

Banco Santander Chile

Market leader in a strong economy

January 2013

Chile



Important information

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Note: the information contained in this presentation is not audited. 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. Historical figures have been restated in accordance with the new accounting standards adopted by Chilean banks in 2009. 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.

Highlights



Highlights

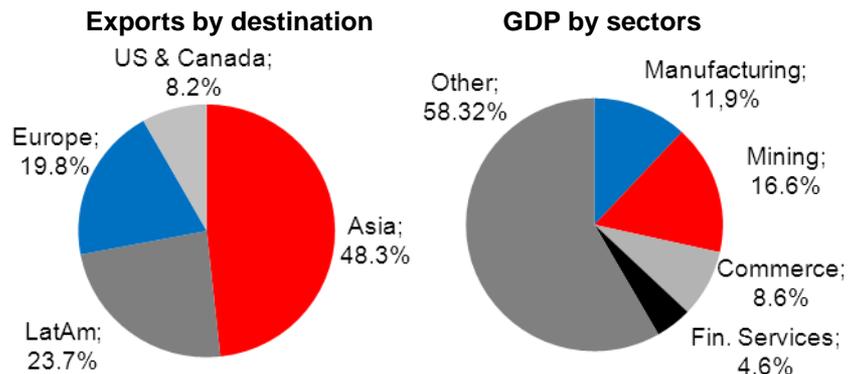


Chile: a strong and diversified economy...

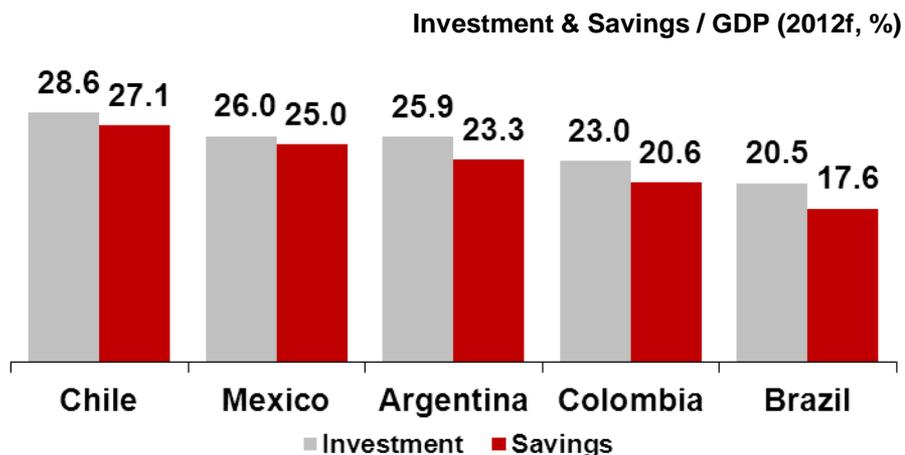
Chile's key economic highlights⁽¹⁾

Population:	16.6 mn
GDP:	US\$248bn
GDP Per Capita (PPP):	US\$17,974
Exports / GDP:	32.7%
Savings / GDP:	27%
Net Public Debt / GDP:	- 9.2%
Current Ratings:	AA-/A-/Aa3

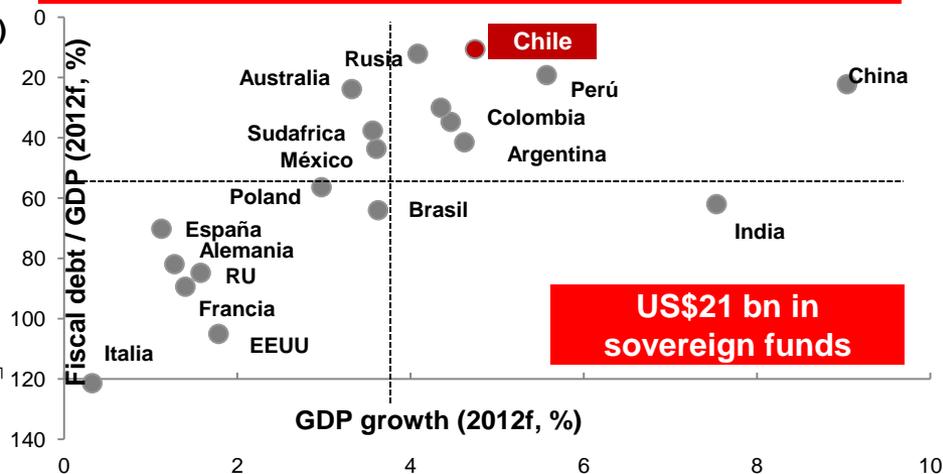
A diversified economy...⁽¹⁾



... with high investment & savings rates⁽²⁾



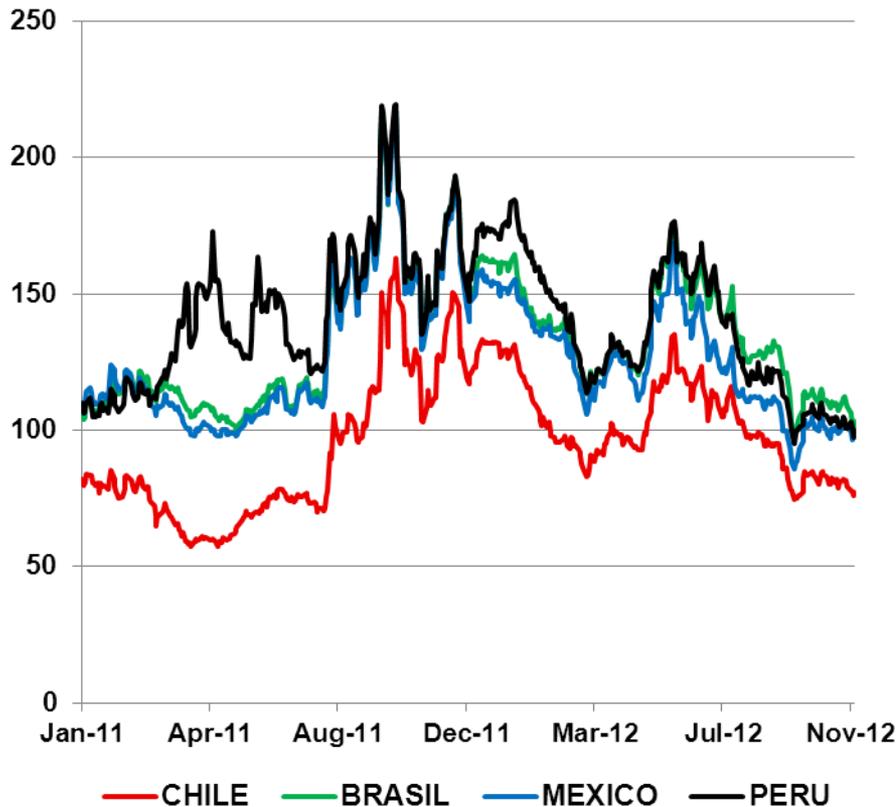
... and a solid fiscal position⁽³⁾



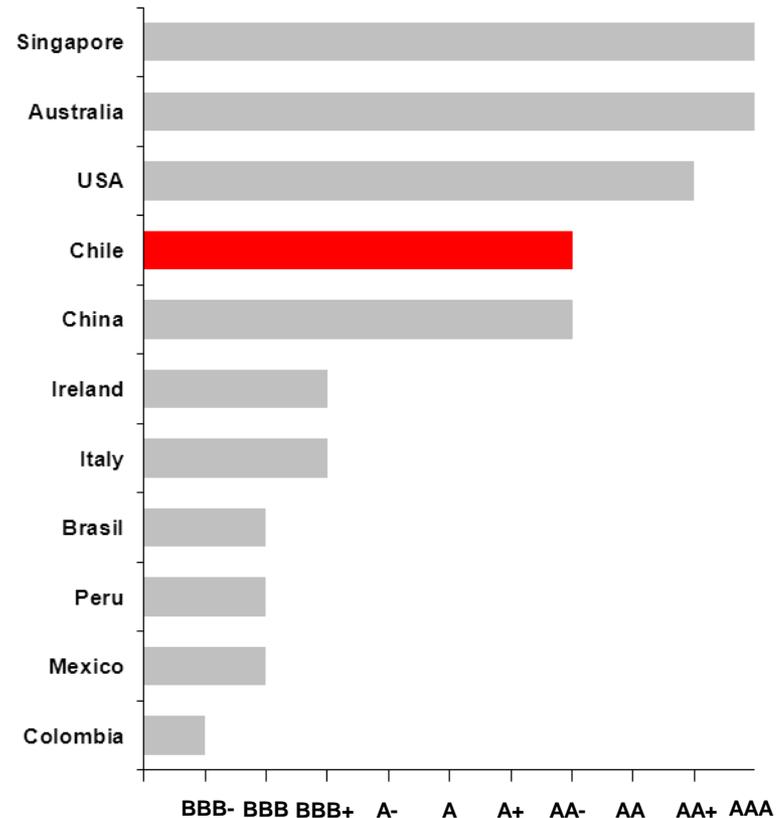
(1) Figures for 2011 or latest available data. Source: Central Bank of Chile. (2) Source: IMF. (3) Source: CIA, World Fact Book

... resulting in a relatively low-risk environment

Low Sovereign risk...(1)



... and high Sovereign rating(2)

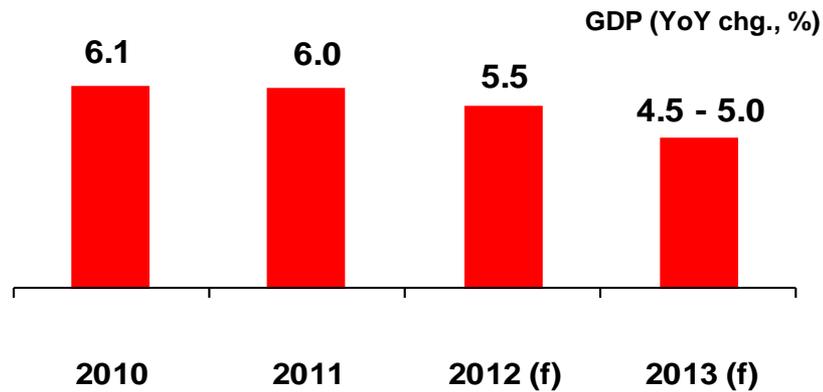


A sound institutional framework and business environment

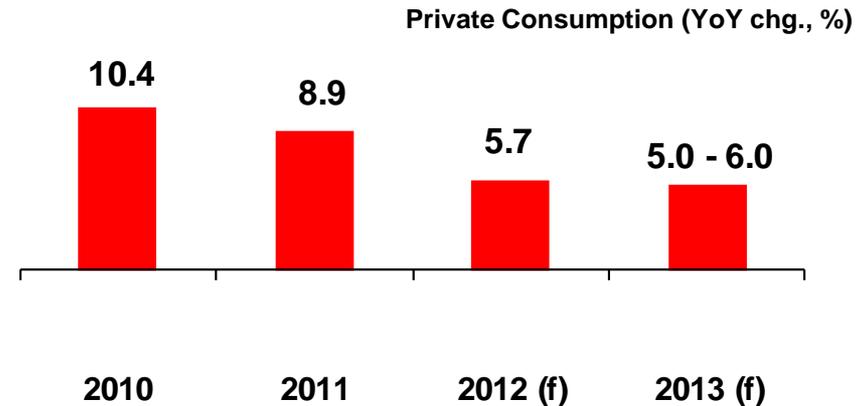
(1) CDS Spreads. Source: Bloomberg. (2) Source: S&P via Bloomberg, as of December 2012

Our outlook for 2013 is positive

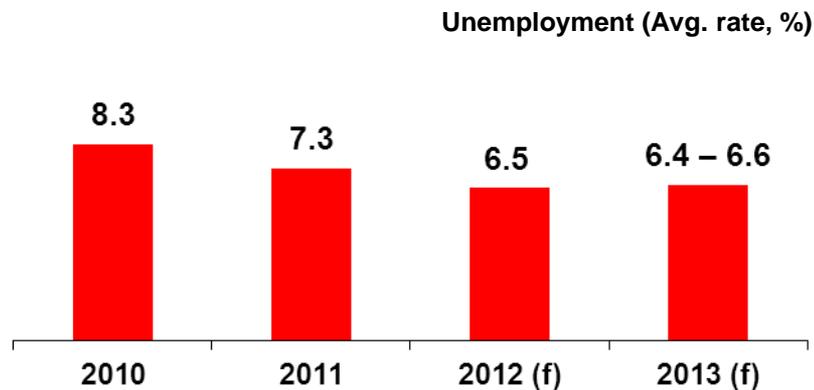
Solid GDP growth...



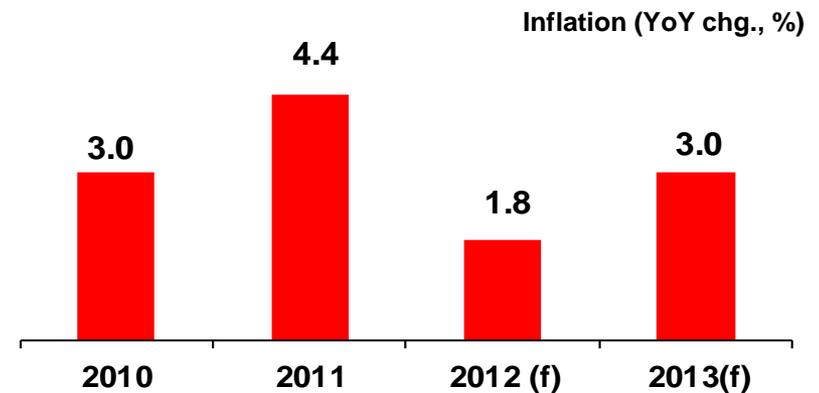
... fueled by Private Consumption



Stable unemployment...



... and low inflation

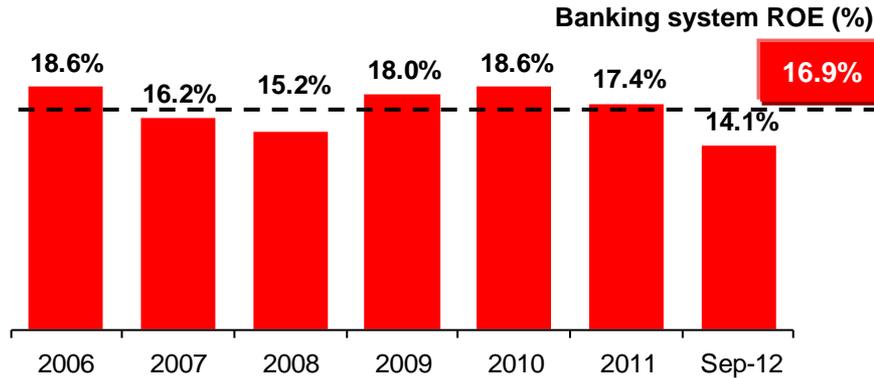


Source: Central Bank of Chile. (f): Santander Chile's forecasts

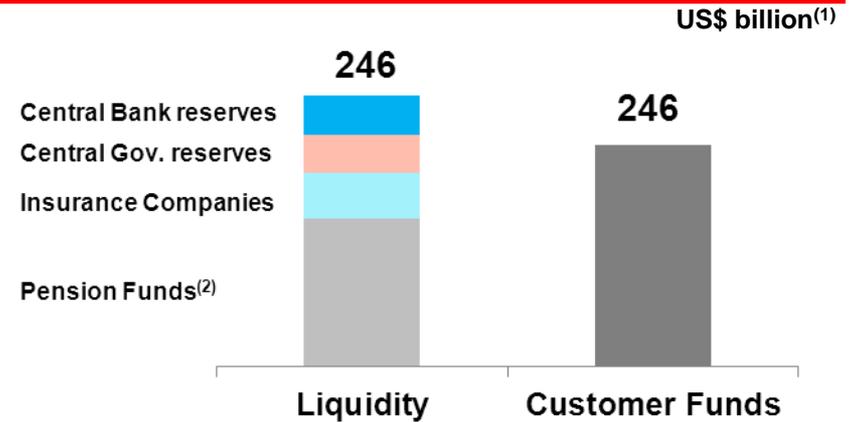
2. An expanding financial system

A profitable and solid financial system

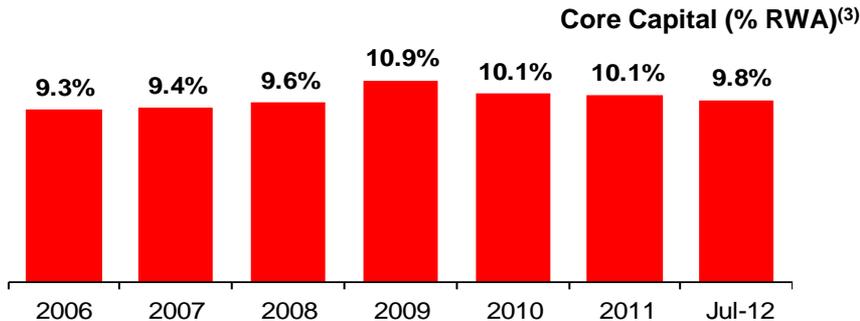
Attractive and stable profitability



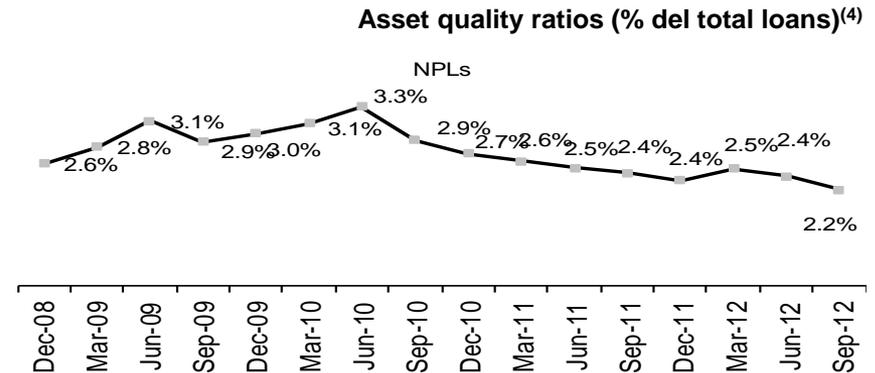
Ample liquidity to access



High capital ratios



Stable asset quality



(1) Figures as of Dec. 2011 or latest available information.

(2) Pension funds excludes deposits in Banks.

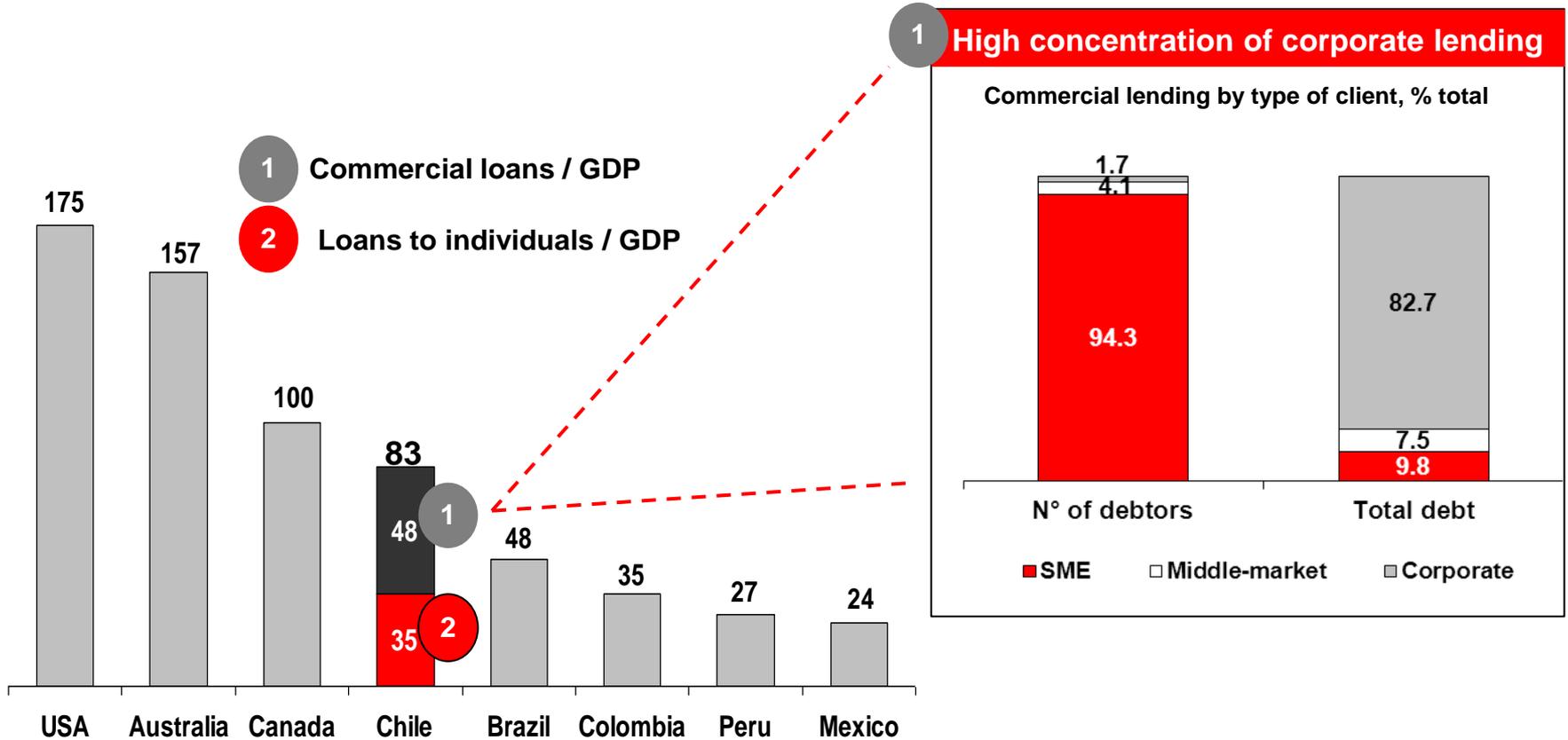
(3) Core Capital in Chile is 100% shareholder's voting equity.

(4) NPLs defined as portfolios with 90 or more days overdue.

Source: Superintendencia of Banks and of Pension Fund Managers, Ministry Finance and Central Bank of Chile.

A market with good growth potential, specially in SMEs...

Loans / GDP as of Dec. 2011*, %

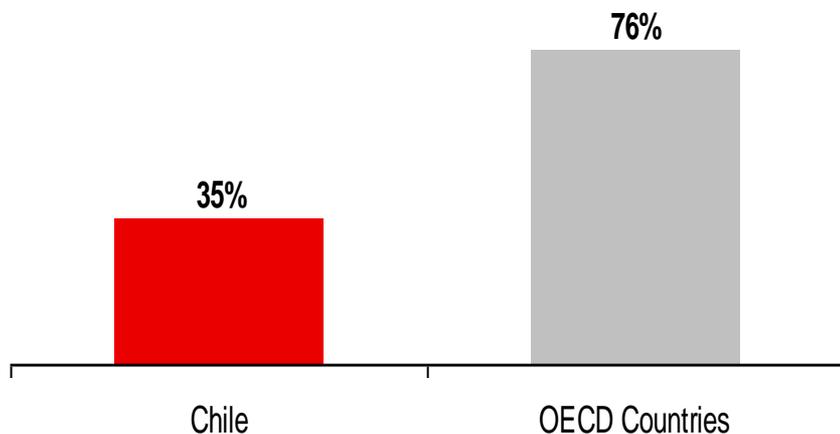


* Or latest available information. Source: Barclays Capital, Deutsche Bank, and Superintendency of Banks of Chile

2 ... and individuals

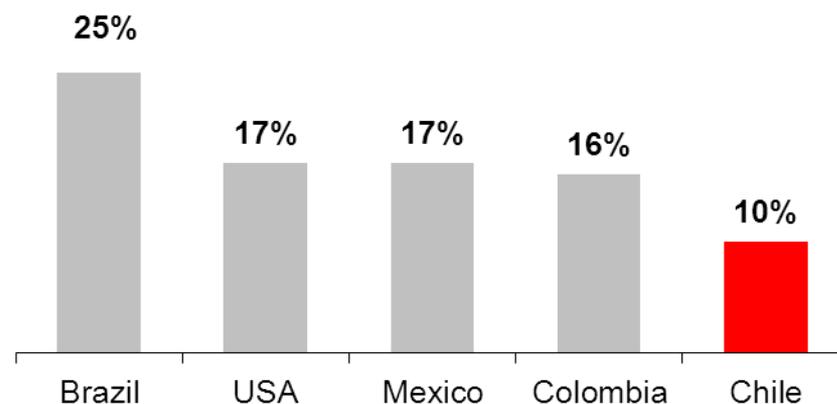
Relatively low leverage...

Household debt / GDP ⁽¹⁾



... leads to lower servicing efforts

LT debt servicing cost ^{(2),(3)}



57% of loans are mortgage: lower rates / longer terms reduce financial burden in Chile

(1) Data as of 2008, except Chile: 2011. Includes: Poland, Italy, France, Germany, Sweden, USA, Australia, Denmark, Korea, & Taiwan. Source: Chile CB, OECD, McKinsey and IMF.

(2) As of Dec. 2010, except Chile which is as of Dec. 2011.

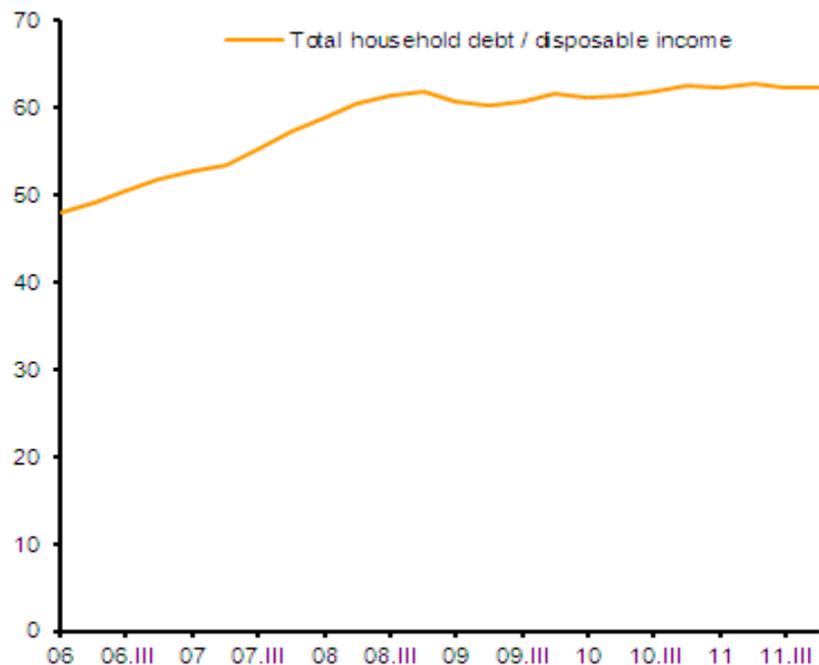
(3) Calculated as Interests + amortizations over total disposable income.

Source: Barclays Capital, Deutsche Bank, Superintendency of Banks and National Statistics Institute of Chile

Low and stable leverage and service ratios

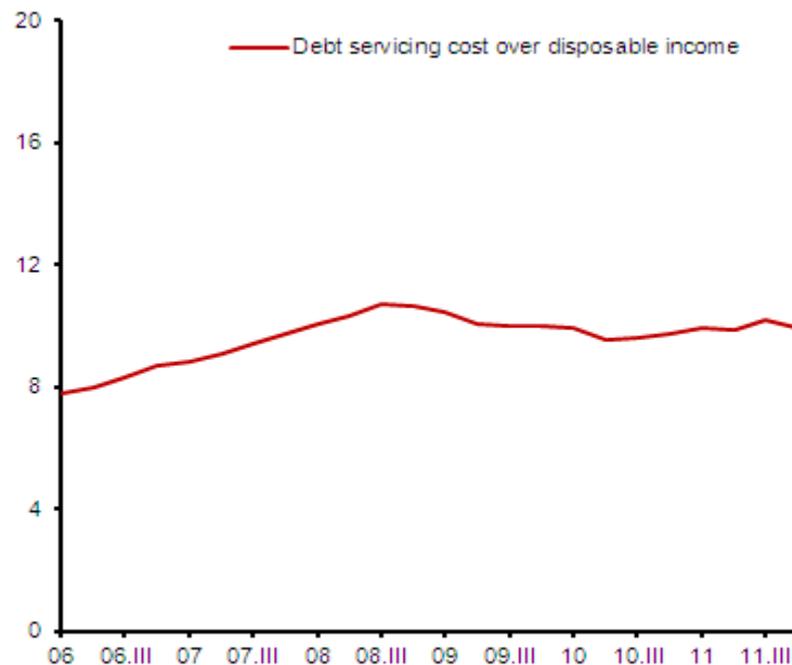
Leverage...

Household debt⁽¹⁾



... and serving costs are stable

LT debt servicing cost⁽²⁾



On average the Chilean household's finances are healthy

(1) Household debt over total disposable income and over salary pool.

(2) Calculated as Interests + amortizations over total disposable income and over salary pool.

Source. Central Bank of Chile

New forces are redefining the banking environment...

Changing...



I. Regulations



II. Competition



III. Technology

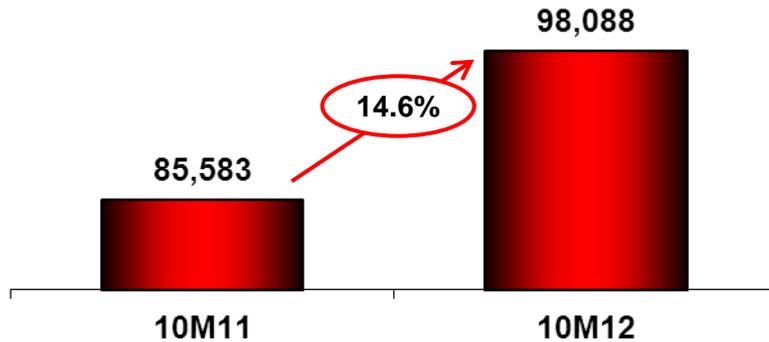


IV. Consumer attitudes

... which are impacting 2013's results

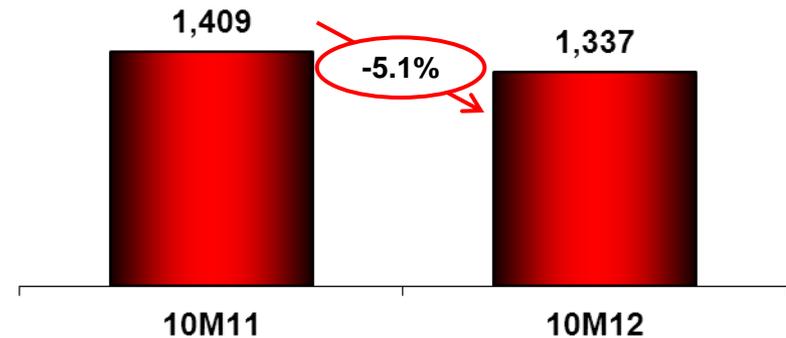
Despite solid loan growth...

Financial System: loans (Ch\$ billion)



... net income decreases

Financial System: Net Income (Ch\$ billion)

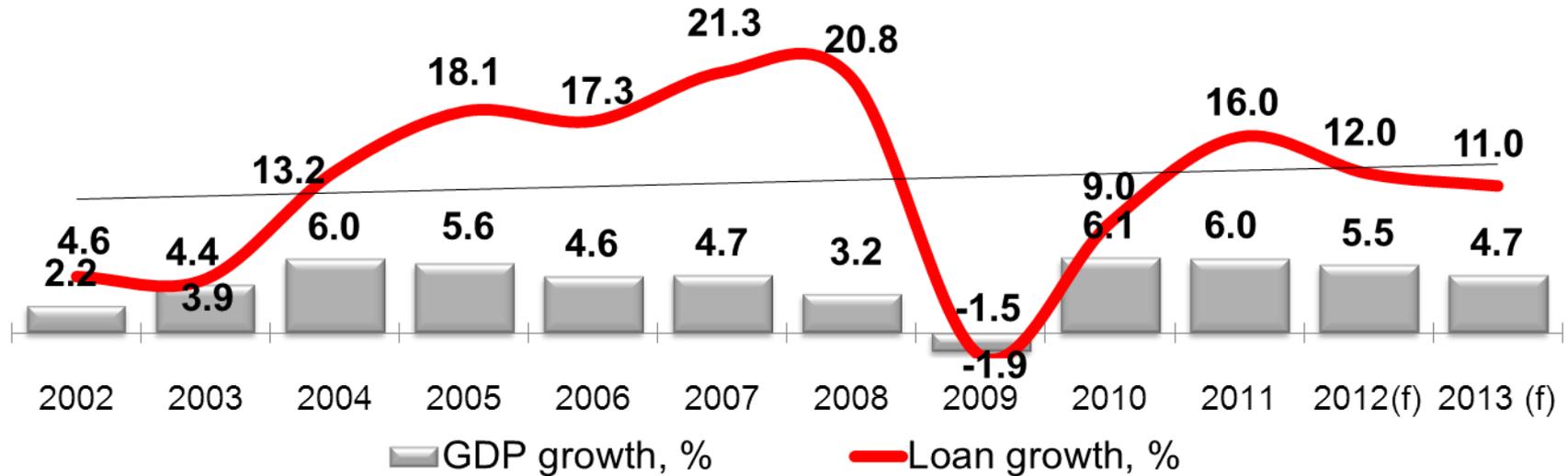


Results also affected by lower inflation / higher loan loss provisions

Source: Superintendency of Banks of Chile. Financial System excludes acquisition of Corpbanca Colombia

Attractive industry drivers sustaining loan growth

Chile's GDP growth in real terms and the banking industry's loan growth in nominal terms, %



Three main industry drivers

1

New clients

- Higher income levels will increase the amount of bankable clients
- GDP growth will increase amount of bankable SMEs

2

More cross-selling

- Current clients demanding more financial products
- Clients preferring banks vs. non-bank lenders

3

Greater product usage

- Greater product usage will increase fee income revenues

Source: Central Bank of Chile and Superintendency of Banks of Chile and Santander Chile's forecasts (f)



Santander Chile has the country's leading banking franchise

Figures as of Sept. 2012¹

Figures			Clients & Network		
	US\$bn	Mk. Share			
Assets:	US\$52	18.2%	Clients	3.5 mn	~39% ²
Loans:	US\$39	19.2%	Internet clients	723 ths.	19.3%
Individuals:	US\$20	22.9%	Checking acct.	729 ths.	24.8%
SMEs:	US\$6	~25%	Credit cards	1.9 mn	20.4% ³
Deposits:	US\$30	17.1%	Debit cards	3.0 mn	22.2%
Equity:	US\$4	19.5%	Branches:	499	18.7%
Net income:	US\$578mn	24.9%	Employees:	11,621	16.1% ⁴

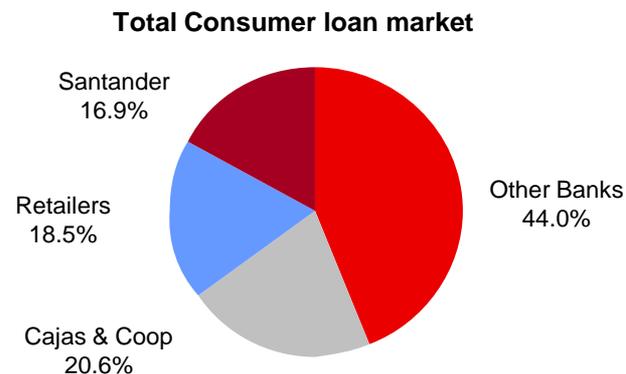
1. Or latest available figures using the period-end exchange rate. Financial System excludes acquisition of Corpbanca Colombia. 2. Over total workforce. Source: National Statistics Institute of Chile. 3. Market share is over total monetary transactions using a credit card and includes department stores. 4. Employee market share is over employees at branches and head offices, excludes subsidiaries. Source: Superintendency of Banks of Chile

... with a strong position in retail banking

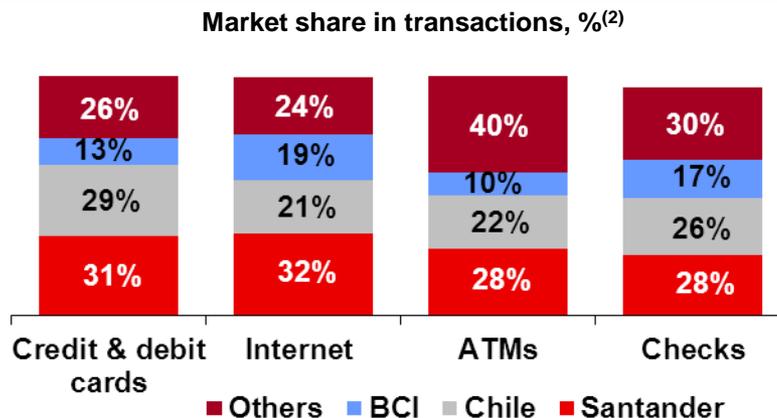
High share in retail segments...

	Mk. Share ⁽¹⁾	Share 2 nd Private bank
Individuals	22.9%	18.7%
- Consumer	24.6%	21.8%
- Mortgage	22.1%	17.1%

... strong presence in consumer lending



... and a high share of client transactions

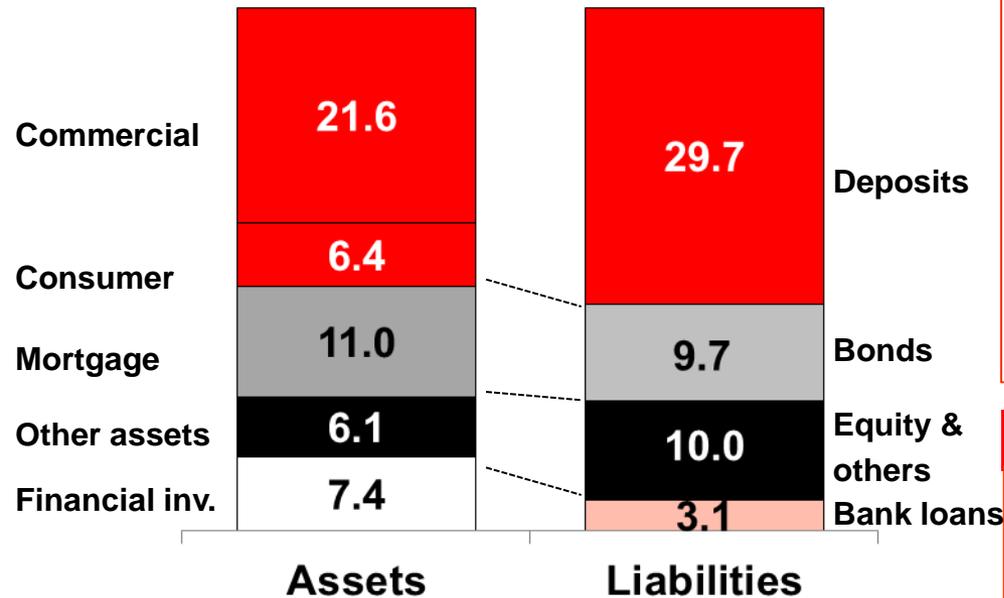


(1) As of Sept. 2012. Source: Superintendence of Banks of Chile, includes banks only. Excludes Corpbanca Colombia (2) Checks and credit cards: Internet & ATMs: 2011. Source: Superintendence of Banks of Chile, Cajas de Compensación & Transbank.

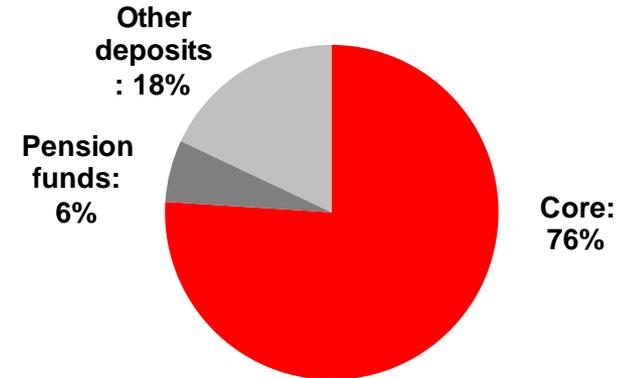
A balanced assets and liabilities structure...

A sound balance sheet...

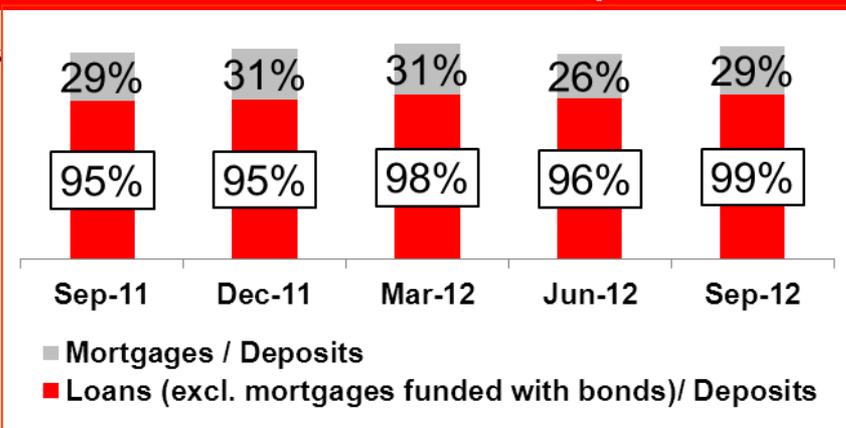
US\$ billion as of Sept. 2012



... and deposits structure, %



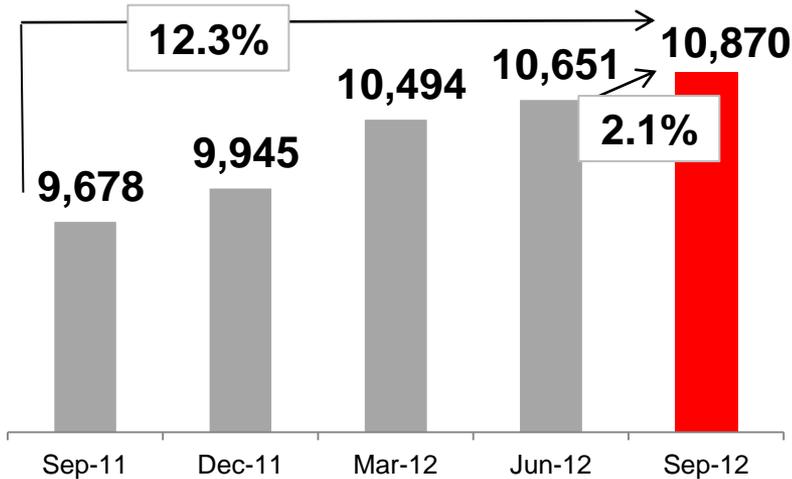
... allows for sound Loan to Deposits Ratio



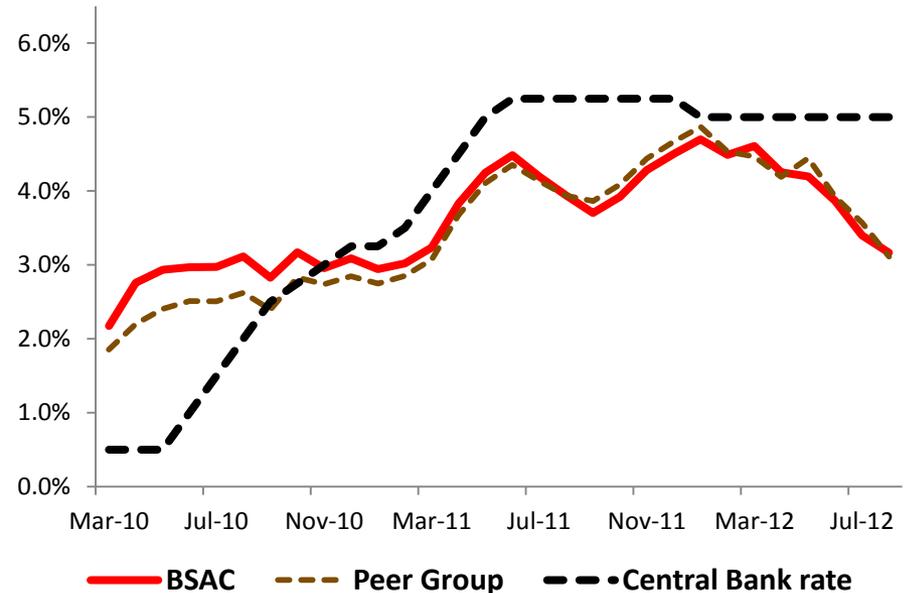
... and a sound evolution of core deposits and cost of funds

Total deposits, Ch\$ billion; and QoQ % YoY growth, % and Cost of funds, %

Core Deposits (US\$ billion)



Cost of funds¹ (%)

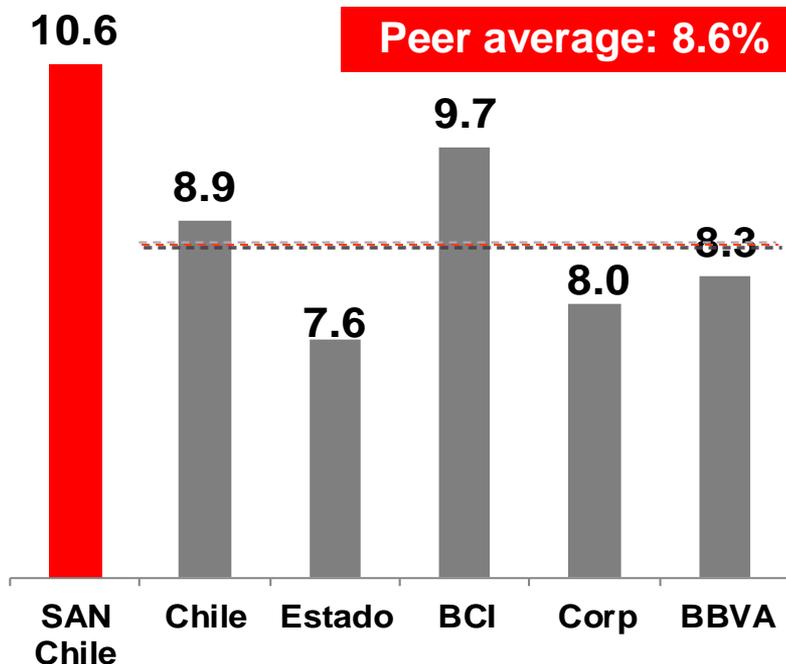


¹ Cost of funds = interest expense annualized divided by liabilities. Peer Group is Banco de Chile and BCI. Source: Superintendency of Banks of Chile

A high capital base and a balanced risk-return relation

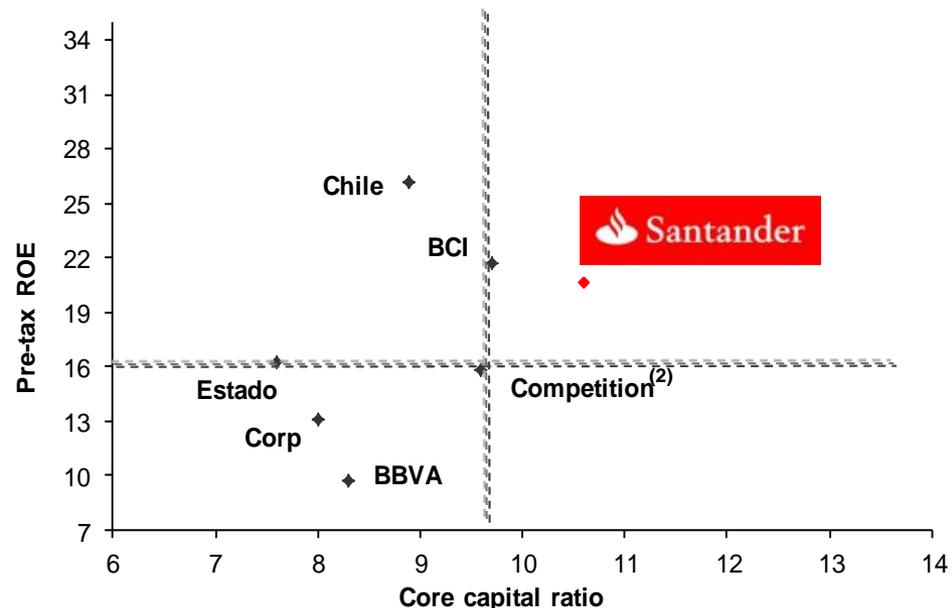
High Core Capital

Core Capital Ratio⁽¹⁾, %



Best risk-return ratio in Chile

Pre-tax ROE & Core Capital Ratios⁽¹⁾, %



Dividend policy stable for 3 years at 60%. No new shares issued since 2002

(1) As of September 2012

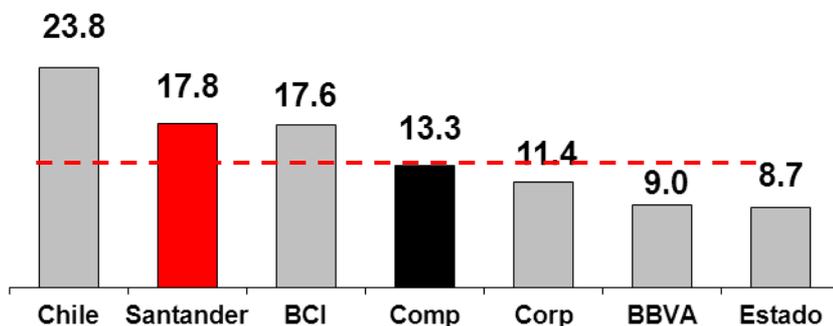
(2) Competition calculated as the average of selected companies ex-Santander Chile.

Source: Superintendency of Banks of Chile

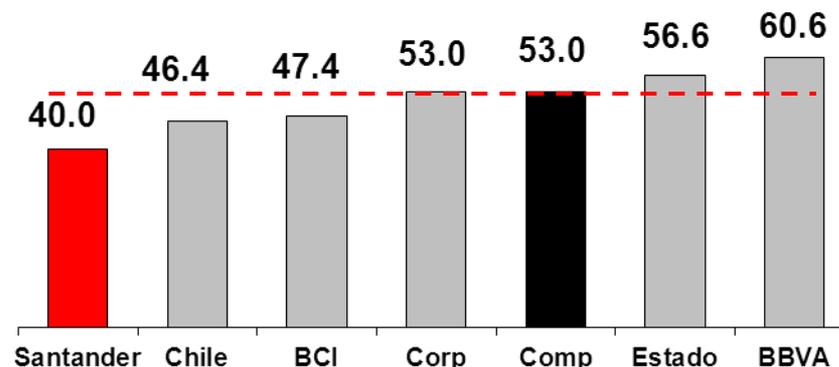
Stronger financial indicators compared to competition

Figures as of September 2012

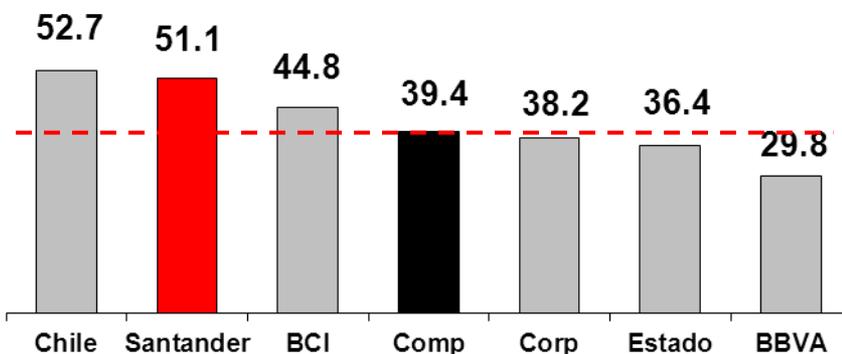
Return on period-end equity (%)



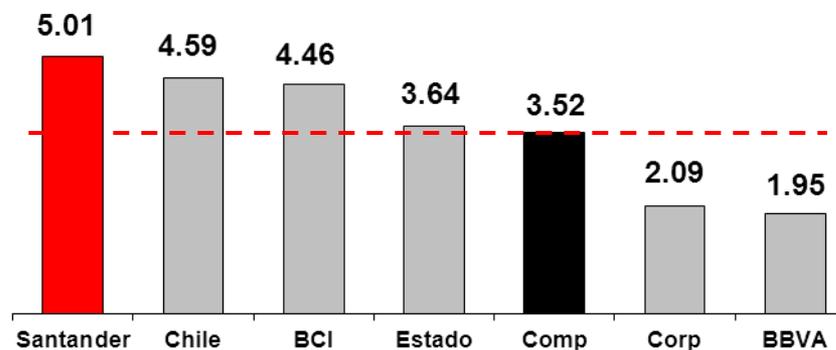
Cost / Income (%)



Fees / costs (%)



NIM (5)



Comp = Competition: All banks excluding Santander. Source: Superintendency of Banks of Chile. NIM as of May 2012

Solid governance standards

SAN Group subsidiary model

- Network of independent subsidiaries
- Each subsidiary has its own capital
- Each unit has its own liquidity and finances its operations independent. No structural cross-financing among units
- Main relation is via share ownership

Binding legal limits

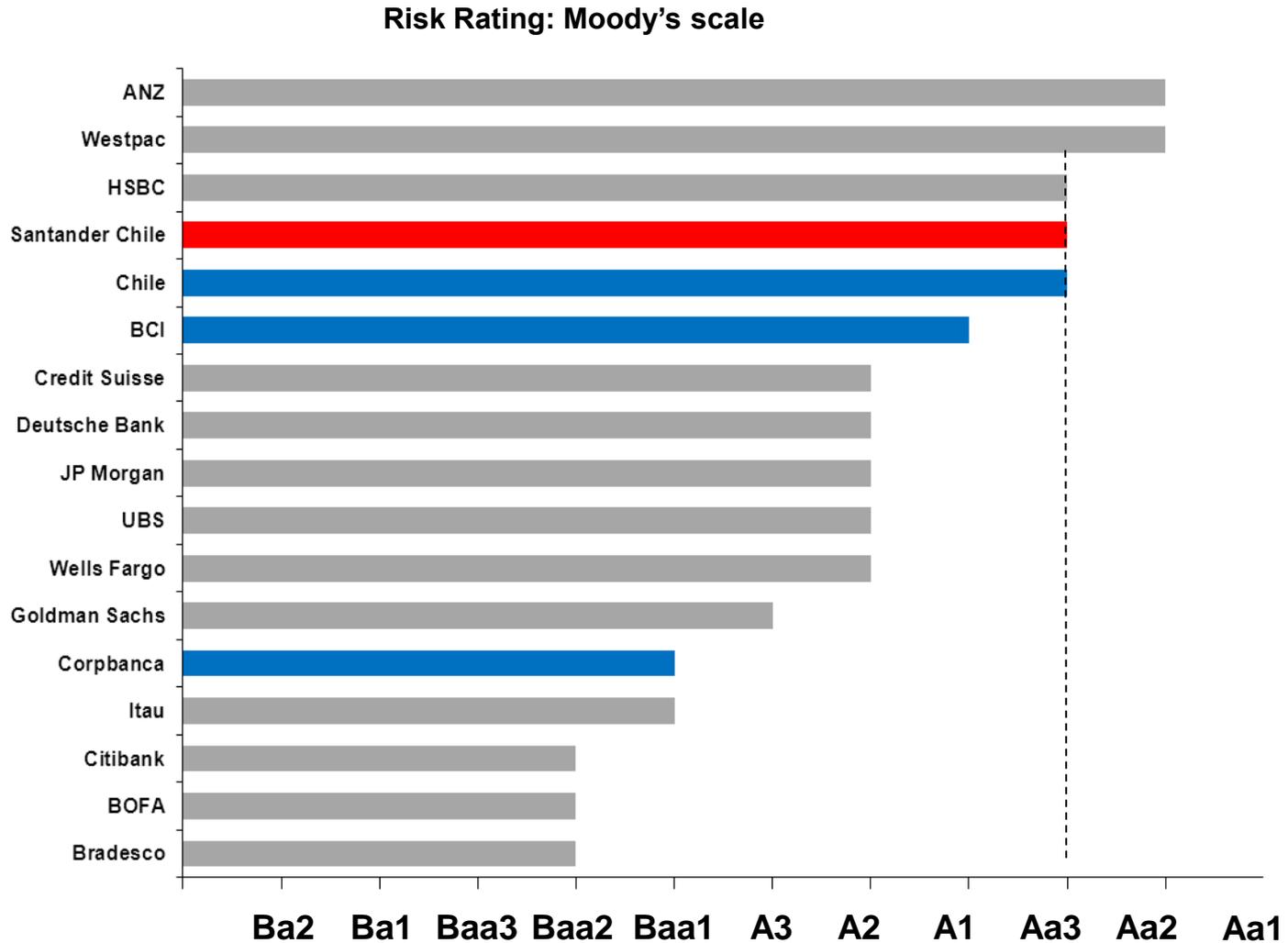
- Related company lending: Limited to 5% of total equity (unsecured) or 25% (w/ collateral);
- Deposits in related party entities abroad: limited to 25% of equity. Deposits in a single foreign bank: Limited to 5% of equity (New regulation under discussion)
- Too big to fail regulations
- Dividends paid once a year
- Strict liquidity limits

* Source: Superintendency of Banks of Chile

Sound governance standards

- 7 out of 11 board members are independent
- Active participation of Board members in main committees
 - ✓ Executive Credit Committee
 - ✓ ALCO
 - ✓ Audit Committee

One of the highest credit ratings in the region



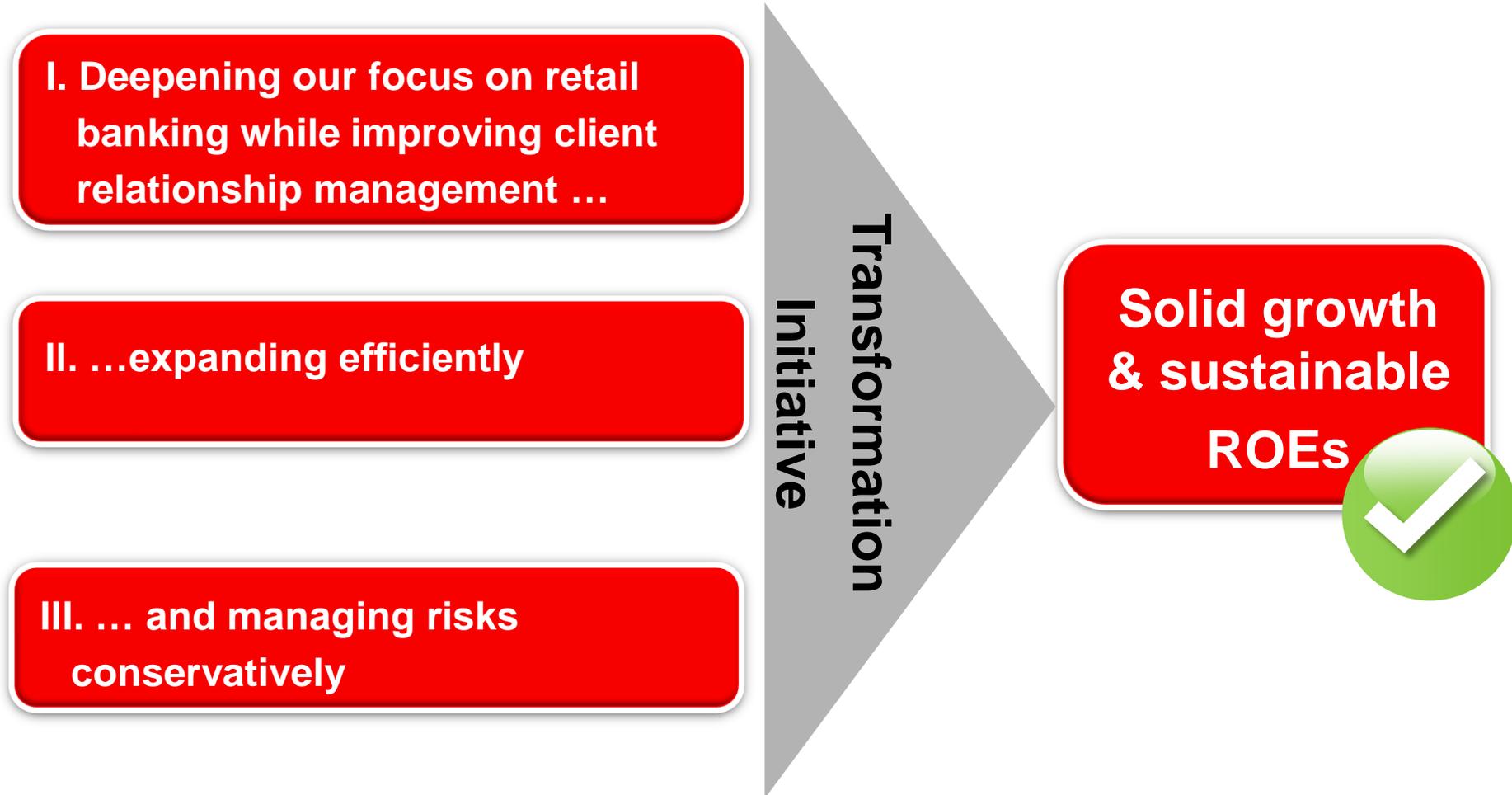
Source: Moody's via Bloomberg, as of December 2012

Highlights



3 objectives to sustain performance

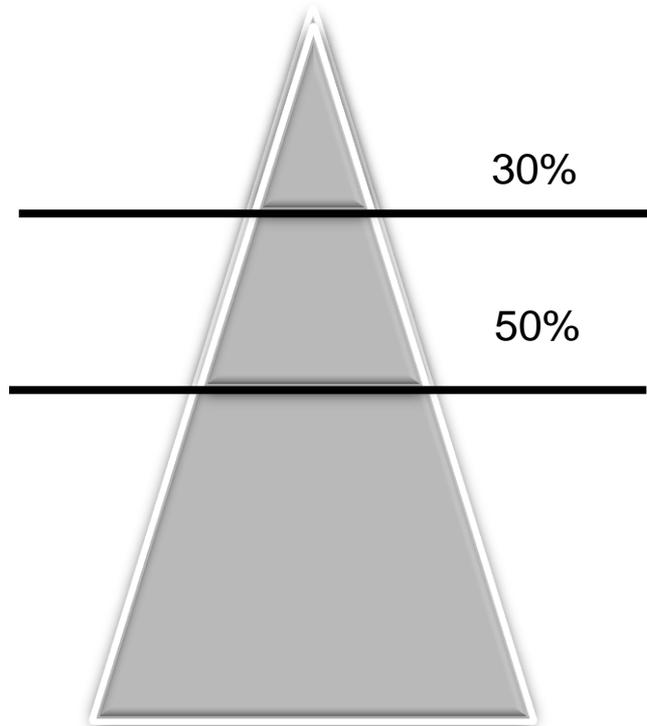
Santander Chile: Strategic drivers



Re-thinking our retail strategy...

Target market in individuals

Structure of the workforce



- We will maintain focus on retail banking
- In individuals, we will increase cross-selling of top 30% of the working population
- Down-market, between 30% - 50% of the workforce, focus will be in services and transactions with selective lending activity
- In SMEs the focus will be on increased lending, transactional services and simple treasury products

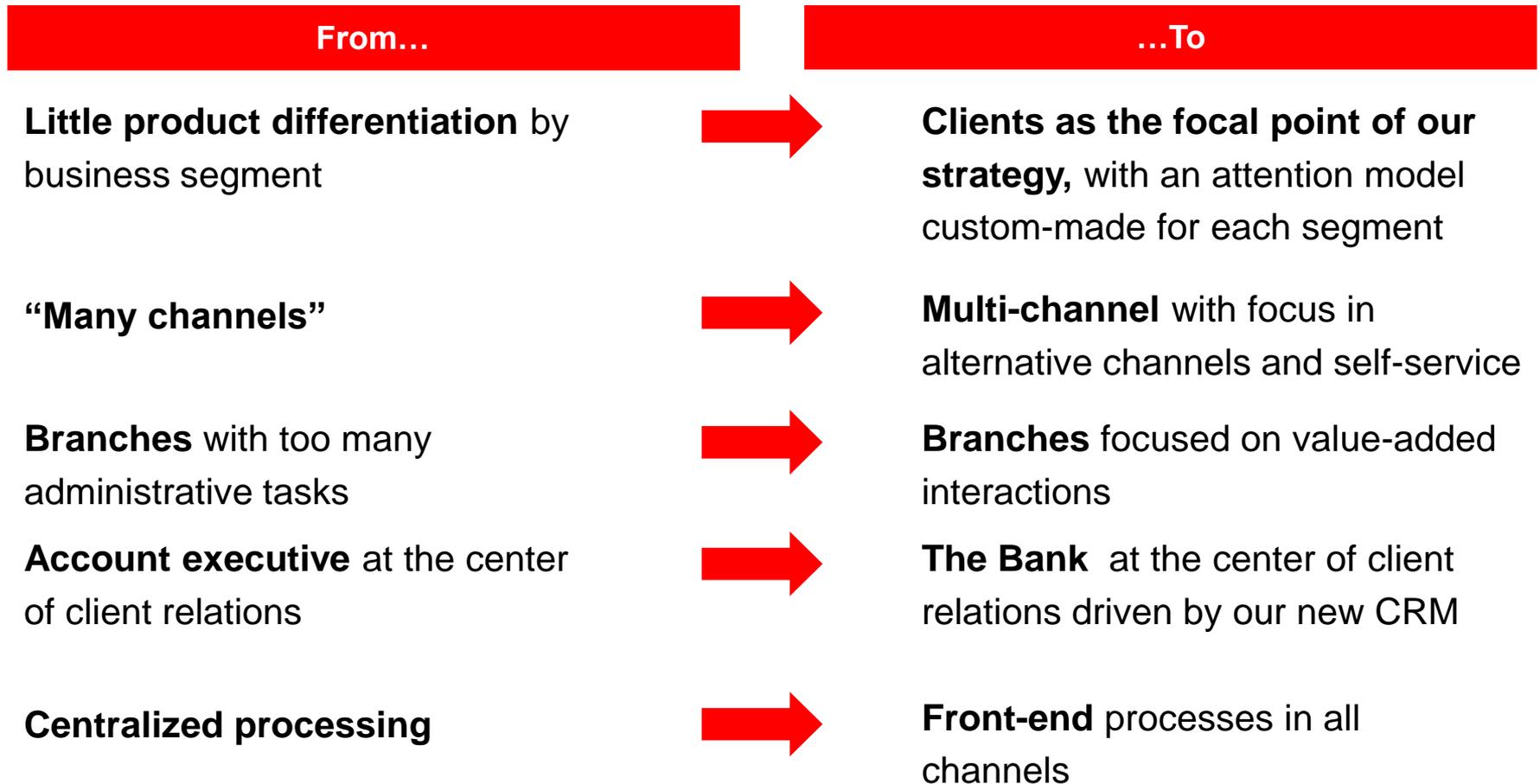
Objective is to grow in a healthy manner with our clients

... as opportunities for improvement exist in many areas

Business Transformation Model

<p><i>Clients</i></p>  <p>Low differentiation by sub-segments</p>	<p><i>Products</i></p>  <p>Too many products</p>	<p><i>Channels</i></p>  <p>Poor integration</p>	<p><i>Results</i></p>  <p>Unsatisfactory commercial targets</p>
<p>Risks</p> 	<p>Low sales of pre-approved products</p>		
<p>Client service</p> 	<p>Low client satisfaction</p>		
<p>People</p> 	<p>High rotation at the branch level</p>		
<p>Processes</p> 	<p>50% of time dedicated to non-commercial activities</p>		

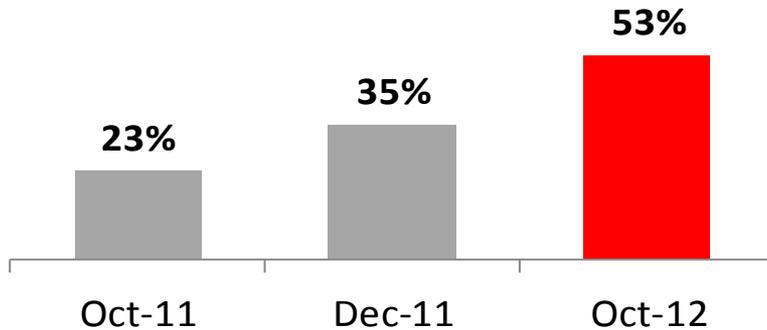
Implementing a profound transformation in retail banking...



... that is starting to deliver encouraging results

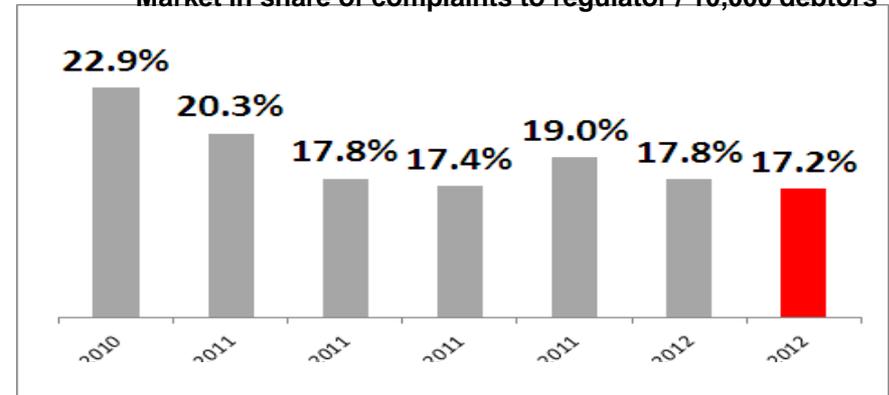
More pre-approved sales...

% of total period sales



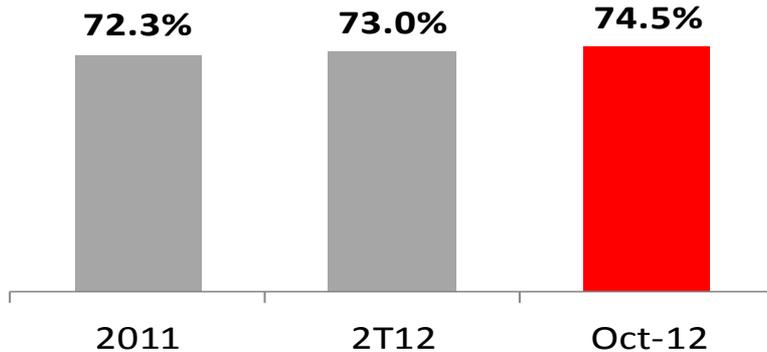
... with better quality of service

Market in share of complaints to regulator / 10,000 debtors*



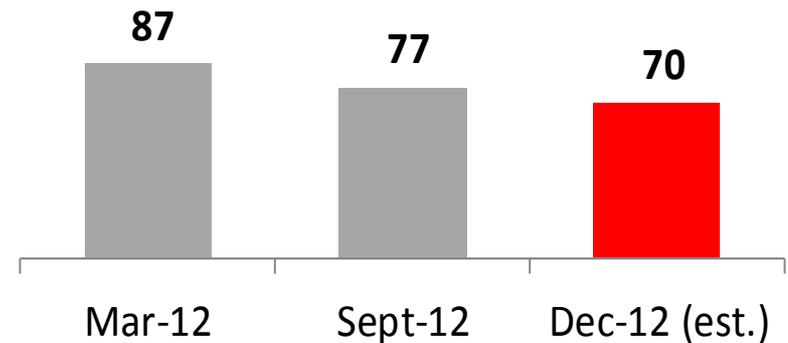
A more multi-channel bank...

% transactions out of branches



... with simpler business processes

Time it takes to disburse a consumer loan, hours



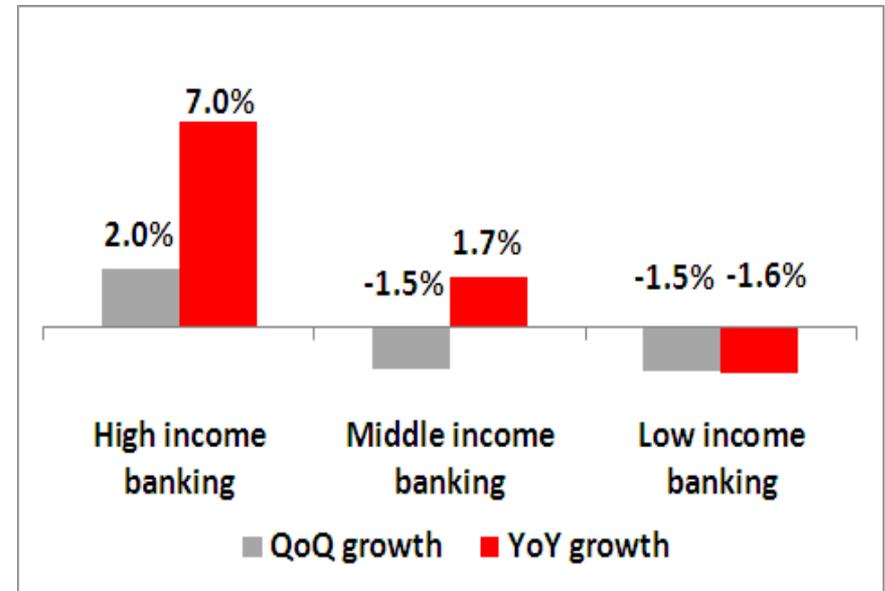
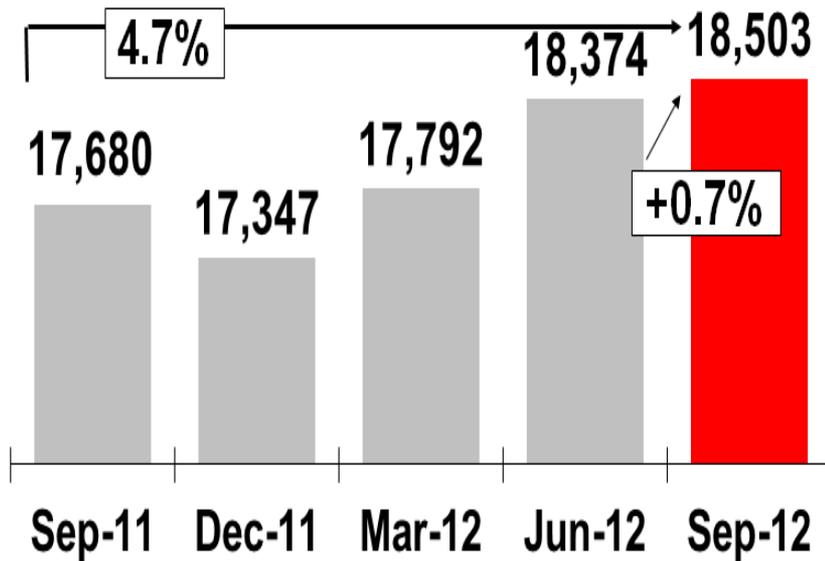
* Source: Superintendency of Banks of Chile as of June 2012.

In the short term, selective loan growth

Total loans, Ch\$ billion; and QoQ % YoY growth, %

Total loans (Ch\$bn)

Loans to individuals (QoQ & YoY, %)



Selective loan growth strategy in 2012 while we redesign our strategy

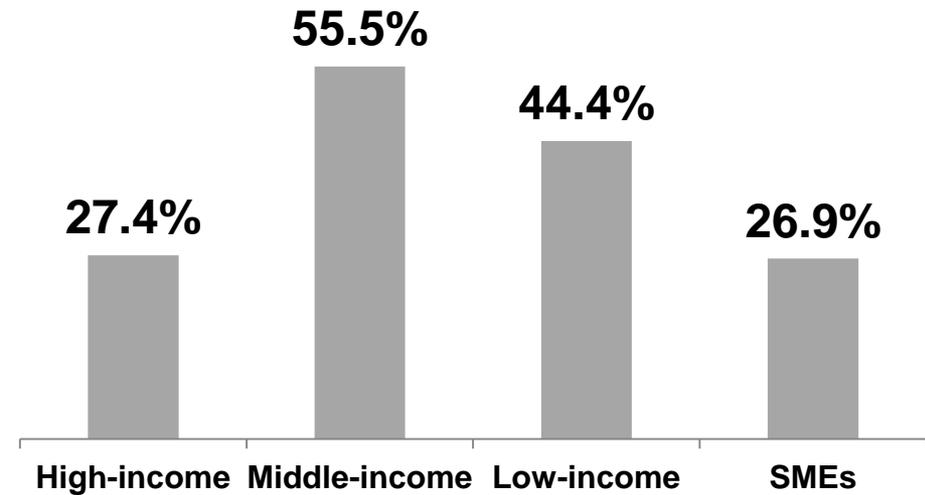
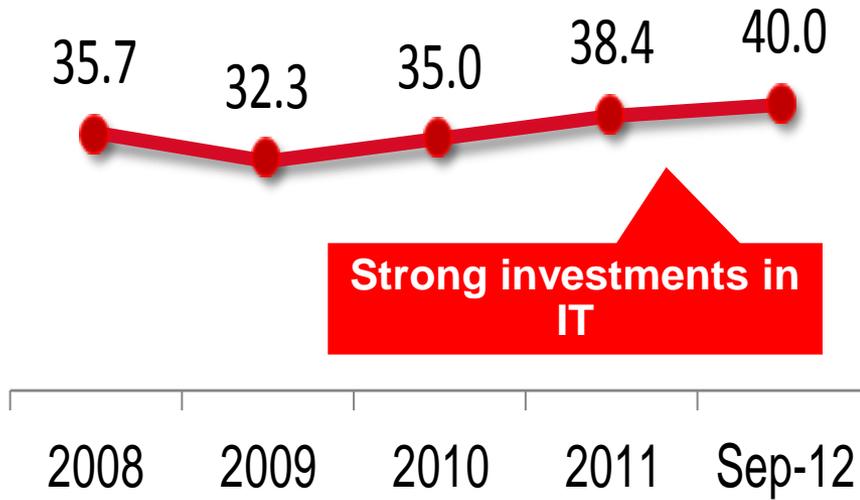
Improving efficiency through productivity gains

Figures as of Sept. 2012

Efficiency (%)

Improving productivity

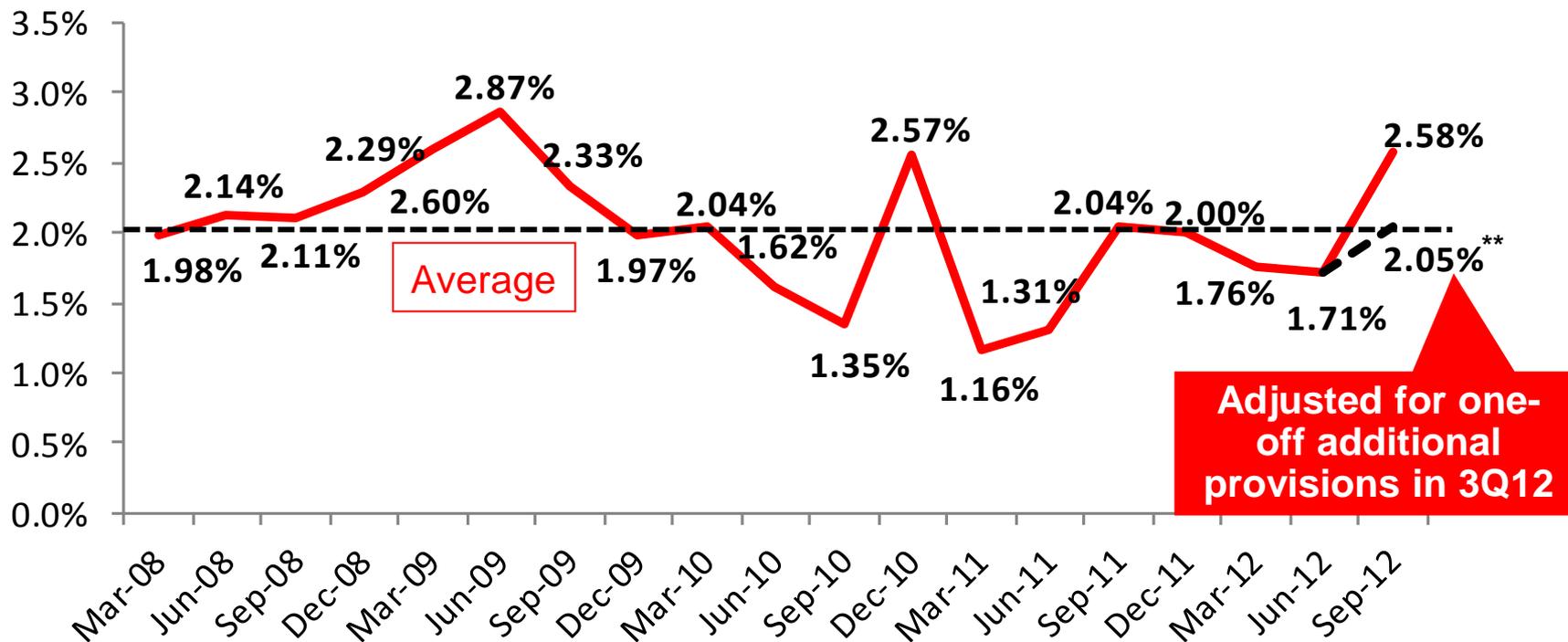
Efficiency ratio by retail segment, 9M 2012, %



Transformation project should lead to greater efficiencies in retail banking

Cost of credit similar to historical levels

Cost of credit*, %



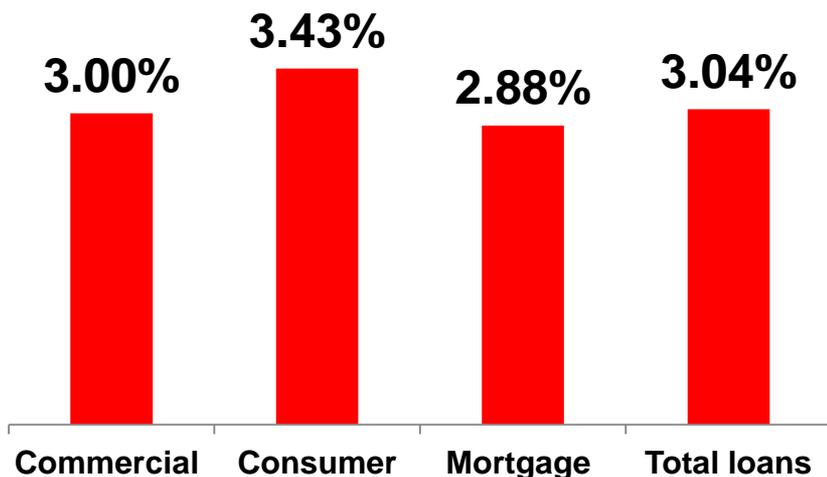
More robust scoring models implemented in all retail segments

* Annualized quarterly provision expense / total loans. ** Adjusted for the Ch\$ 24.753 million in extraordinary provisions in 3Q12

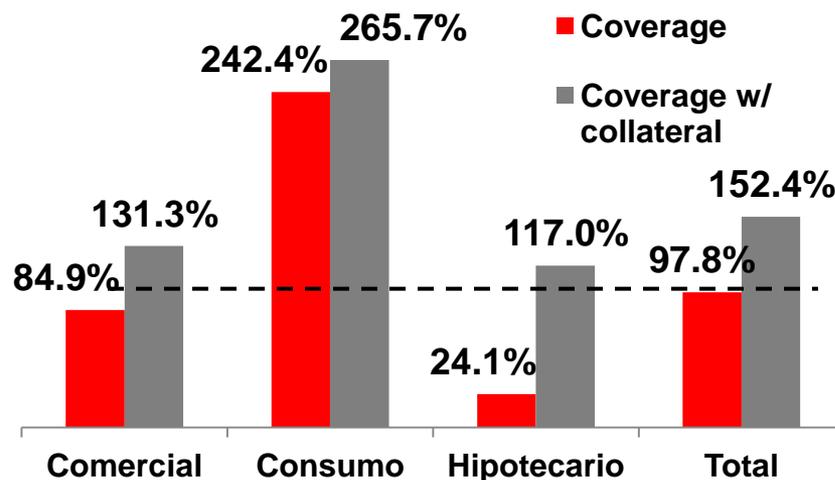
Comfortable coverage levels

NPL ratio and coverage (%) as of Sept. 2012

NPL ratio¹



Coverage ratio²



1. NPL: Non-performing loans, full balance of loans with one installment 90 days or more overdue. 2. Coverage ratio = Loan loss reserves over NPLs. 3. Coverage w/ collateral = loan loss reserves + collateral / NPLs

Summary





Chile