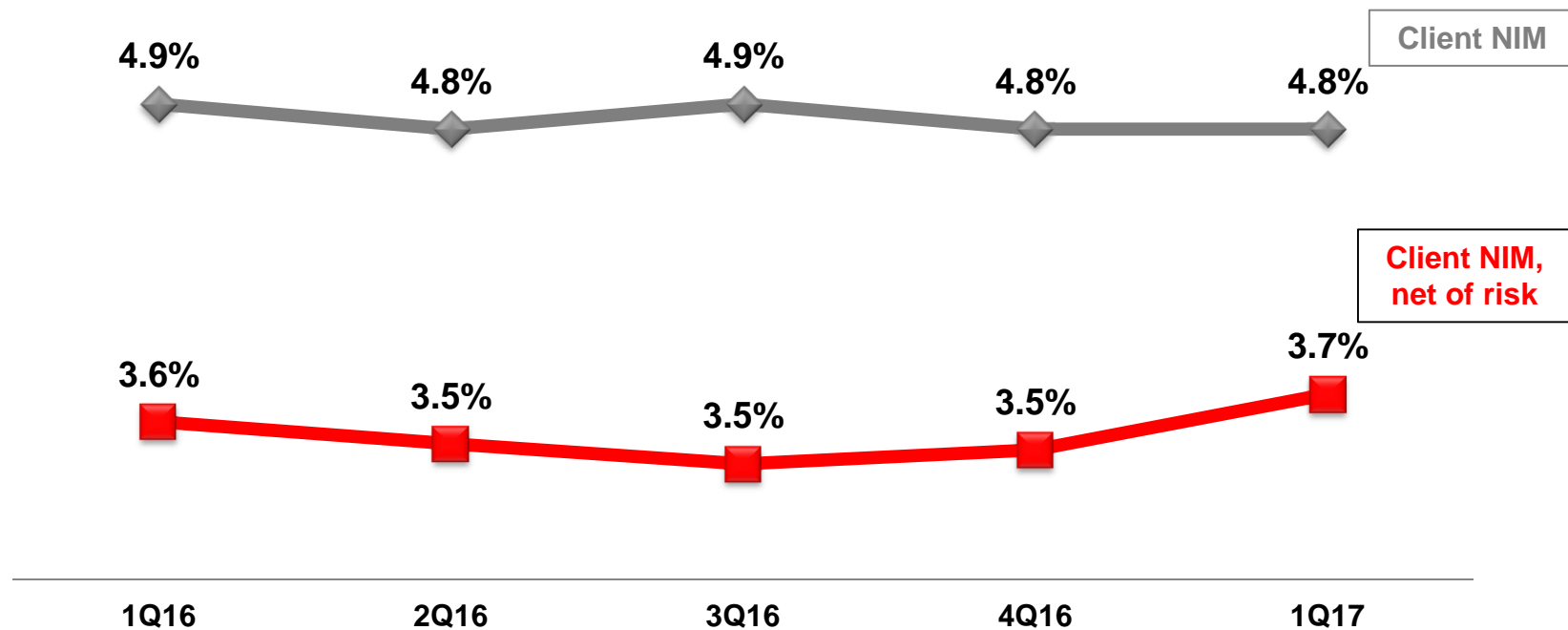


1. Annualized quarterly provisions expense/total loans. 2. 90 days or more NPLs 3. Loan loss reserves over NPLs.

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

Client NIMs, net of risk starting to rise, in line with strategy

Client NIM and Client NIM, net of provisions¹



Strategy and results

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

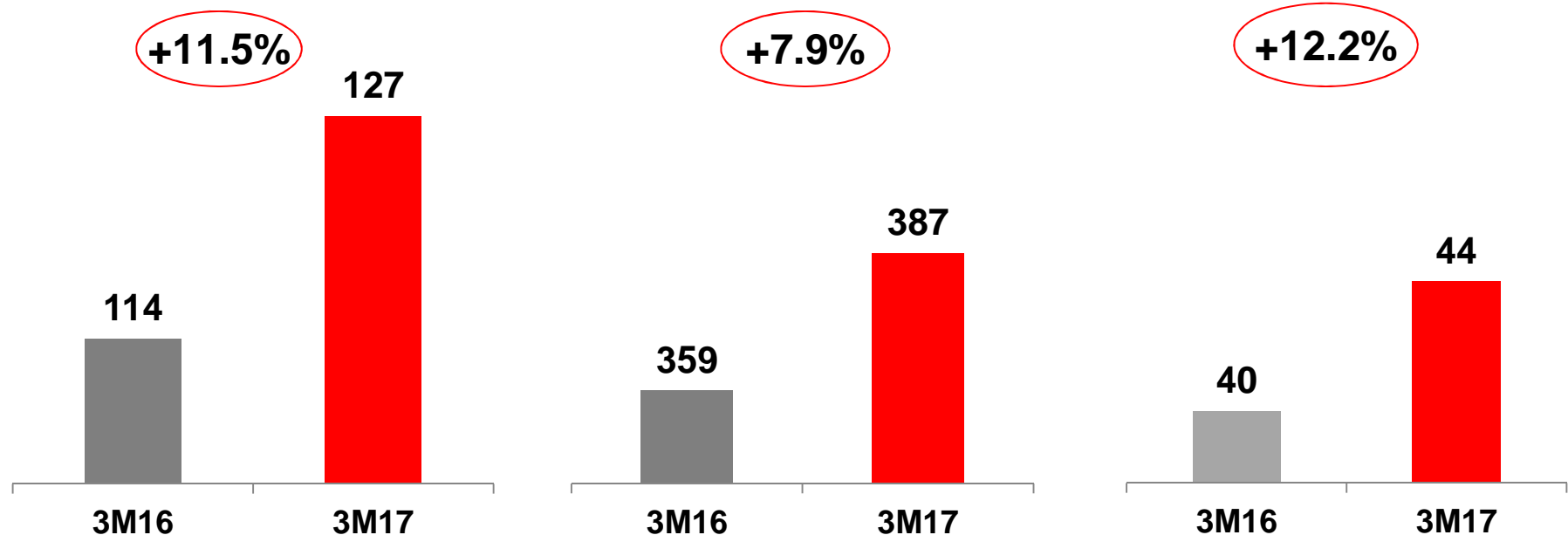
Rising customer loyalty...

Loyal High income customers¹

Loyal Middle income customers¹

Loyal SME + Middle market customers²

Loyal customers, thousands



Strategy: II. Increasing client loyalty

... and various product and channel innovations

New *WorkCafé* branches



- Productivity >50%
- Front / Back 3:1
- 70% of space for sales
- Cost/income 14% vs 24%

Credit card with exclusive benefits

World Member Limited Santander



World Member Limited - New exclusive credit card
– 33% more kms. on total purchases per month of between Ch\$1.5 million and Ch\$4 million and other exclusive benefits.

1-2-3 Click



Crédito 123 Click

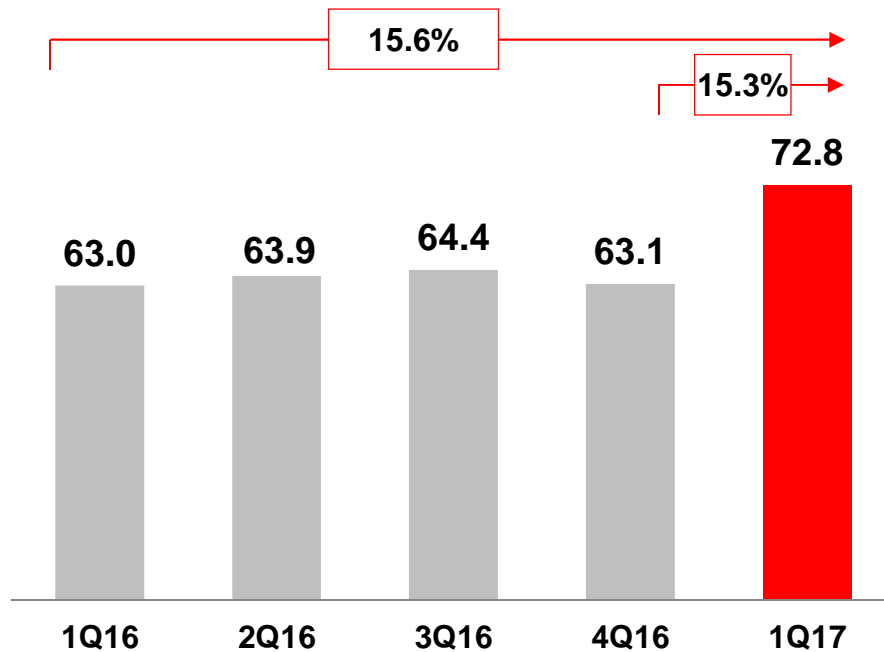
- Consumer loans 100% digital
- 3 simple steps via App or www.santander.cl
- Money transferred in an instant to client
- Already represents >20% of consumer loan sales
- Spread +400bp higher than average consumer loans

Strategy: II. Increasing client loyalty

... is driving fee income

Net fee income

Ch\$bn



Fee income from business segments

Ch\$bn

	3M'17	YoY (%)
Retail	52.2	14.2
Middle Market	9.1	-2.3
Corporate	10.6	50.2
Subtotal	72.0	13.6
Others	0.9	--%
Total	72.8	15.6%

Fees from Corporate are driven by greater financial advisory services

Strategy and results

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Strategy III: Digital transformation

Our distribution network is evolving...



Strategy III: Digital transformation

... by creating friendlier and more productive 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

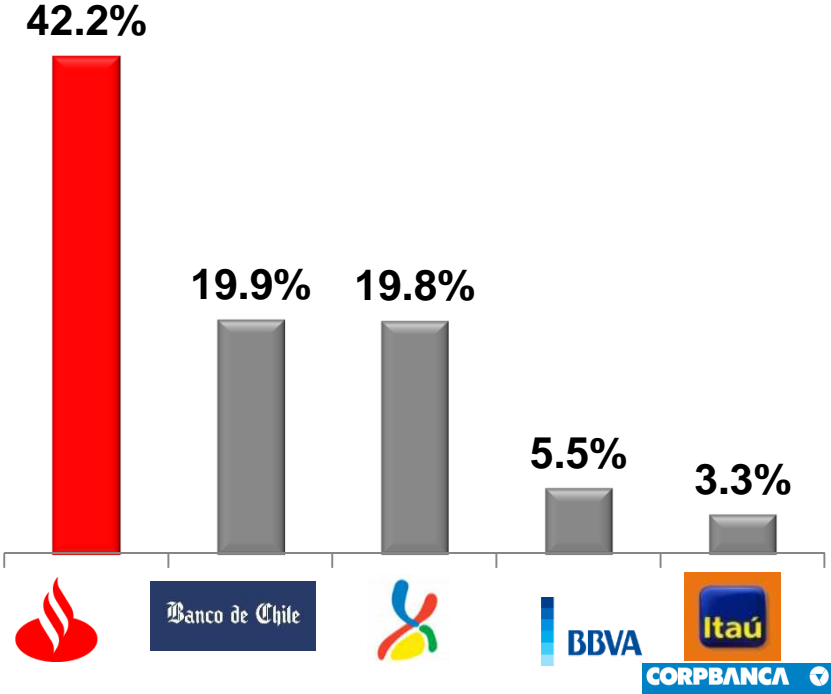


La mejor tecnología de autoservicio

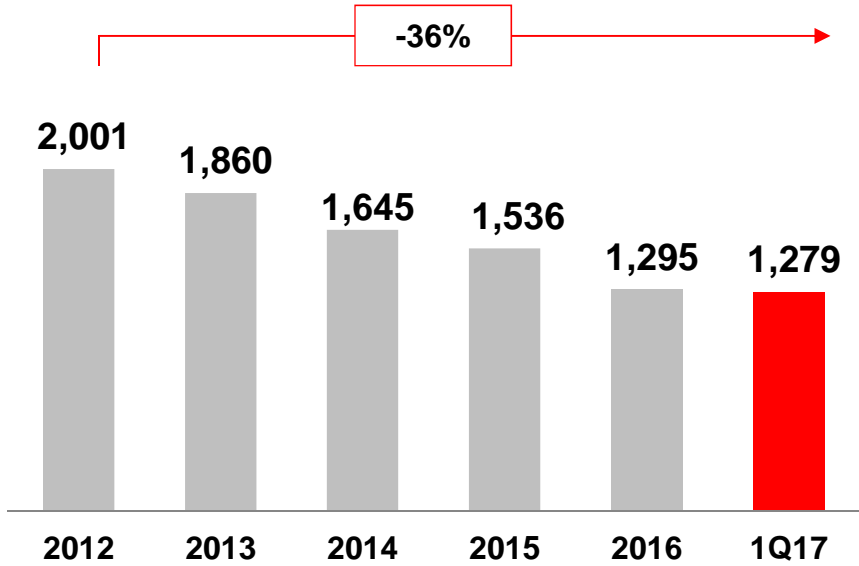
Strategy III: Digital transformation

We continue to expand the use of digital banking...

Internet usage market share¹



ATMs



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

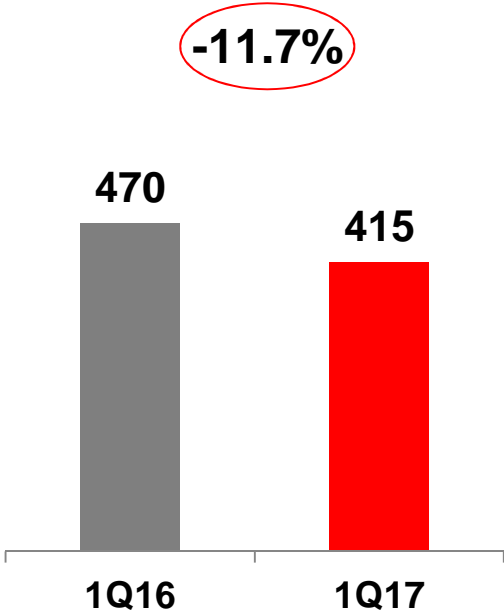
1. Market share over clients that enter a website with a passkey. Excludes Banco de Estado. Source: Superintendency of Banks of Chile. Yearly average

Strategy III: Digital transformation

... which is boosting productivity

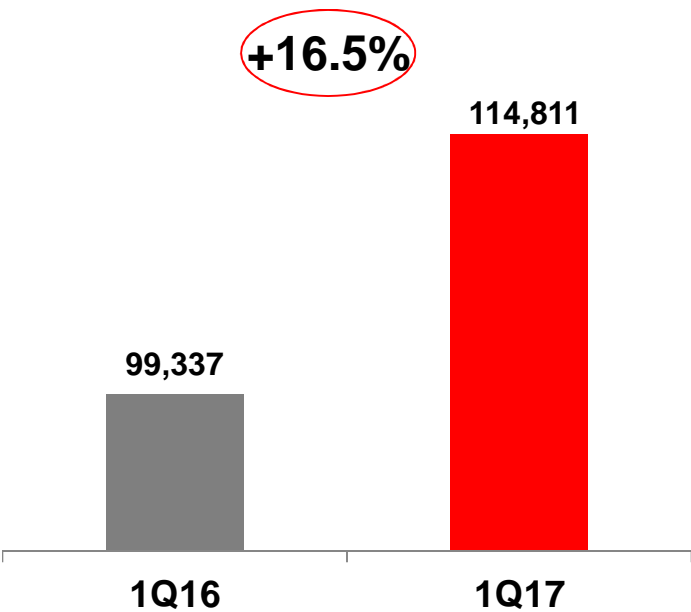
Branches

Number of branches



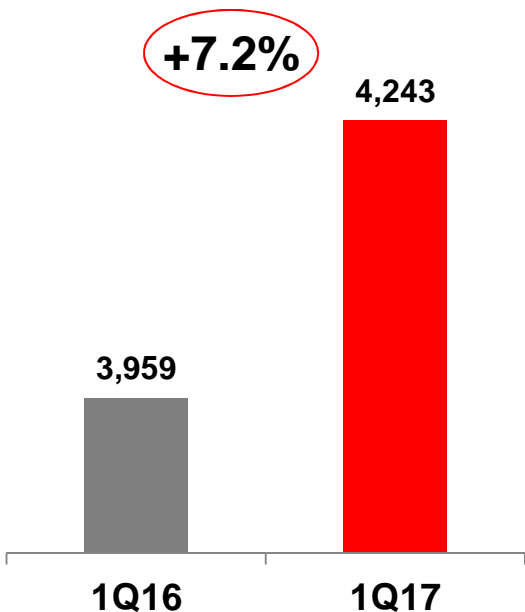
Productivity per branch

Volumes* per branch, Ch\$m



Productivity per employee

Volumes* per employee, Ch\$m



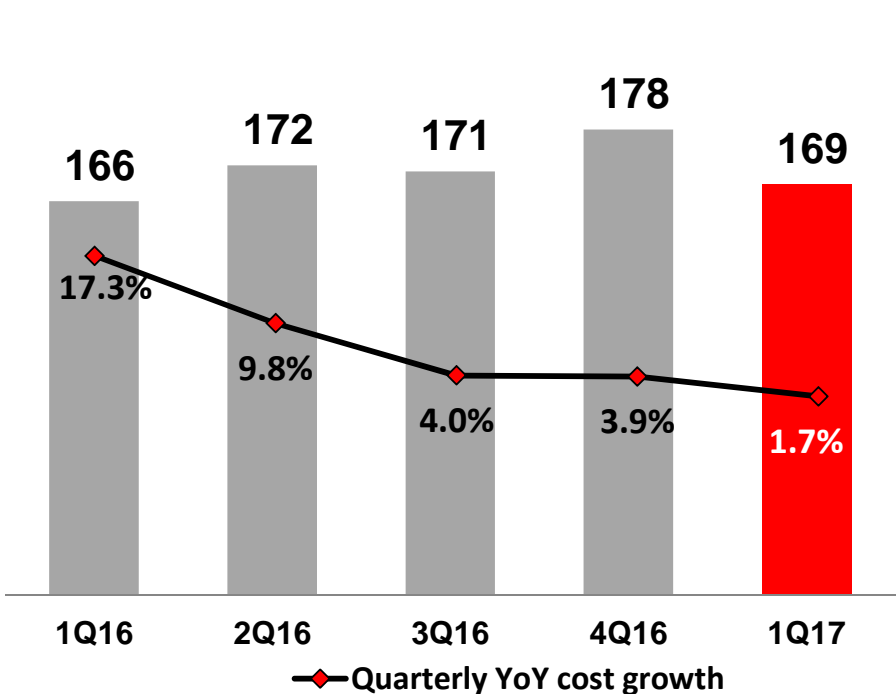
* Loans + deposits

Strategy III: Digital transformation

Cost growth is falling. Efficiency reaches 40.0% in 1Q17

Operating expenses

Ch\$bn



	3M17 YoY%	
Personal exp.	93	(0.3)
Adm. exp.	58	(0.4)
Depreciation	18	22.8
Op. expenses	169	1.7
Efficiency Ratio ¹	40.0%	+160 bp
Cost / Assets	1.8%	-10bp

1. Efficiency ratio: Oper. Expense excluding impairment / Net interest income + fee income + financial transactions, and Other operating income, net

Strategy and results

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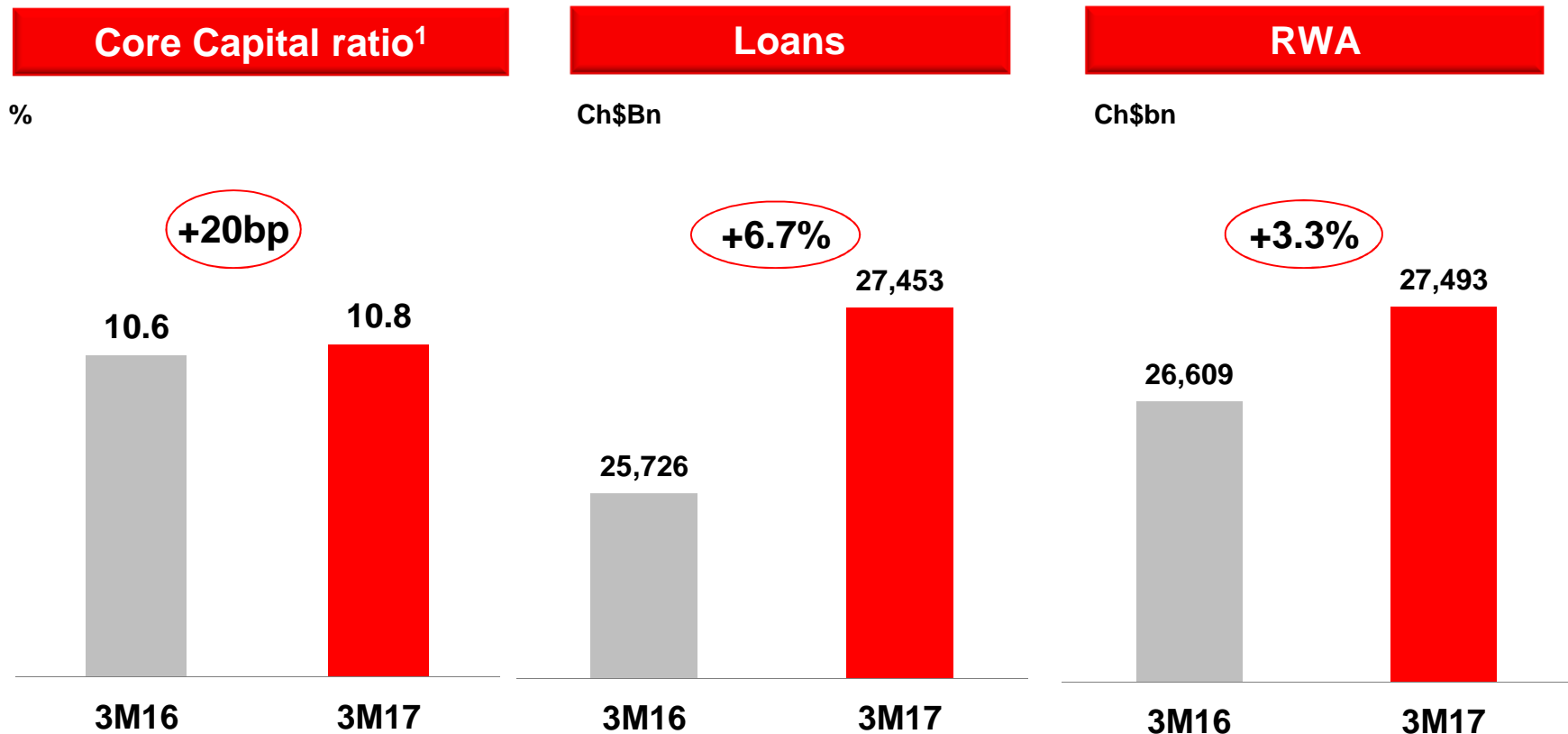


IV. Optimizing profitability and capital use to increase shareholder value in time



Strategy: IV. Optimizing profitability and capital

Solid capital levels for further growth



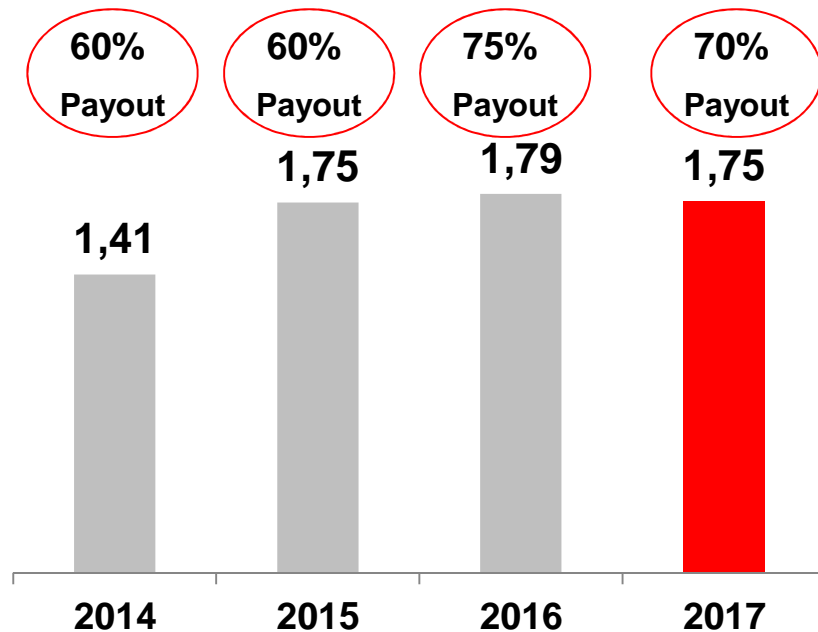
Capital ratios improve, with contained RWA growth

Strategy: IV. Optimizing profitability and capital

Our strategy is increasing shareholder value in time

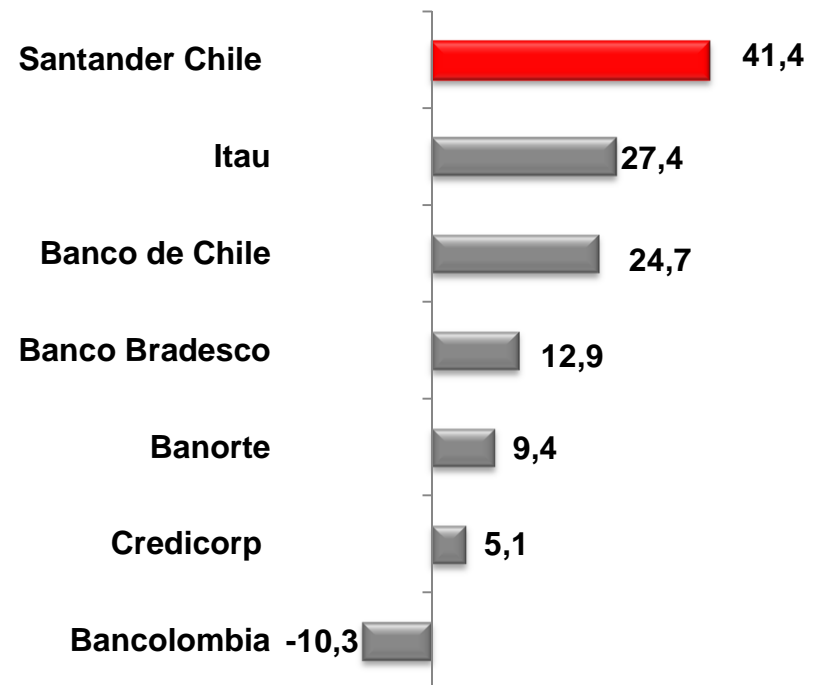
Dividend per share

Ch\$ per share



Total shareholder return 12/14 – 03/17

TSR including dividend, 12/31/14 – 03/31/17, %¹



Dividend yield = 4.5% in 2017

Agenda

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

Outlook

Sound outlook for Santander Chile

- **BSAC: stronger Client contribution driving profitability in 2017, in line with strategy**
 - Business segment contribution up 31.9% YoY in 1Q17
 - Loan growth up 6.7%, led by segments with highest contribution, net of risk
 - Demand deposits grow 4.7% YoY with improving funding costs
 - Client NII grew 6.5% YoY in 3M17
 - Customer loyalty and satisfaction continue to improve, driving double digit fee growth
 - Sound asset quality indicators. Cost of credit decreases to 1.1%
 - Digital and branch optimization plans underway. Efficiency ratio reaches 40.0%
 - ROE reached 19.5% in the first quarter
- **In 2017 we expect these sound business trends to continue**