

Banco Santander Chile

Results 4Q13

Santiago, February 5th, 2014

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.

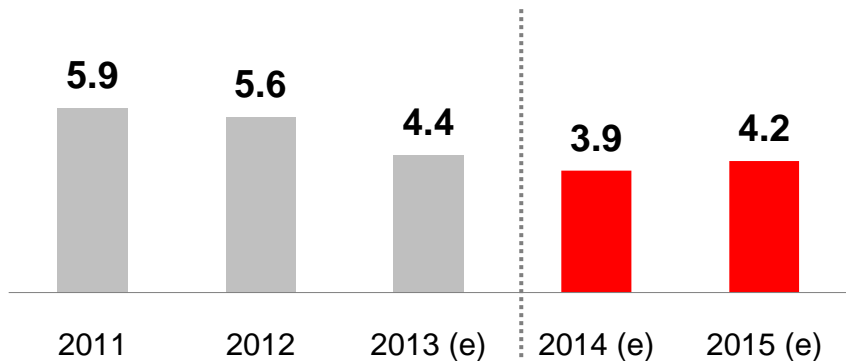
Note: the information contained in this presentation is not audited. Nevertheless, the consolidated accounts are prepared on the basis of generally accepted accounting principles. All figures presented are in nominal terms. Historical figures are not adjusted by inflation. Historical figures have been 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.

Agenda

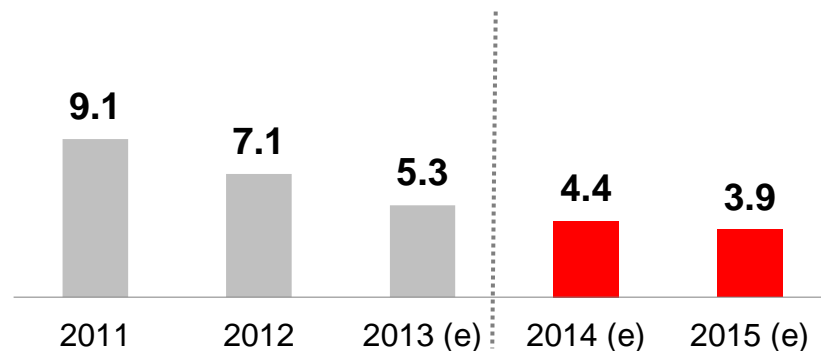
- **Macro-economic environment and financial system**
- Strategy and activity
- Results
- Annexes

Our outlook for 2014-15 is positive

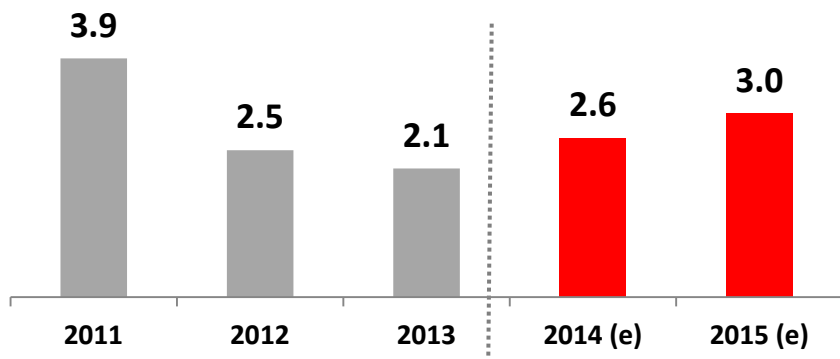
GDP (YoY growth, %)



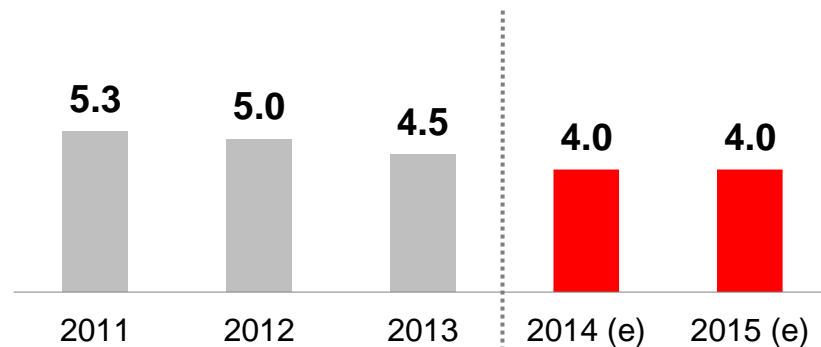
Internal Demand (YoY growth, %)



Inflation (YoY var. of UF, %)*



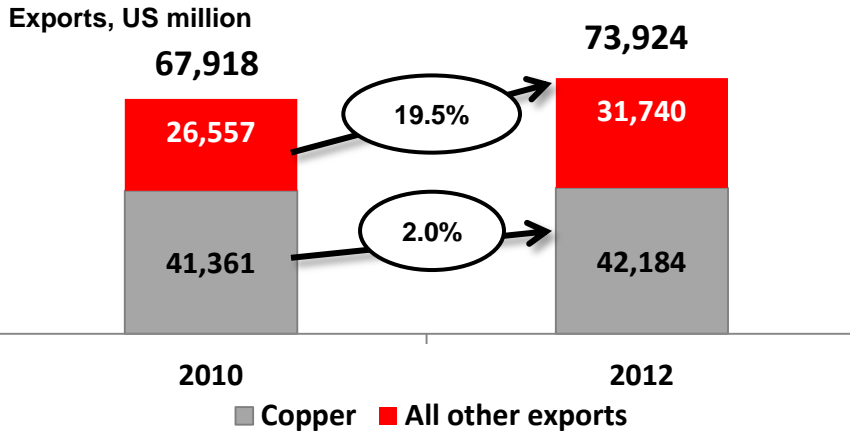
Central Bank Reference rate (%)



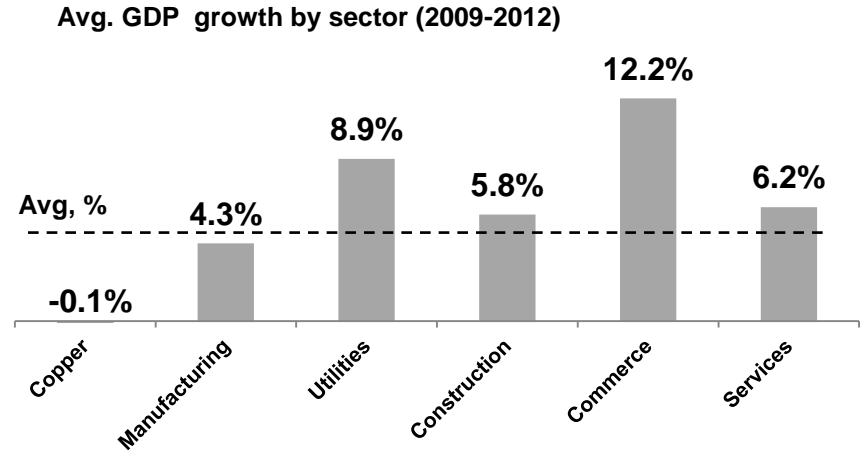
* Inflation measured by the annual change in the Unidad de Fomento (UF).
Source: Banco Central de Chile. (e): Estimates Santander Chile

Chile's reliance on copper has diminished

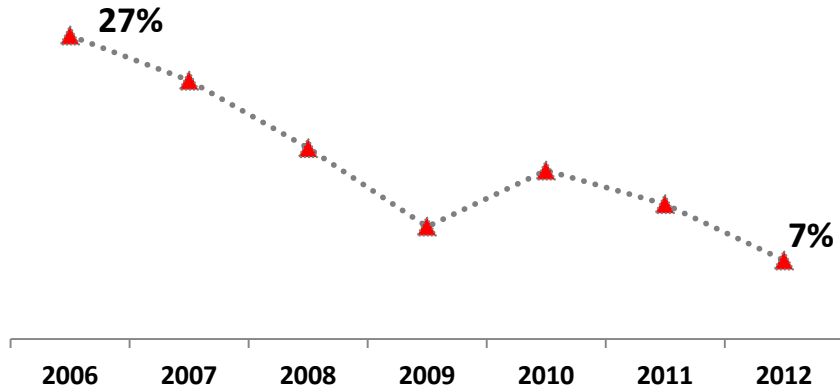
Non-copper exports lead growth...



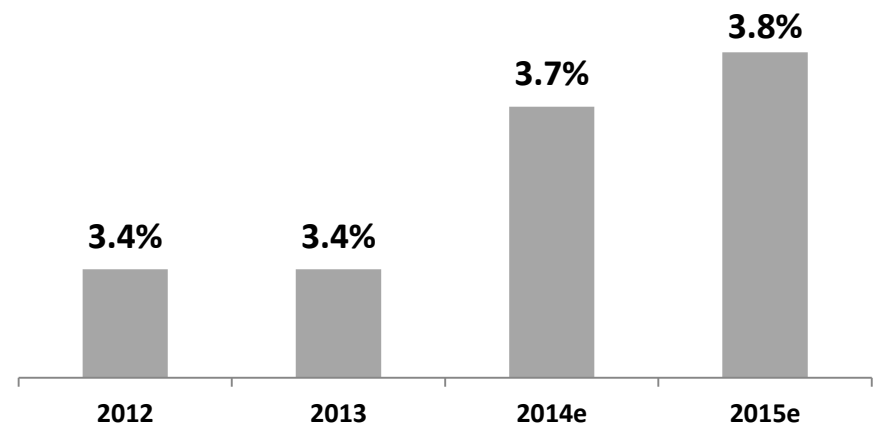
... and copper contribution to GDP was low



Copper revenue (% of total Govt. revenue)



GDP growth of Chile's main trade partners

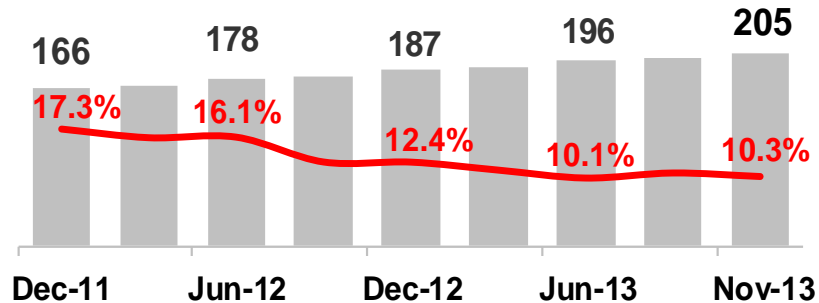


Source: Banco Central de Chile, Ministry of Finance, Moody's and IMF. (e): Estimates Santander Chile

Financial system with stable growth trends

Total Loans

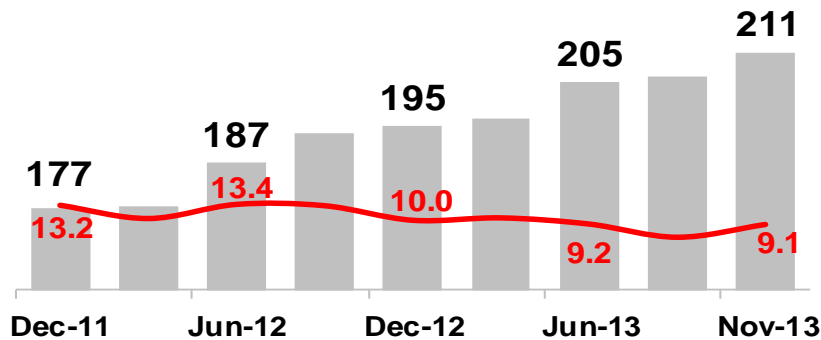
US\$bn*



- Positive loan growth in 4Q13
- Estimated growth of loans in 2014: 9-10%

Total Customer Funds**

US\$bn*



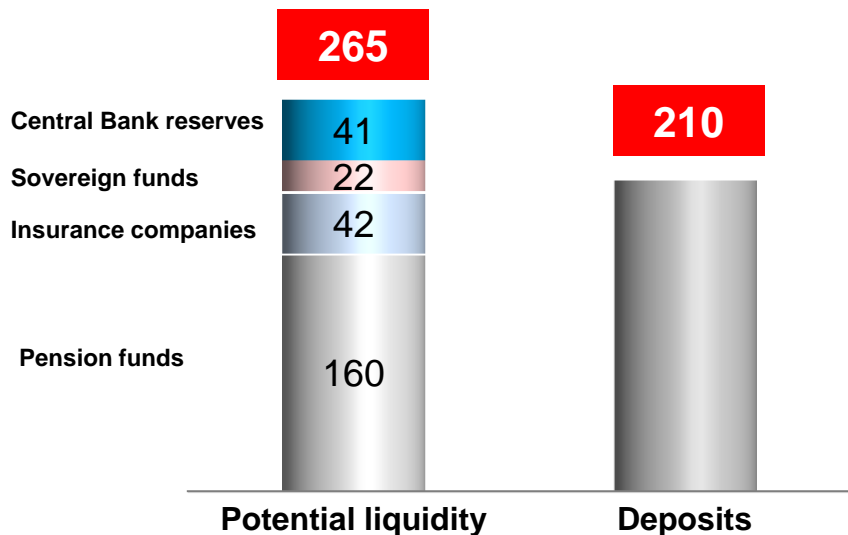
- Deposit growth remains healthy
- Lower rates results in a shift of time deposits to mutual funds
- Financial system gross operating income up 12.6%

* Converted using constant exchange rate as of November 2013. Source: Superintendency of Banks. Excludes Corpbanca Colombia.

** Demand and time deposits + mutual funds

High liquidity and low foreign ownership in local fixed income market

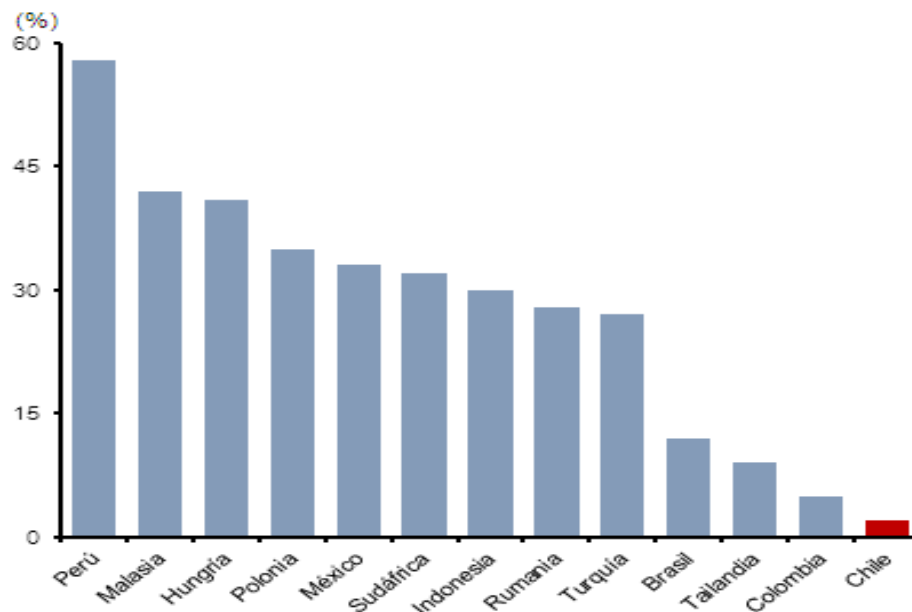
High domestic liquidity levels



Source: Superintendencia of Banks, Superintendencia of Pension Funds, Ministry of Finance and Central Bank of Chile. Figures for pension funds excludes amounts deposited in banks

Low foreign ownership in local fixed-income

Participation of non-residents in local fixed-income market * (%)



(*)3Q12.

Source FMI, Banco Mundial y Banco Central de Chile.

Impact of the end of QE on banking system should be limited given: (i) ample supply of domestic funding; (ii) low penetration of foreign investors in local fixed income market; (iii) high risk ratings of main banks, and (iv) diversified funding sources of main banks

Agenda

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

3 targets for healthy growth / higher profitability

I. Transforming our Commercial Bank since 2011...

II. ...improving relationships with customers and quality of service

III. ... and managing risks conservatively

Transformation Project

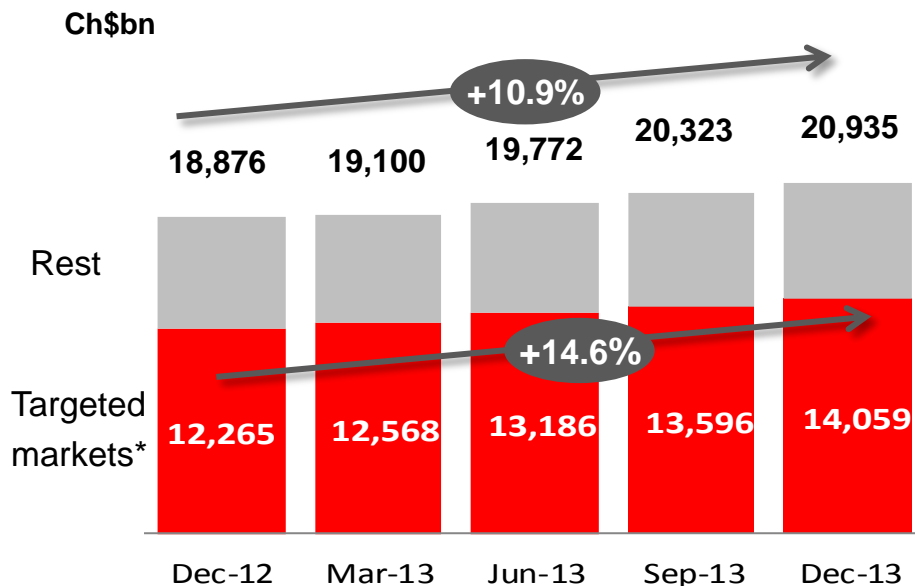
Optimizing the risk return relation



Strategy: I. Transforming our Retail Bank since 2011

Transformation resulting in solid loan growth in targeted segments...

Loans



Ch\$bn

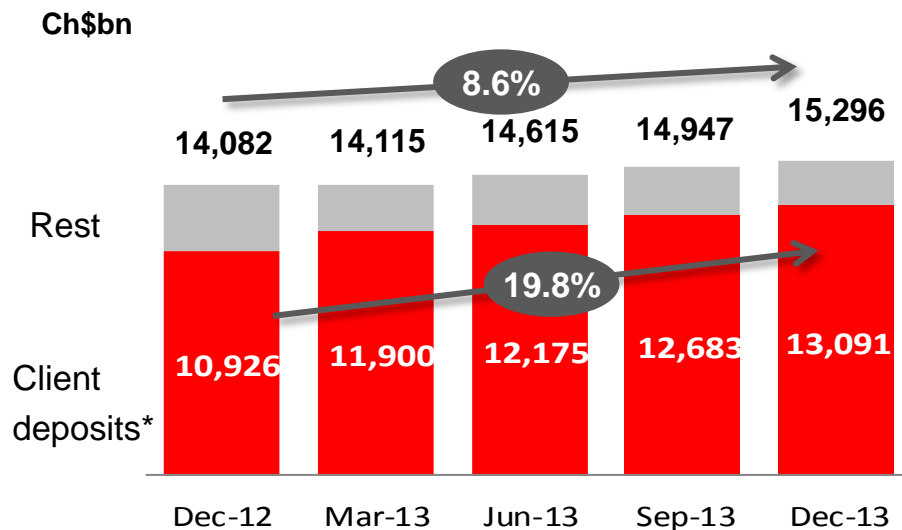
	12M'13	YoY	QoQ
Individuals	10,438	7.9%	3.2%
– Consumer	3,607	15.8%	5.4%
– Mortgage	5,626	6.7%	2.9%
SMEs	3,223	11.5%	1.7%
Institutions & univ.	354	(0.6%)	(1.9%)
Middle-market	4,678	15.3%	3.0%
Corporate	2,219	19.1%	3.1%

Total loans** 20,935 10.9% 3.0%

* High income banking + SMEs + Middle-market. ** Total includes non-segmented loans

... and improved funding mix, with strong growth of client deposits

Deposits



Ch\$bn

Demand

Time

12M'13

YoY

QoQ

5,621

13.1%

6.9%

9,675

6.2%

-0.2%

Total deposits

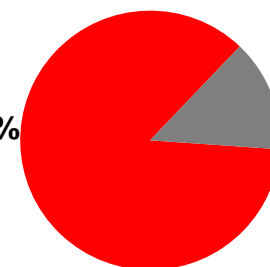
15,296

8.6%

2.3%

Deposit Structure (12.31.13)

Client Deposits*: 86%

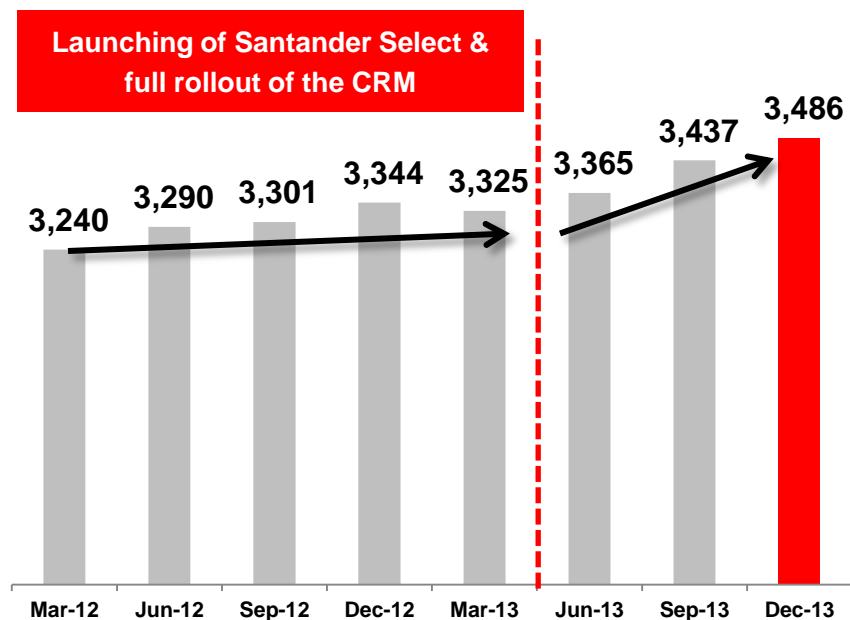


Institutional deposits: 14%

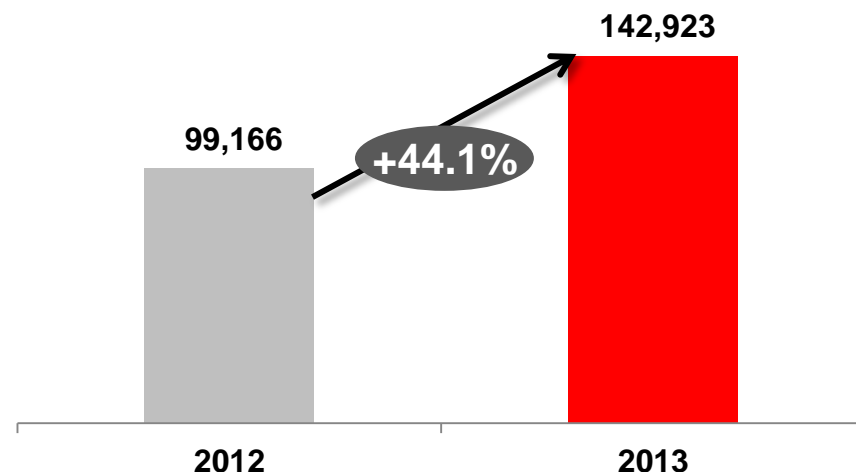
* Deposits from non institutional sources

The CRM & improvements in quality of service are pushing client growth

Total Clients (ths.)



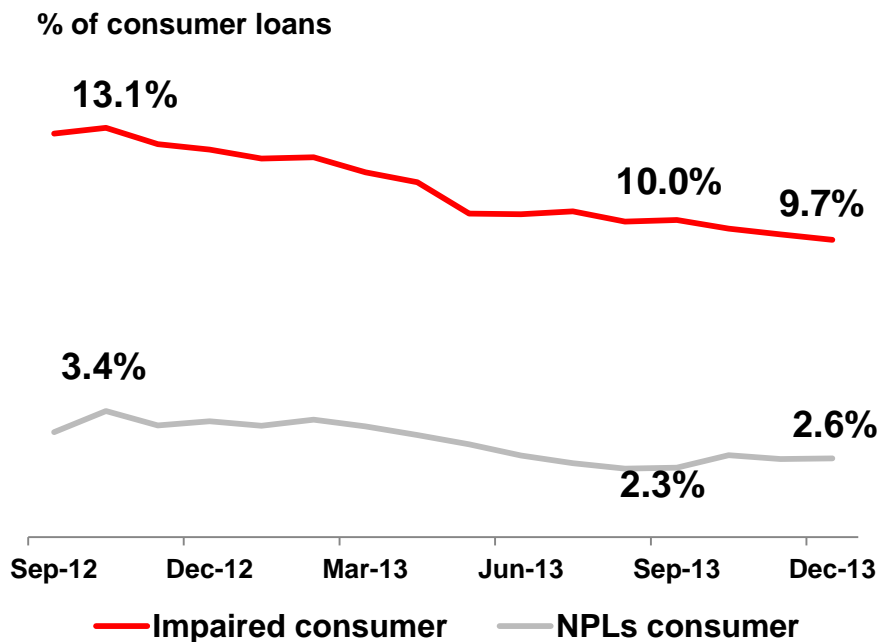
Net client growth (#)



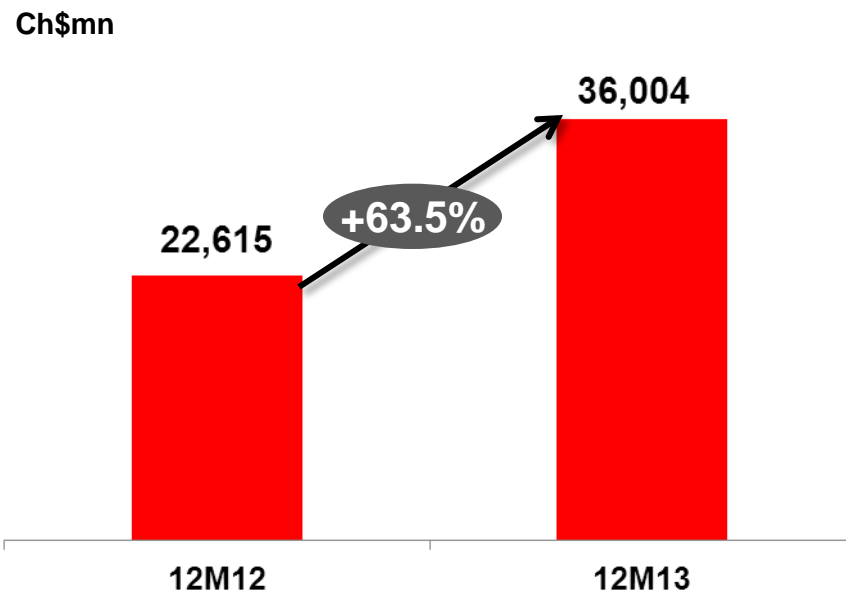
Client base growth should help to drive fee growth

Steady improvement in asset quality indicators...

Impaired + NP consumer loans*



Consumer loan recoveries



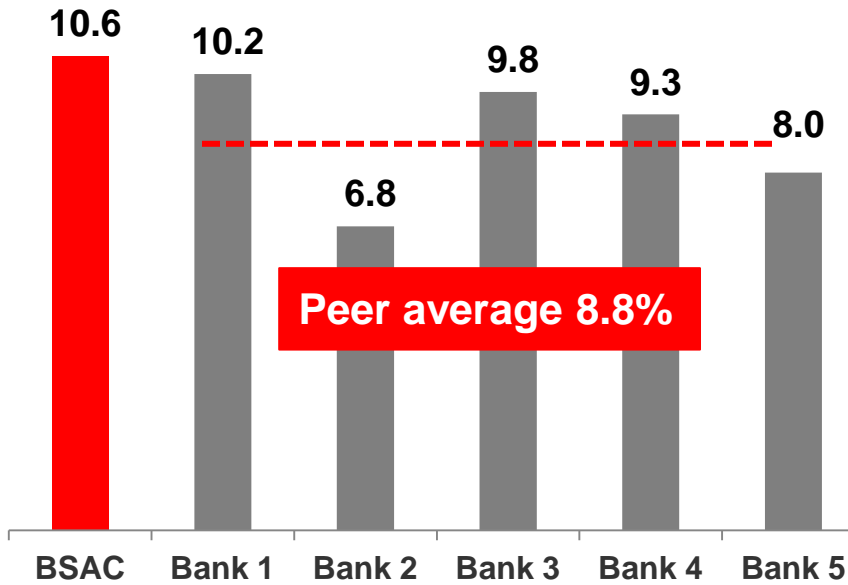
Risk reduction in consumer loans also reflects: (i) the portfolio mix change, (ii) improvements in risk models, (iii) origination focusing on pre-approved loans, and (iv) improvements in recoveries processes

* Impaired consumer loans = Consumer NPLs + re-negotiated loans

... and a solid capital base to grow

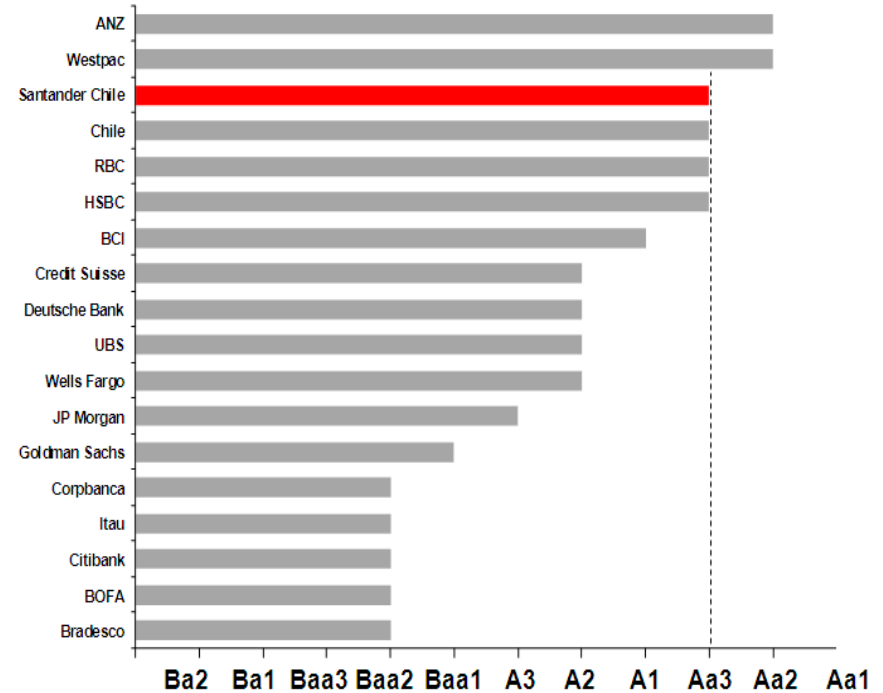
High capital base

Core Capital ratios, %



High credit rating

Moody's LT rating



Source: Moody's

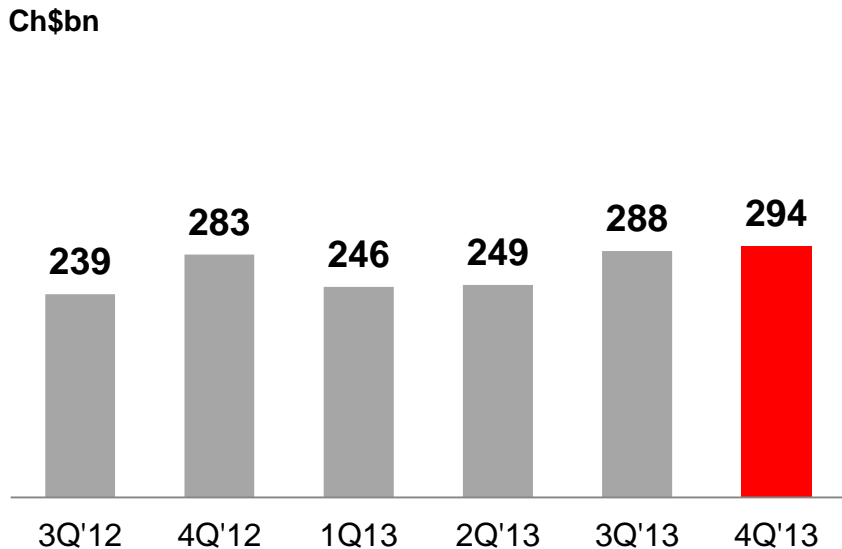
Strategy aiming at a healthy risk-return relation

Agenda

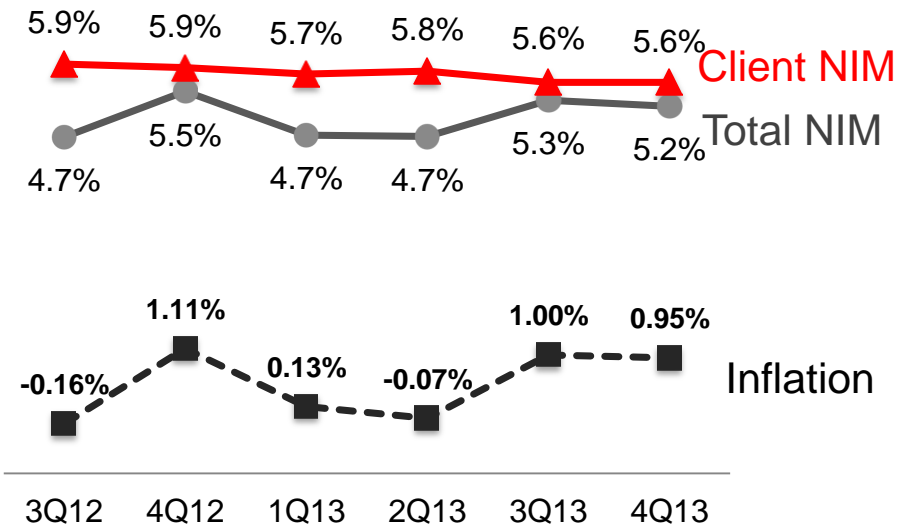
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Net interest income trending up due to loan growth and better funding mix

Net interest income

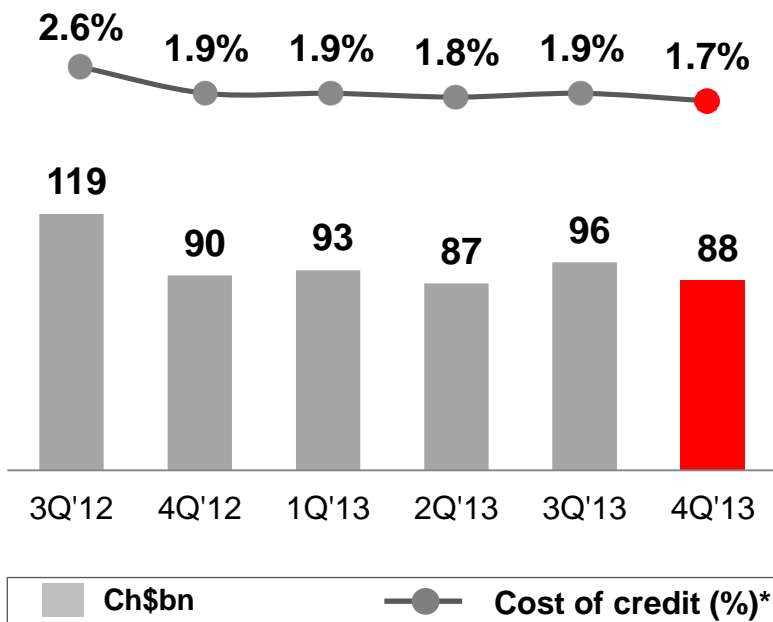


NIM, client NIM and inflation



Most asset quality metrics improved in 4Q13

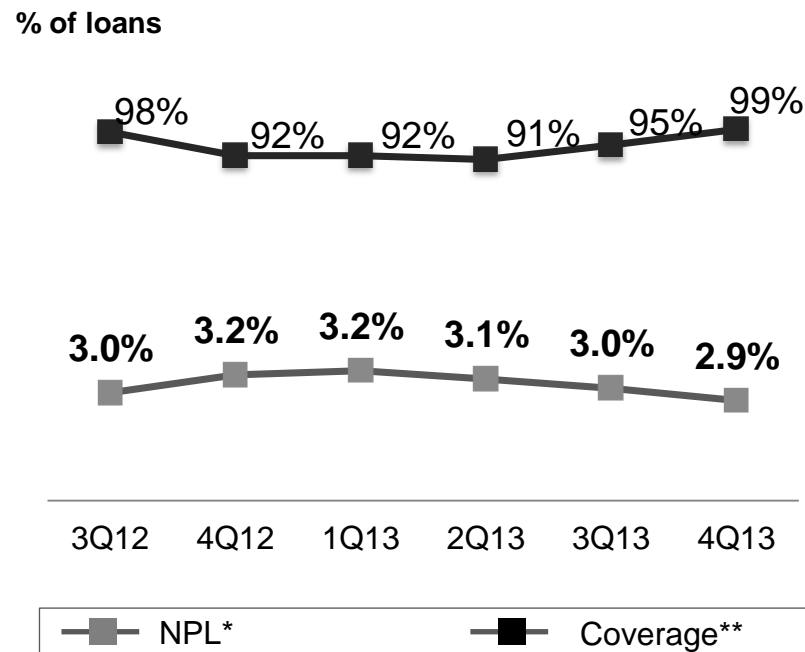
Provision expense & cost of credit



Cost of credit evolving as forecast

* Annualized quarterly provision expense / total loans

NPL and coverage ratio

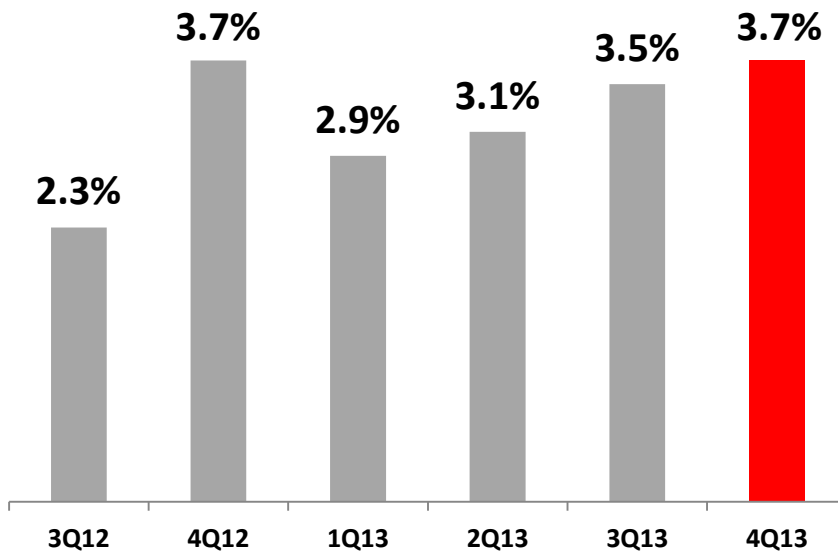


NPL ratio stable as asset quality in consumer loans improves

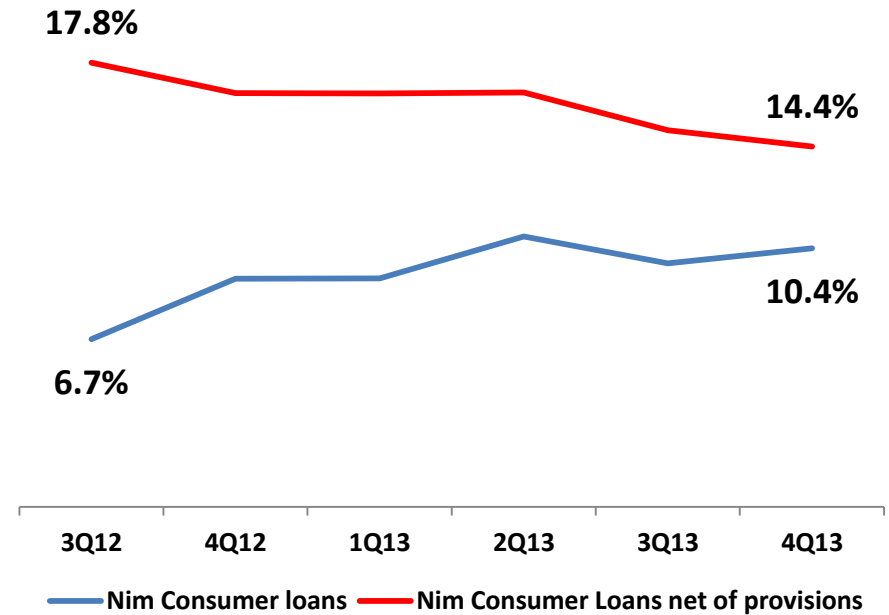
* 90 days or more NPLs. ** Loan loss reserves over NPLs

NIM net of provisions is steadily rising

NIM, net of provisions



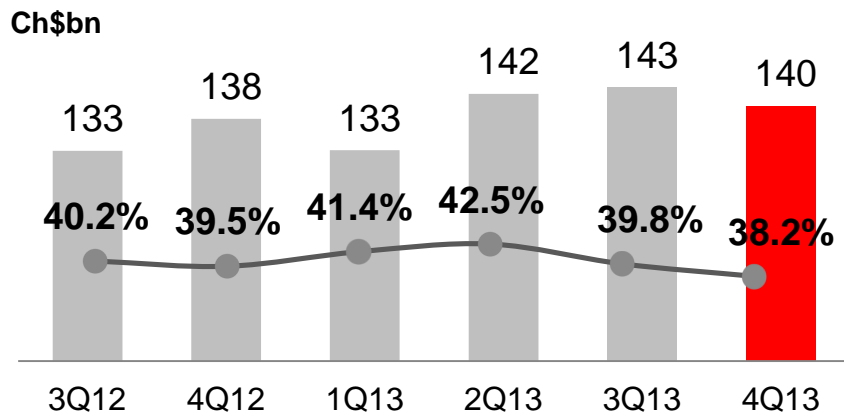
Consumer loan NIM (%)



The Bank's focus is to maximize spreads net of provisions and to outpace our competition in targeted segments

Efficiency ratio improves to 38.2% in 4Q13. Cost growth down QoQ

Operating expenses



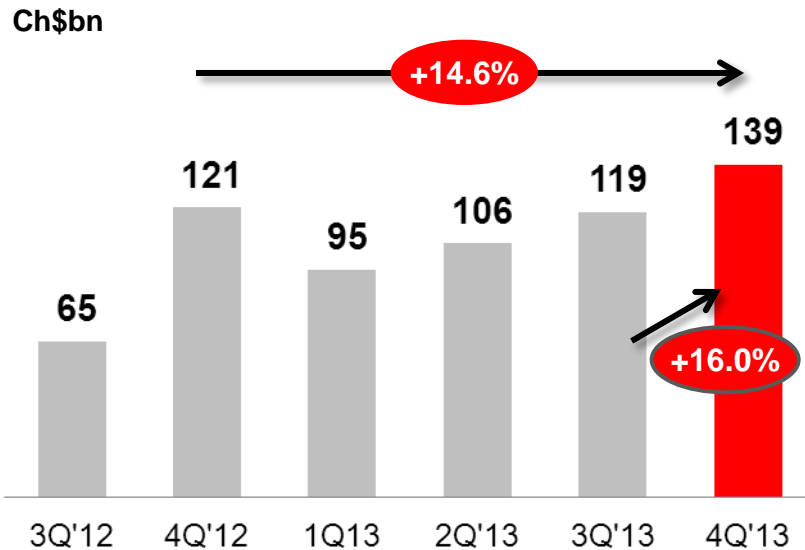
- Transformation Project enhancing productivity
- Investing in complementary channels (Internet, phone and mobile) and the new CRM
- Investing in quality of service
- Investing in expanding Santander Select
- We remain leaders in efficiency

Network

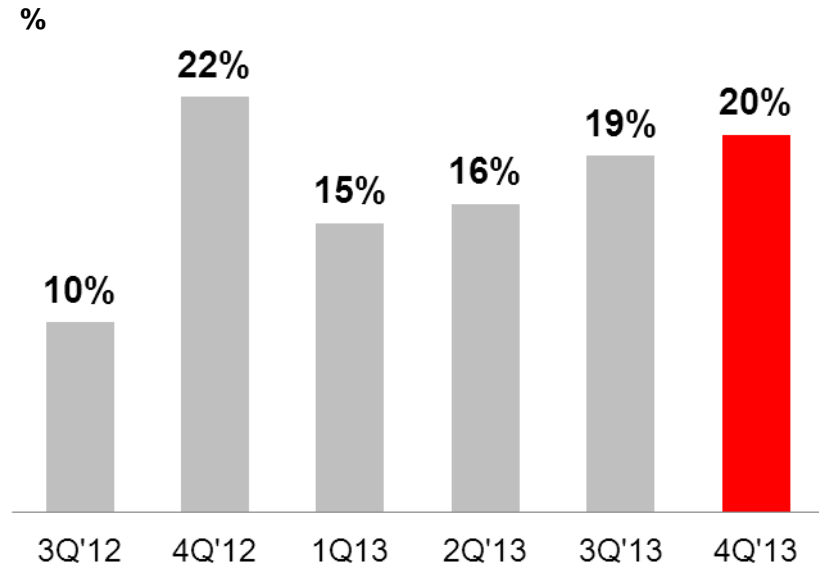
	4Q'12	4Q'13	%
▪ Branches	499	493	-1.2%
--Traditional	362	370	2.2%
--Select	44	46	4,6%
--Banefe	93	77	-17.2%
▪ Employees	11,713	11,516	-1.7%

Recurring ROE of 20% achieved in 4Q13

Operating income*



ROE**



The Bank achieves in 4Q13, the highest level Operating income in two years

* Operating income = Net interest revenue + Fee income + Financial transactions, net + Other op. income/expenses - provisions - operating expenses

** Net income for the quarter annualized divided by average equity. 4Q13 excludes the results from the sale of Santander Asset Management

Sound outlook for 2014

- **Chile: Economy on track, but a slight slowdown is expected in 2014**
- **Financial system continues to show healthy growth rates and high liquidity levels**
- **Santander Chile:**
 - **Strong loan growth in targeted segments**
 - **Improving deposit mix with solid client deposit growth**
 - **High Core Capital ratio**
 - **Most asset quality metrics improving**
 - **Net interest income, net of provisions expense, steadily rising**
 - **Fees still affected by regulatory changes. Client base growing at a steady pace**
 - **Transformation Project is boosting commercial activity and efficiency**

Agenda

- Macro-economic environment and financial system
- Strategy
- Activity and results
- **Annexes**

Annexes

- Balance Sheet
- Income Statement
- Quarterly Income Statement

Balance Sheet: Assets

Unaudited Balance Sheet Assets	Dec-13 US\$ths	Dec-13 Ch\$ million	Dec-12	Dec. 13 / 12 % Chg.
Cash and balances from Central Bank	2,998,495	1,571,811	1,250,414	25.7%
Funds to be cleared	1,152,379	604,077	520,267	16.1%
Financial assets held for trading	548,583	287,567	338,287	(15.0%)
Investment collateral under agreements to repurchase	33,325.07	17,469	6,993	149.8%
Derivatives	2,850,092	1,494,018	1,293,212	15.5%
Interbank loans	239,212	125,395	90,527	38.5%
Loans, net of loan loss allowances	38,777,224	20,327,021	18,325,957	10.9%
Available-for-sale financial assets	3,244,931	1,700,993	1,826,158	(6.9%)
Held-to-maturity investments	-	-	-	--%
Investments in other companies	18,468	9,681	7,614	27.1%
Intangible assets	127,247	66,703	87,347	(23.6%)
Fixed assets	343,791	180,215	162,214	11.1%
Current tax assets	3,134	1,643	10,227	(83.9%)
Deferred tax assets	439,174	230,215	186,407	23.5%
Other assets	763,111	400,023	655,217	(38.9%)
Total Assets	51,539,166	27,016,831	24,760,841	9.1%

Balance Sheet: Liabilities

	Dec-13 US\$ths	Dec-13 Ch\$ million	Dec-12 Jan-00	Dec. 13 / 12 % Chg.
Liabilities and Equity				
Demand deposits	10,722,554	5,620,763	4,970,019	13.1%
Funds to be cleared	527,240	276,379	284,953	(3.0%)
Investments sold under agreements to repurchase	398,649	208,972	304,117	(31.3%)
Time deposits and savings accounts	18,457,215	9,675,272	9,112,213	6.2%
Derivatives	2,480,177	1,300,109	1,146,161	13.4%
Deposits from credit institutions	3,209,418	1,682,377	1,438,003	17.0%
Marketable debt securities	9,917,318	5,198,658	4,571,289	13.7%
Other obligations	362,039	189,781	192,611	(1.5%)
Current tax liabilities	95,845	50,242	525	9469.9%
Deferred tax liability	47,860	25,088	9,544	162.9%
Provisions	450,652	236,232	221,089	6.8%
Other liabilities	379,199	198,776	341,274	(41.8%)
Total Liabilities	47,048,167	24,662,649	22,591,798	9.2%
Equity				
Capital	1,700,311	891,303	891,303	0.0%
Reserves	2,157,556	1,130,991	975,460	15.9%
Unrealized gain (loss) Available-for-sale financial assets	(11,377)	(5,964)	(3,781)	57.7%
Retained Earnings:	590,134	309,348	271,796	13.8%
Retained earnings previous periods	-	-	-	--%
Net income	843,048	441,926	388,282	13.8%
Provision for mandatory dividend	(252,915)	(132,578)	(116,486)	13.8%
Total Shareholders' Equity	4,436,623	2,325,678	2,134,778	8.9%
Minority Interest	54,376	28,504	34,265	(16.8%)
Total Equity	4,491,000	2,354,182	2,169,043	8.5%
Total Liabilities and Equity	51,539,166	27,016,831	24,760,841	9.1%

Income Statement

YTD Income Statement Unaudited	Dec-13 US\$ths.	Dec-13 Ch\$ million	Dec-12	Dec. 13 / 12 % Chg.
Interest income	3,569,638	1,871,204	1,890,953	(1.0%)
Interest expense	(1,515,532)	(794,442)	(848,219)	(6.3%)
Net interest income	2,054,105	1,076,762	1,042,734	3.3%
Fee and commission income	660,282	346,120	360,468	(4.0%)
Fee and commission expense	(221,831)	(116,284)	(102,780)	13.1%
Net fee and commission income	438,451	229,836	257,687	(10.8%)
Net income from financial operations	(54,584)	(28,613)	(64,079)	(55.3%)
Foreign exchange profit (loss), net	276,089	144,726	146,378	(1.1%)
Total financial transactions, net	221,505	116,113	82,299	41.1%
Other operating income	39,122	20,508	19,758	3.8%
Total operating income	2,753,184	1,443,219	1,402,478	2.9%
Provision for loan losses	(694,451)	(364,031)	(366,702)	(0.7%)
Net operating profit	2,058,733	1,079,188	1,035,776	4.2%
Personnel salaries and expenses	(588,218)	(308,344)	(299,904)	2.8%
Administrative expenses	(359,006)	(188,191)	(175,883)	7.0%
Depreciation and amortization	(116,509)	(61,074)	(56,369)	8.3%
Impairment	(465)	(244)	(90)	171.1%
Operating expenses	(1,064,199)	(557,853)	(532,246)	4.8%
Other operating expenses	(118,945)	(62,351)	(59,716)	4.4%
Total operating expenses	(1,183,144)	(620,204)	(591,962)	4.8%
Operating income	875,589	458,984	443,814	3.4%
Income from investments in other companies	151,744	79,544	267	29691.8%
Income before taxes	1,027,333	538,528	444,081	21.3%
Income tax expense	(180,212)	(94,467)	(51,174)	84.6%
Net income from ordinary activities	847,121	444,061	392,907	13.0%
Net income discontinued operations	-	-	-	--%
Net income attributable to:				
Minority interest	4,073	2,135	4,625	(53.8%)
Net income attributable to shareholders	843,048	441,926	388,282	13.8%

Quarterly Income Statements

Unaudited Quarterly Income Statement	4Q13	4Q13	3Q13	4Q12	4Q13 / 4Q12	4Q13 / 3Q13
	US\$ths.		Ch\$mn		% Chg.	
Interest income	982,697	515,130	516,606	524,918	(1.9%)	(0.3%)
Interest expense	(421,826)	(221,121)	(229,001)	(241,927)	(8.6%)	(3.4%)
Net interest income	560,872	294,009	287,605	282,991	3.9%	2.2%
Fee and commission income	167,835	87,979	84,605	89,747	(2.0%)	4.0%
Fee and commission expense	(60,738)	(31,839)	(29,674)	(27,395)	16.2%	7.3%
Net fee and commission income	107,097	56,140	54,931	62,352	(10.0%)	2.2%
Net income from financial operations	(157,558)	(82,592)	55,813	(31,138)	165.2%	--%
Foreign exchange profit (loss), net	220,479	115,575	(28,198)	49,272	134.6%	--%
Total financial transactions, net	62,921	32,983	27,615	18,134	81.9%	19.4%
Other operating income	8,850	4,639	4,112	4,630	0.2%	12.8%
Total operating income	739,739	387,771	374,263	368,107	5.3%	3.6%
Provision for loan losses	(167,949)	(88,039)	(96,479)	(90,387)	(2.6%)	(8.7%)
Net operating profit	571,789	299,732	277,784	277,720	7.9%	7.9%
Personnel salaries and expenses	(149,624)	(78,433)	(78,584)	(76,789)	2.1%	(0.2%)
Administrative expenses	(89,706)	(47,024)	(48,545)	(45,188)	4.1%	(3.1%)
Depreciation and amortization	(27,562)	(14,448)	(15,712)	(16,048)	(10.0%)	(8.0%)
Impairment	(59)	(31)	(40)	(2)	1450%	(22.5%)
Operating expenses	(266,952)	(139,936)	(142,881)	(138,027)	1.4%	(2.1%)
Other operating expenses	(40,473)	(21,216)	(15,462)	(18,722)	13.3%	37.2%
Total operating expenses	(307,425)	(161,152)	(158,343)	(156,749)	2.8%	1.8%
Operating income	264,365	138,580	119,441	120,971	14.6%	16.0%
Income from investments in other companies	148,894	78,050	345	(983)	--%	22523%
Income before taxes	413,258	216,630	119,786	119,988	80.5%	80.8%
Income tax expense	(79,206)	(41,520)	(18,417)	(5,730)	624.6%	125.4%
Net income from ordinary activities	334,052	175,110	101,369	114,258	53.3%	72.7%
Net income discontinued operations	-	-	-	-	--%	--%
Net income attributable to:						
Minority interest	2,152	1,128	196	782	44.2%	475.5%
Net income attributable to shareholders	331,900	173,982	101,173	113,476	53.3%	72.0%

