

# Banco Santander Chile

November 2013

Chile



# 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. All figures presented in this presentation are under Chilean Bank GAAP. Chilean Bank GAAP is very similar to IFRS but some differences do exist which are detailed in our 2012 20F. All figures presented are in nominal terms. 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.

## 1. Chile: strong macro fundamentals

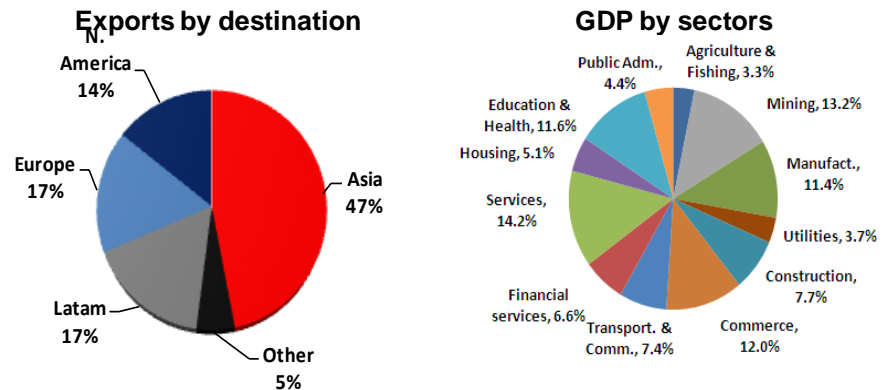
## 2. Santander Chile: a solid bank in a positive operating environment

## Chile: a strong and diversified economy...

### Chile's key economic highlights<sup>(1)</sup>

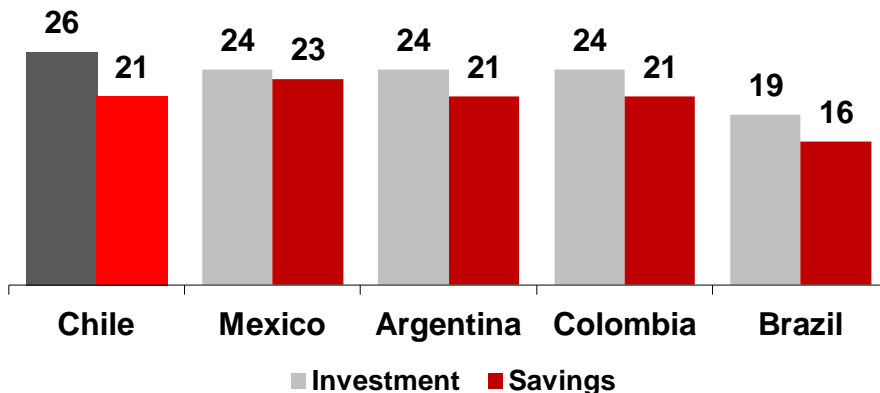
Population:	17.6 mn
GDP:	US\$268bn
GDP Per Capita (PPP):	US\$17,980
Exports / GDP:	31.7%
Investment / GDP:	26.0%
Net Public Debt / GDP:	- 6.9%
Current Ratings:	AA-/A+/Aa3

### A diversified economy...<sup>(1)</sup>



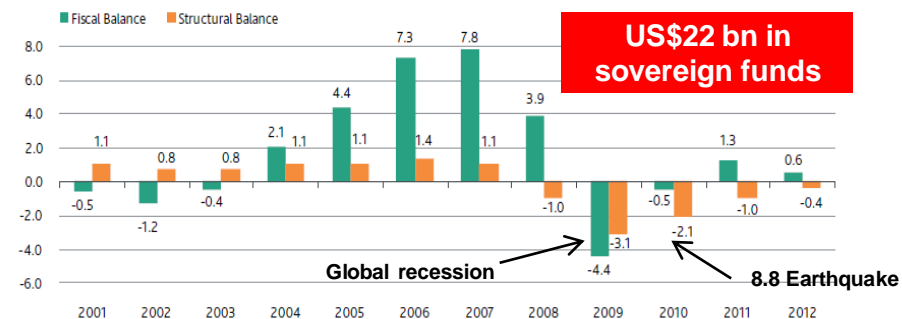
### ... with high investment & savings rates<sup>(2)</sup>

Investment & Savings / GDP (2013f, %)



### ... and a solid fiscal position<sup>(2)</sup>

Structural Balance Rule Prevents Pro-Cyclicality and Allows for Savings (% of GDP)

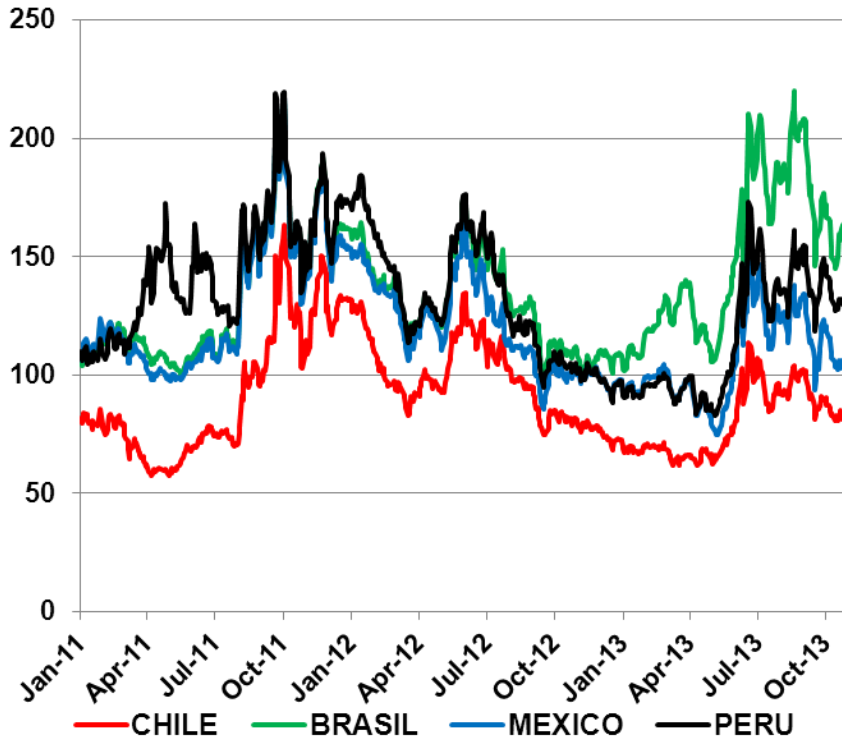


Source: Dirección de Presupuestos

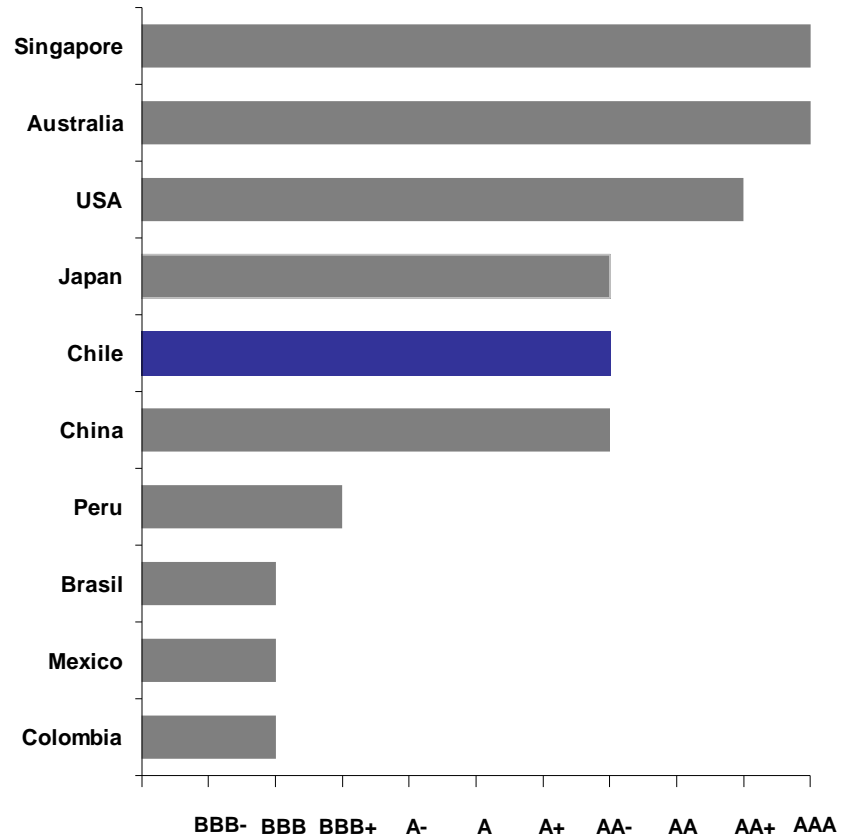
(1) Figures for 2012 or latest available data. Source: Central Bank of Chile. (2) Source: Ministry of Finance and Moody's

## ... resulting in a relatively low-risk environment

### Low Sovereign risk...<sup>(1)</sup>



### ... and high Sovereign rating<sup>(2)</sup>

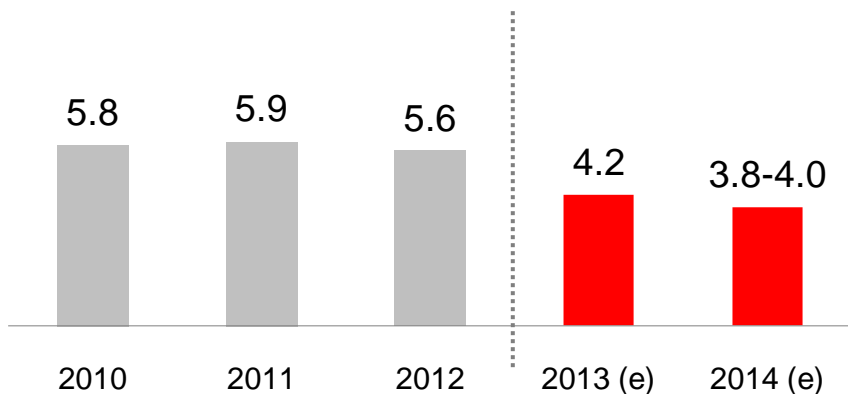


### A sound institutional framework and business environment

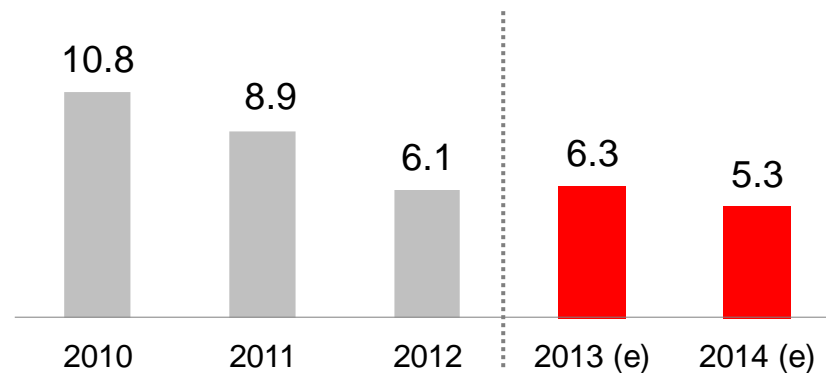
(1) Credit default swaps spreads. Source: Bloomberg. (2) Source: Standard & Poor's via Bloomberg, as of Nov. 2013.

## Our outlook for 2013 - 2014 is positive

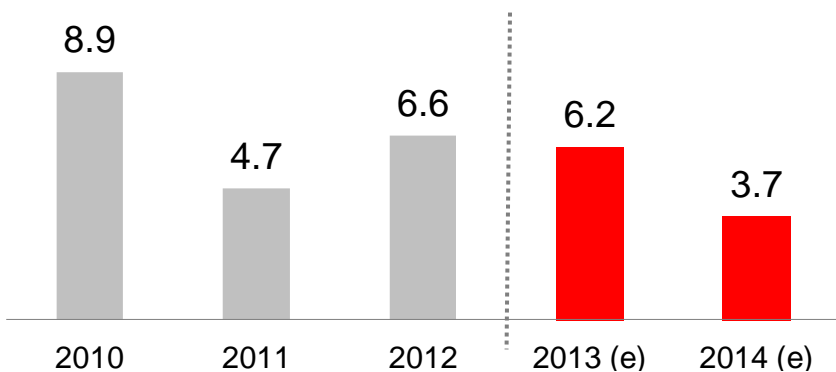
### GDP (YoY growth, %)



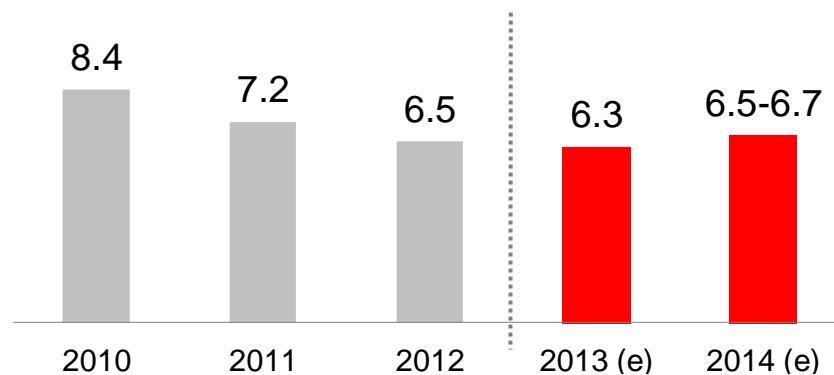
### Private Consumption (YoY growth, %)



### Salary Pool (YoY growth, %)



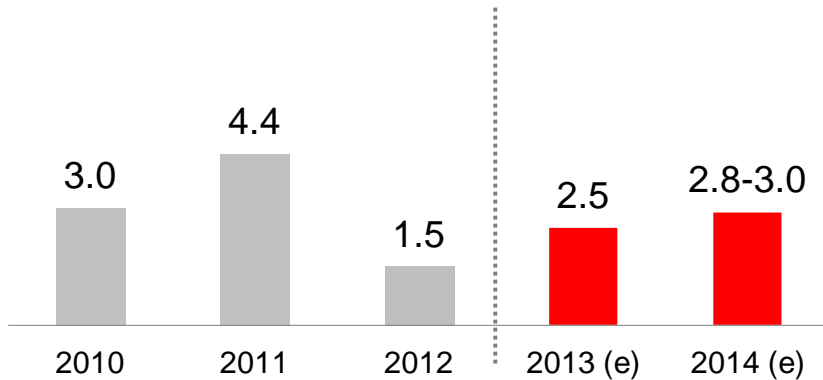
### Unemployment (Annual average, %)



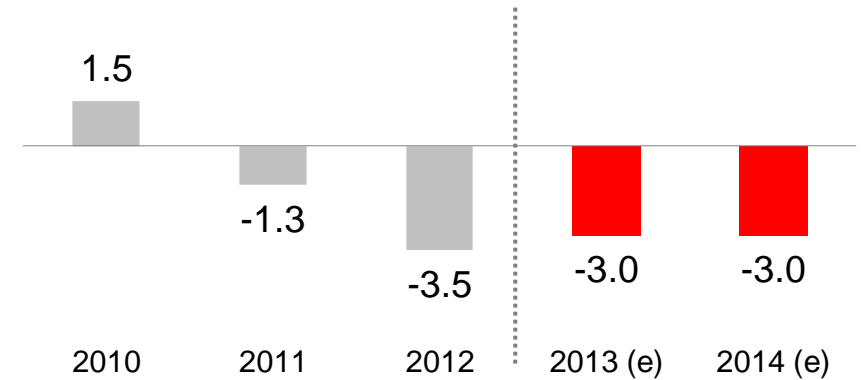
Source: Banco Central de Chile. (e): Estimates Santander Chile

The Central Bank should continue cutting rates in 2014

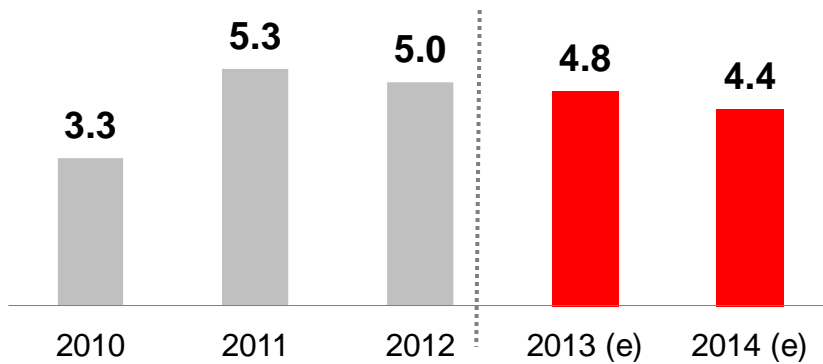
Annual inflation (%)



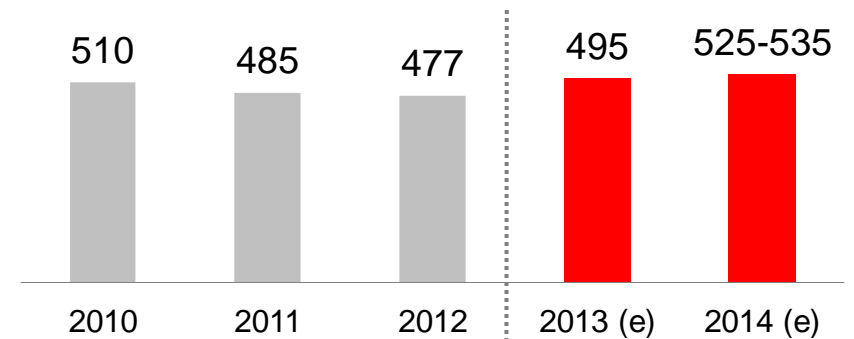
Current Account Deficit (% del GDP)



Central Bank Reference rate (%)



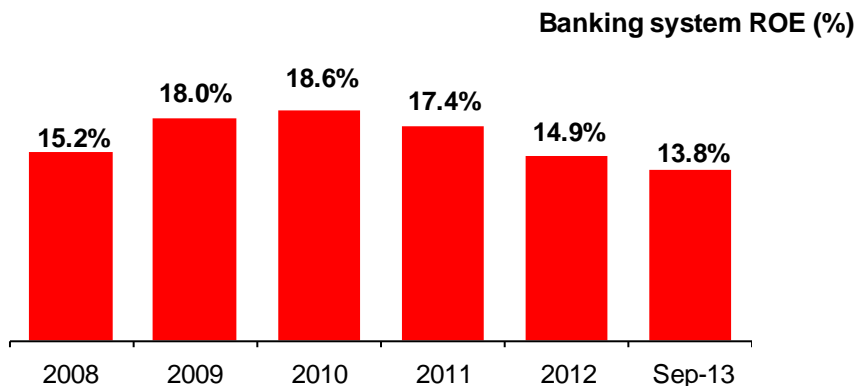
Avg. Exchange Rates (Ch\$ / US\$)



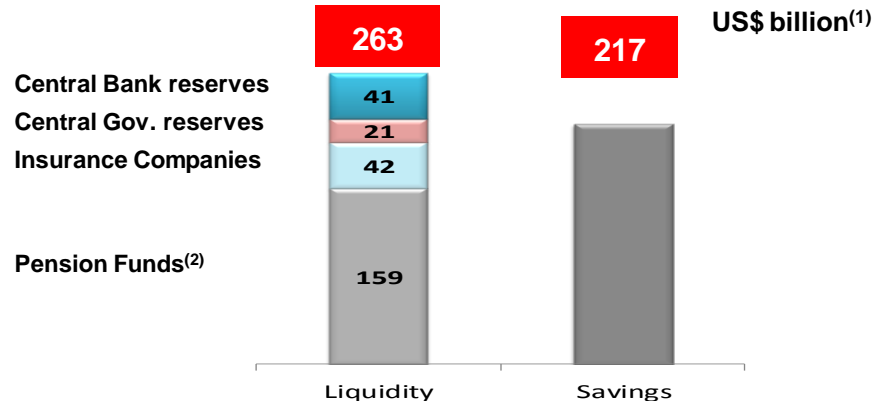
Source: Banco Central de Chile. (e): Estimates Santander Chile

## A profitable and solid financial system

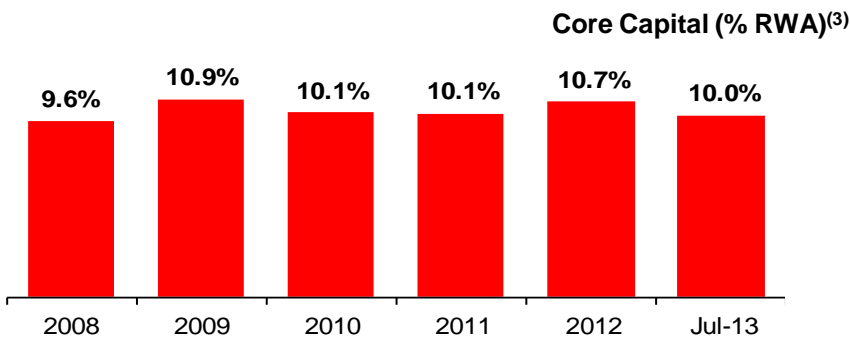
### Attractive profitability



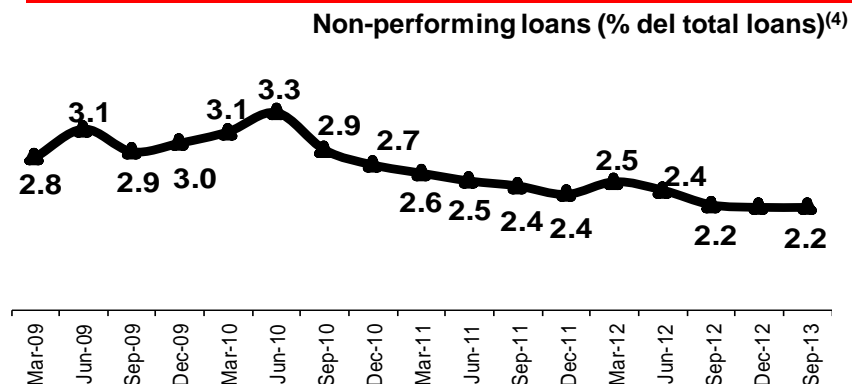
### Ample liquidity to access



### High capital ratios



### Stable asset quality



(1) Figures as of latest available information.

(2) Pension funds excludes deposits in Banks.

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

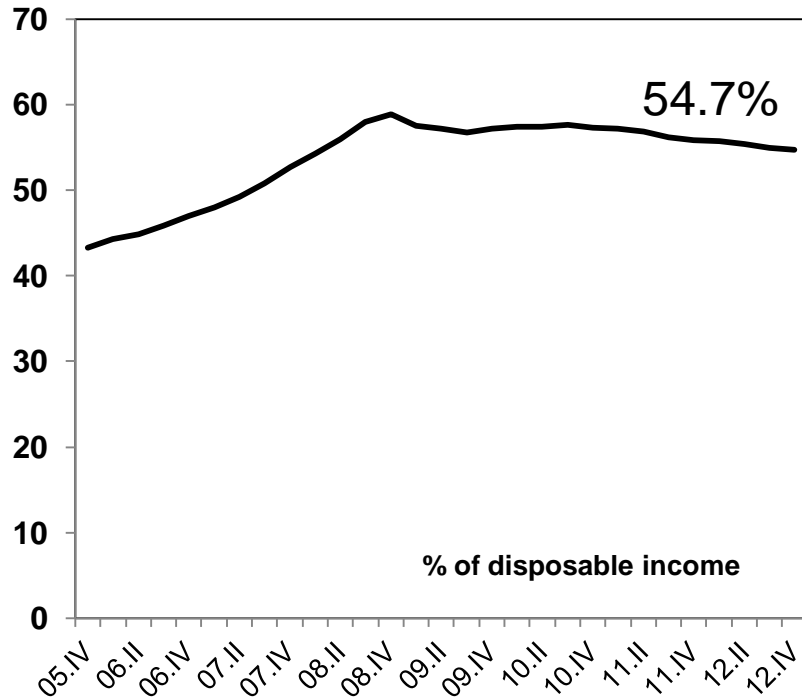
(4) NPLs defined as portfolios with 90 or more days overdue.

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

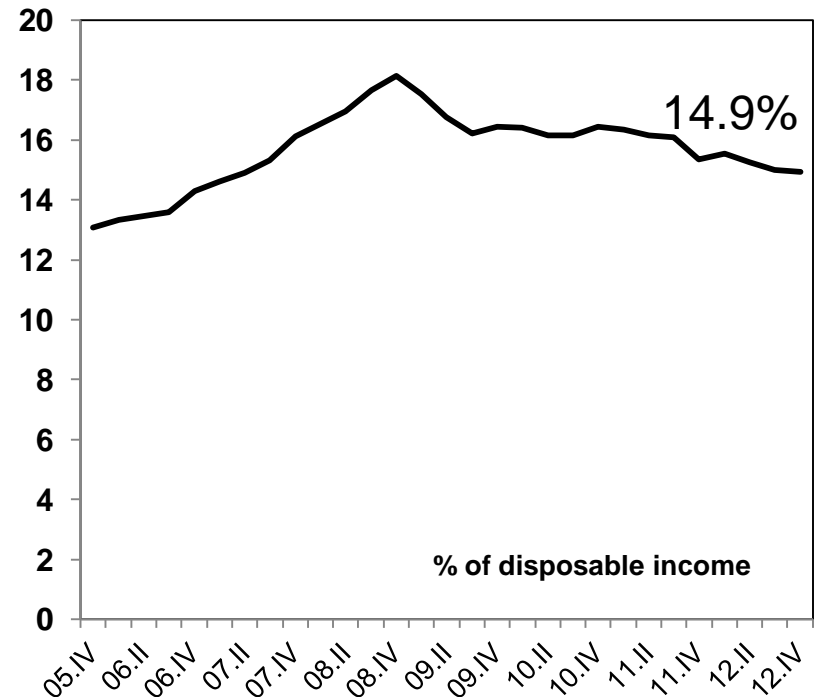


## Healthy evolution of household finances

### Household indebtedness<sup>1</sup>



### Debt servicing ratio<sup>2</sup>



**57% of loans are mortgage**

**67% of debt is long-term**

Source: Banco Central de Chile. 1. Total household debt divided by annual disposable income. 2. Debt servicing ratio is total debt payments including amortization and interest divided by disposable income

# Agenda

**1. Chile: strong macro fundamentals**

**2. Santander Chile: a solid bank in a positive operating environment**

# Santander Chile is the nation's leading bank

### Overview

- ✓ Founded in 1977, Banco Santander Chile is **Chile's largest financial institution** in terms of assets and equity
- ✓ It is a **full-service financial institution** providing a variety of products and services to all segments of the Chilean financial market
- ✓ As of Sept. 2013, it had US\$51.6bn in assets, US\$40.3bn in loans, US\$29.6bn in deposits, and US\$4.4bn in equity
- ✓ In 2002, Banco Santander Chile merged with Banco Santiago, which Banco Santander Central Hispano (BSCH) had acquired in April 2002
- ✓ Santander Chile's banking services are complemented by that of its affiliates and subsidiaries. Through them, the Santander Group has **presence in investment banking** (through Santander Investment), **brokerage** (through Santander S.A. Corredores de Bolsa), **mutual funds** (through Santander Asset Management S.A. AGF) and **insurances brokerage** (through Santander Corredora de Seguros Ltda.)
- ✓ Santander Chile is highly profitable and the most efficient bank in Chile with a ROAE of 16.6%, ROAA of 1.4% and an overhead ratio of 39.7% as of Sept. 30, 2013

### Financial Highlights<sup>1</sup>

	US\$bn	Share
Assets:	US\$51.6	17.1% <sup>2</sup>
Loans:	US\$40.3	19.1% <sup>6</sup>
Deposits:	US\$29.6	16.9% <sup>6</sup>
Equity:	US\$4.4	18.0% <sup>2</sup>
Net income:	US\$533mn	21.6% <sup>2</sup>

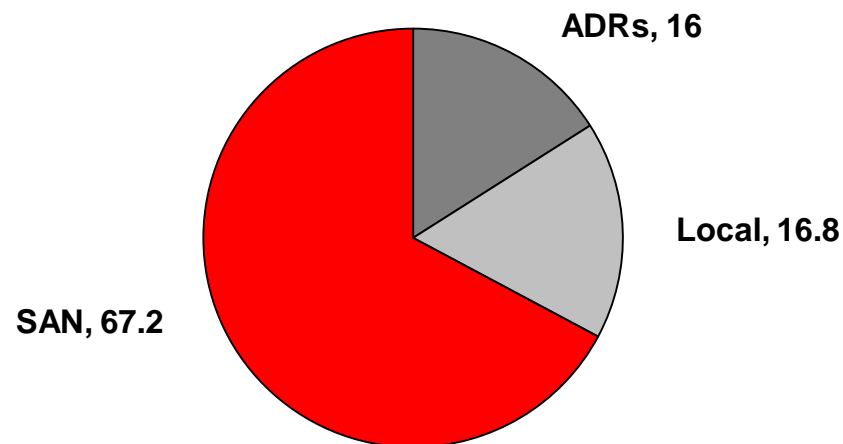
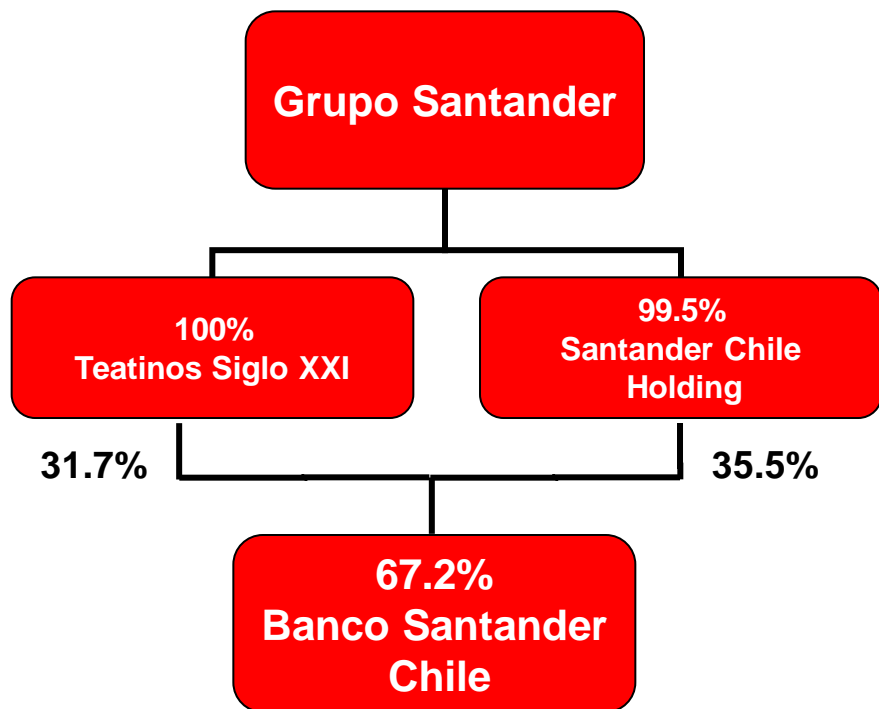
### Clients & Networks<sup>1</sup>

Clients	3.4mn	26.2% <sup>3</sup>
Internet clients	800ths.	27.1% <sup>4</sup>
Checking acct.	821ths	23.3% <sup>2</sup>
Credit cards	1.8mn	21.4% <sup>5</sup>
Debit cards	3.2mn	20.2% <sup>2</sup>
Branches:	488	18.3% <sup>2</sup>
Employees:	11,626	19.7% <sup>2</sup>

1. Figures as of Sept. 2013 or latest available figures using the period-end exchange rate. 2. Market share including all banks. Source : Superintendency of Banks of Chile (SBIF) 3. Average market share of credit cards + checking accounts . 4. Excludes Banco del Estado. 5. Market share is over total monetary transactions using a credit card and includes department stores. 6. Excludes Corpbanca Colombia Source: Superintendency of Banks of Chile

## Grupo Santander controls 67% of Santander Chile. 33% floated

### Ownership structure



We are Chile's 2<sup>nd</sup> most liquid stock

BSAC  
LISTED  
NYSE

### Solid governance standards

#### 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 regulatory capital
- Too big to fail regulations. Santander Chile's BIS ratio >11% vs 8% legal limit
- Dividends paid only once a year after financial statements have been audited and approved by shareholders
- Strict liquidity limits. 131% LCR BIS III

#### Relationship with SAN Group

- Network of independent subsidiaries. Each subsidiary is independent in terms of capital and liquidity
- Each unit finances its operations independently
- No structural cross-financing among units: No loans to Santander Group and only US\$30mn in overnight investments. No funding.
- No management fee
- Dividend, capital levels, M&A, Divestitures, etc. must be approved by Board before shareholders
- Santander Chile has an independent Board and strong internal controls →

### Solid governance standards

#### Independent Board

	<u>Asset and Liability Committee</u>	<u>Directors and Auditing Committee</u>	<u>Executive Credit Committee</u>
<u>Oscar Von Chrismar</u>	Member		Member
<u>Marco Colodro Hadjes</u>	Member		Member
<u>Vittorio Corbo</u>	Member		
<u>Victor Arbulu Crousillat</u> Financial Expert		Member	
<u>Mauricio Larrain Garcés</u>	Chairperson		Chairperson
<u>Carlos Olivos Marchant</u>		Chairperson	
<u>Roberto Zahler Mayanz</u>	Member		
<u>Lisandro Serrano Spoerer</u>		Member	
<u>Roberto Méndez Torres</u>			Member
<u>Jesús María Zabalza Lotina</u> Vice Chair			

Chairperson   
 Member   
 Financial Expert  
 Vice Chair

In 2012, the Board approved a capital plan of maintaining the BIS ratio at least 100bp higher than regulatory levels.

#### Corporate Governance Standards

- ✓ **Independence:** 8 of the 11 directors are external
- ✓ **Participation:** Major decisions have active participation of independent directors
  - ✓ ALCO: capital, liquidity, funding
  - ✓ Audit Committee: internal control
  - ✓ Credit Executive Committee: main credit risks
  - ✓ Dividend, capital levels, M&A, divestitures etc. all must be approved by Board before shareholders
- ✓ **Division of functions:** Independent risk areas of commercial
- ✓ **Chief Risk Officer:** Responsible for controlling risks reporting directly to the Board
- ✓ **Internal Audit:** Independent with direct reporting to the Board
- ✓ **Regulated:** We have to comply with regulations: Superintendence of Banks, SEC, NYSE and SOX

## Solid governance standards

NOVEMBER 19, 2012

BANKING

MOODY'S  
INVESTORS SERVICE

CREDIT FOCUS

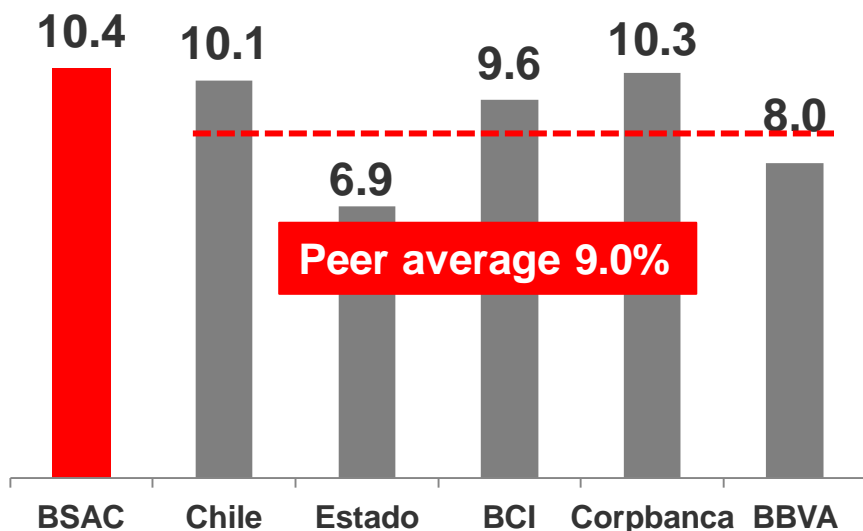
Banco Santander Chile: Financial Strength, Internal Governance and Regulatory Firewalls Substantially Insulate It from Credit Issues at Parent Santander S.A.

**The strength of our corporate governance standards has been validated by the rating agencies**

## A healthy risk-return relation

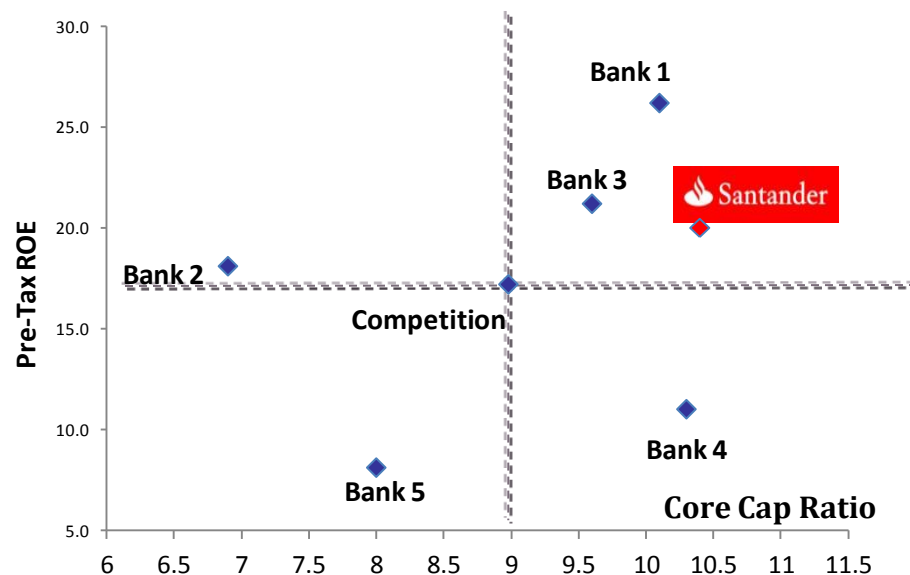
### High capital base

Core Capital ratios, %



### Best risk-return ratio in Chile

Pre-tax ROE & Core Capital ratios<sup>(1,2)</sup>, %



### No new shares issued since 2002

(1) Tier I is as of July 2013 (2) Pre-Tax ROE annualized as per Sept. 2013 (3) Competition = System minus Santander Chile. Source: Superintendencia of Banks of Chile. Santander Chile figures as of Sept. 2013

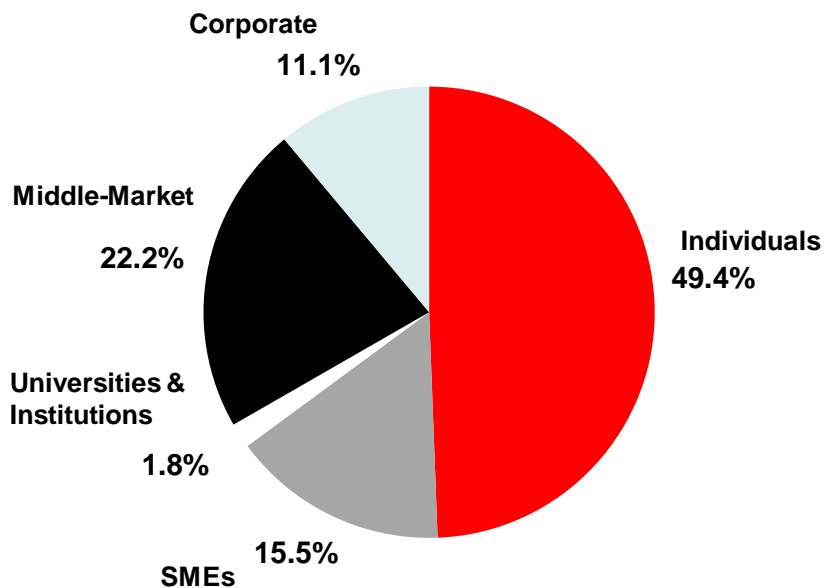


## Diversified loan book

Figures as of Sept. 2013

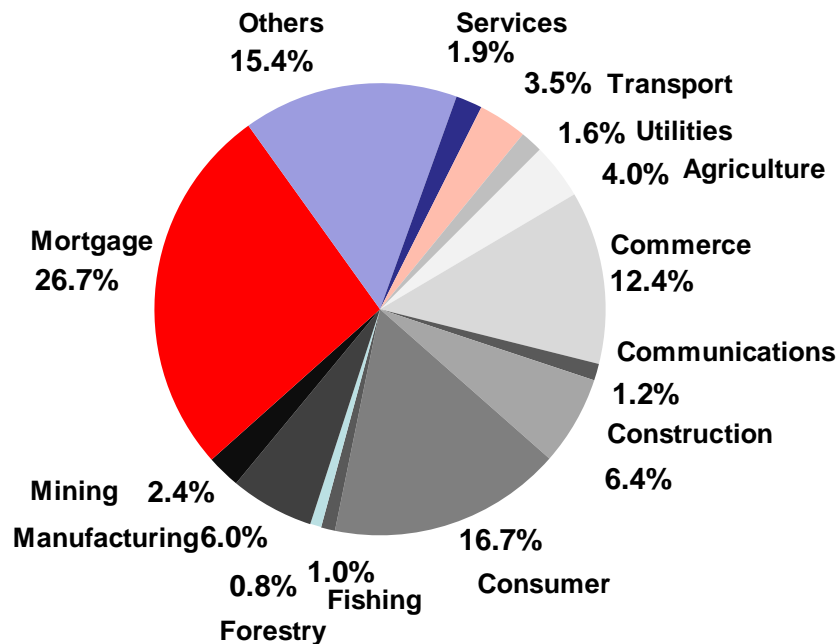
### Loans by client segment

Loans as a percentage of the total, %



### Loans by economic sector

Loans as a percentage of the total, %



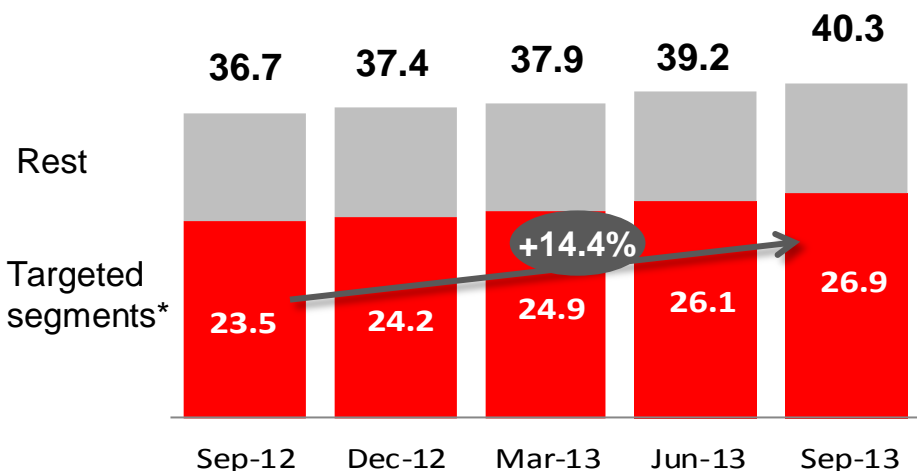
50% Individuals / 50% Companies

Source: Santander Chile

**Solid loan growth in the segments the Bank is targeting:  
14.4% compared to 9.8% for the total loan book**

**Loans**

US\$billions\*



(\*) High Incomes, SMEs, middle markets

US\$bn

	9M'13	YoY	QoQ
Individuals	19.6	12.4%	3.7%
– Consumer	6.5	12.6%	4.8%
– Mortgage	10.6	4.9%	2.0%
SMEs	6.1	15.6%	3.3%
Institutions & univ.	0.8	5.2%	4.3%
Middle-market	8.8	16.3%	2.2%
Corporate	3.9	14.0%	8.0%
<b>Total loans*</b>	<b>40.3</b>	<b>9.8%</b>	<b>2.8%</b>

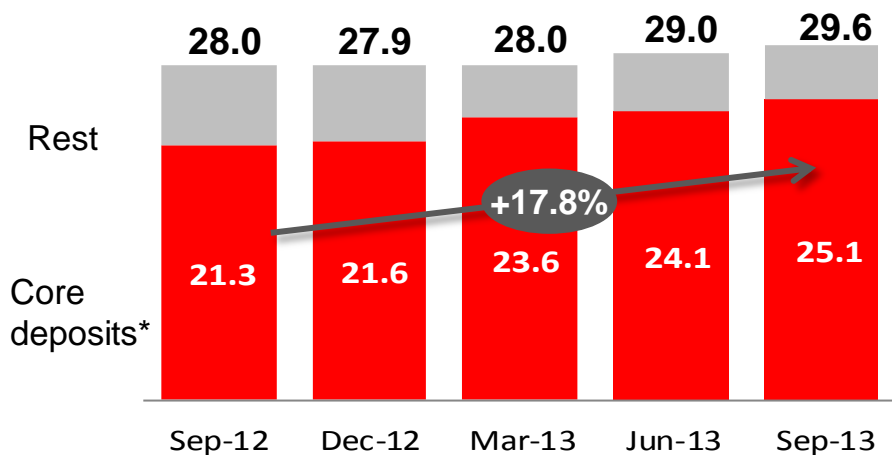
\*Total includes non-segmented loans

**Our main strategic focus continues to be profitability over market share**

## Positive evolution of funding mix

### Deposits

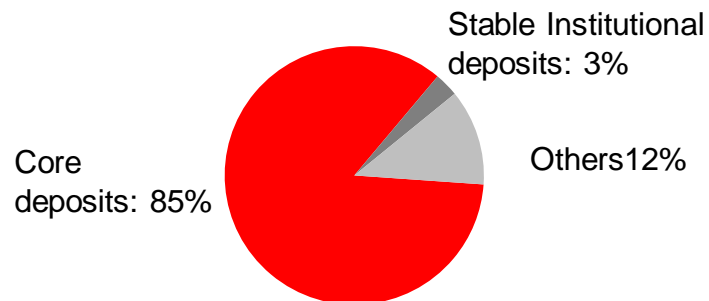
US\$billions\*



(\*) Deposits from non-institutional sources

US\$bn	9M'13	YoY	QoQ
Demand	10.4	14.3%	1.3%
Time	19.2	2.1%	2.8%
<b>Total</b>	<b>29.6</b>	<b>6.1%</b>	<b>2.3%</b>

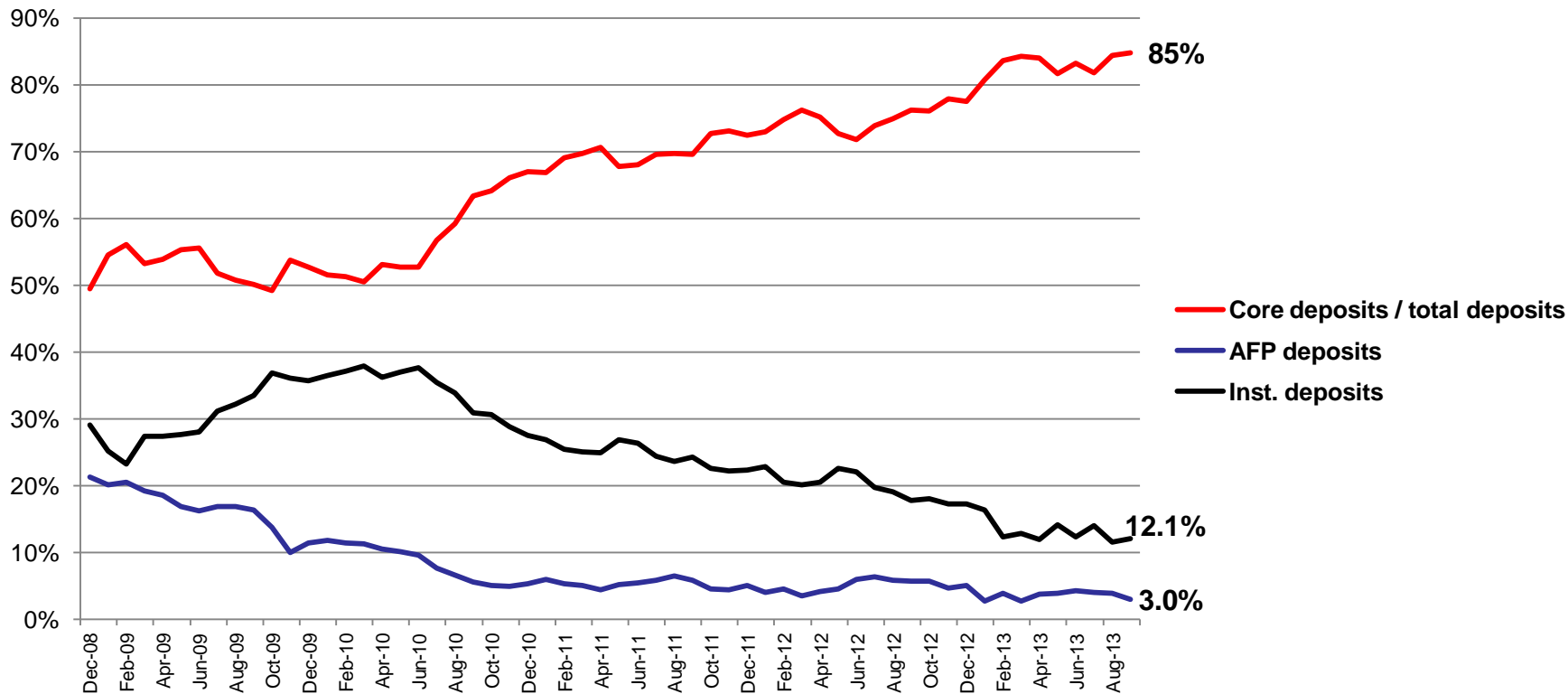
### Deposit Structure (09.30.13)



Core Deposits up 17.8% YoY

**Strong focus on core deposits\* growth...**

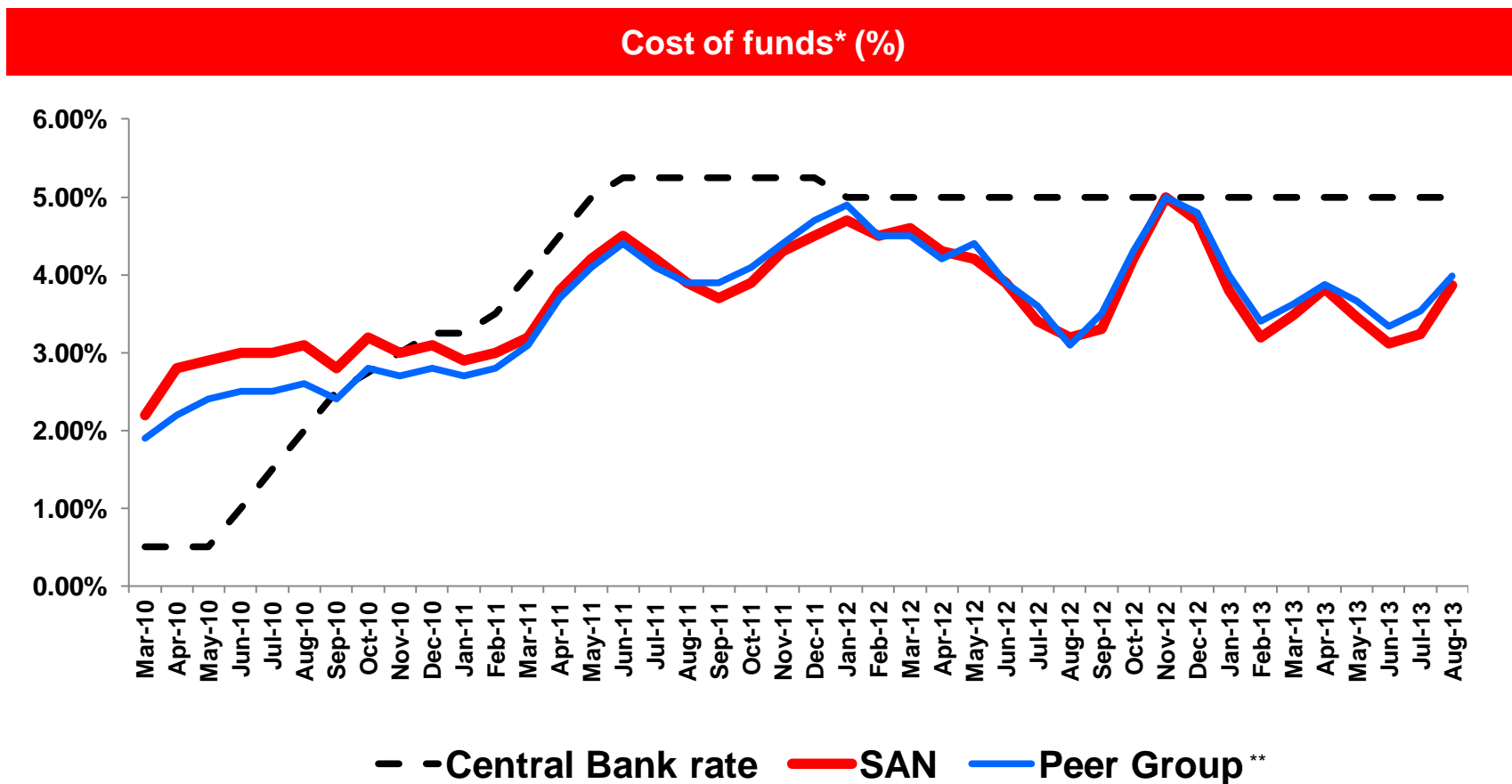
Deposit mix (%): Demand + Time deposits



**Core Deposits up 129% since Dec. 2009**

\* Core deposits = Deposits from non-institutional sources, mainly individuals and companies  
 AFP deposits: Deposits from Chile's pension fund system  
 Institutional deposits: mutual funds, insurance companies, banks and other institutional sources

...has resulted in better funding costs

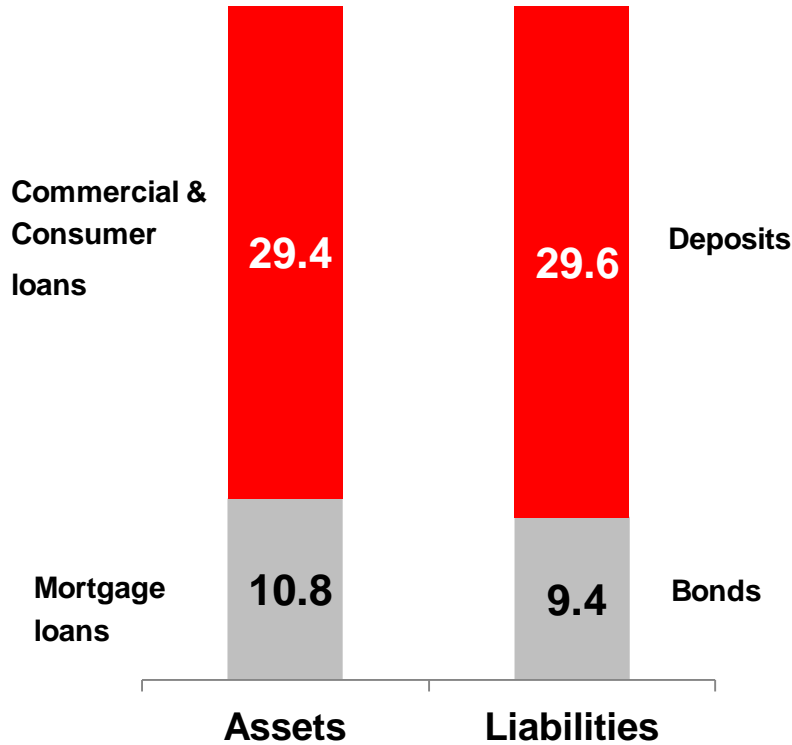


\* Cost of funds = interest expense annualized divided by interest bearing liabilities plus demand deposits. \*\* Peer Group = BCI, Corpbanca, Banco de Chile and BBVA. Source: Superintendency of Banks of Chile

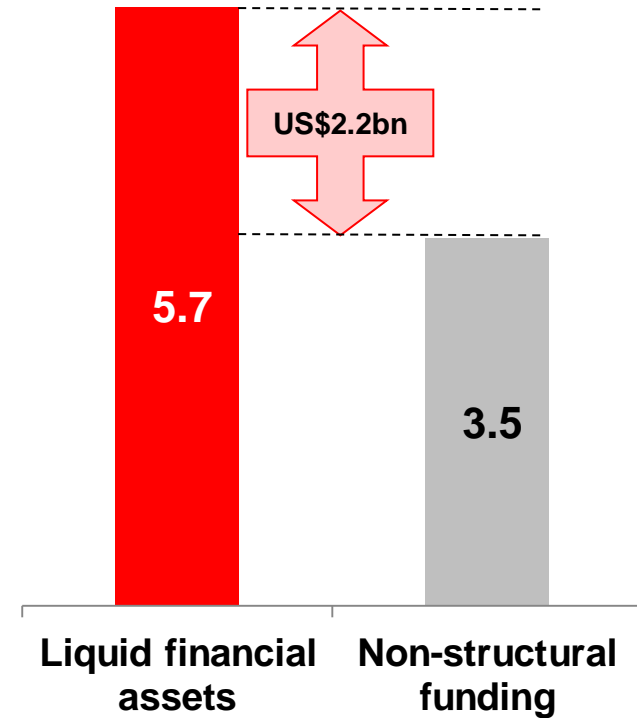
## Healthy balance sheet structure

Figures as of Sept. 2013

### Commercial balance sheet (US\$bn)



### Structural liquidity\* (US\$bn)

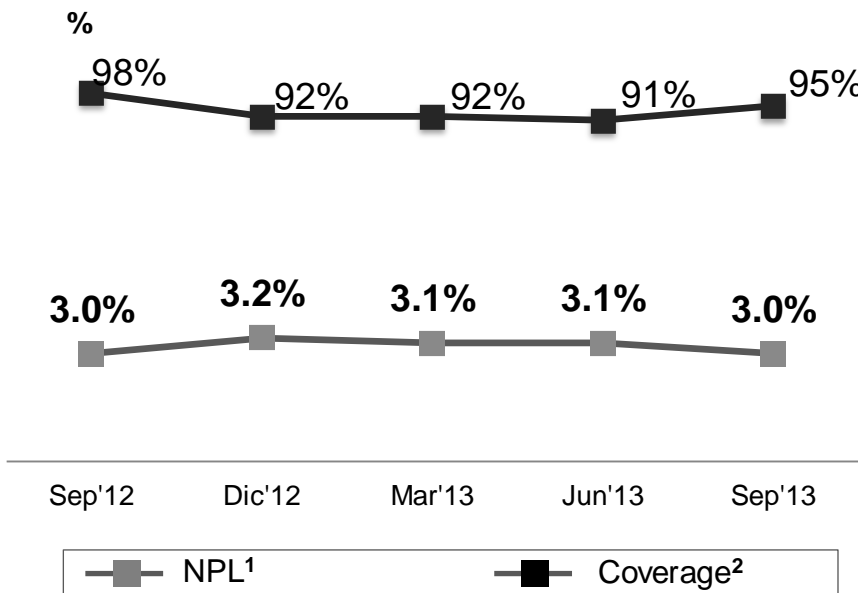


\* Liquid financial investments minus non-structural deposits

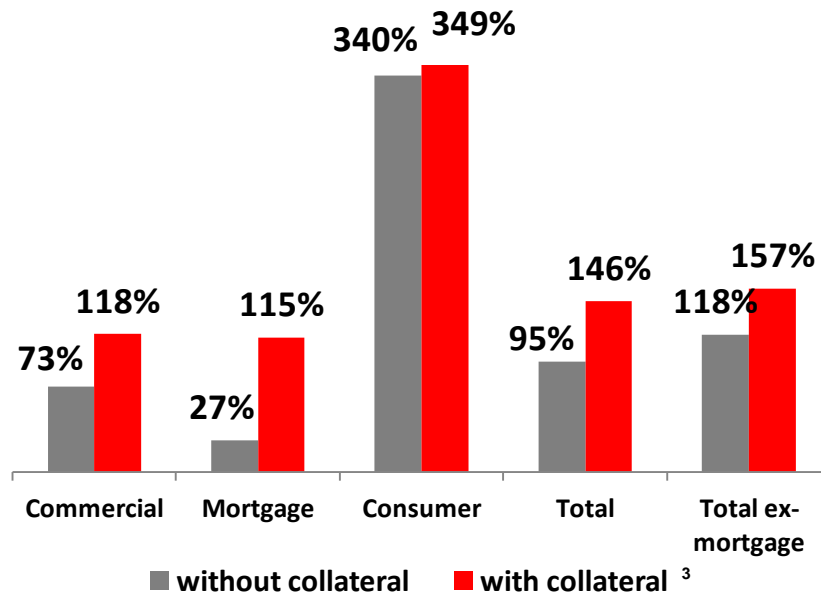
## Comfortable coverage levels

NPL ratio and coverage (%) as of Sept. 2013

NPL ratio and coverage<sup>1</sup>



Coverage ratio by product<sup>2</sup>

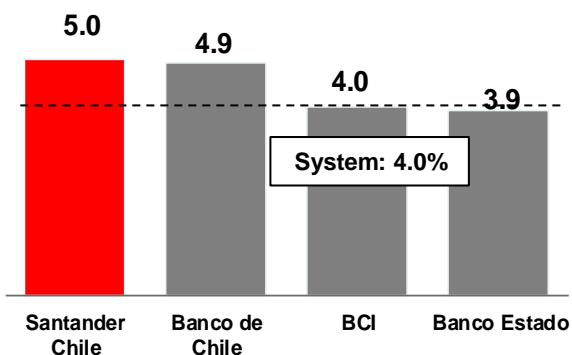


1. NPL: Non-performing loans, full balance of loans with one installment 90 days or more overdue. 2. Coverage ratio = Loan loss reserves over NPLs.

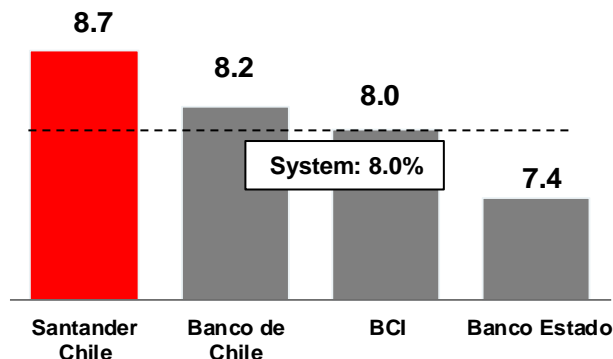
3. Coverage w/ collateral = loan loss reserves + collateral / NPLs

## Santander Chile's profitability and efficiency have consistently outperformed the industry

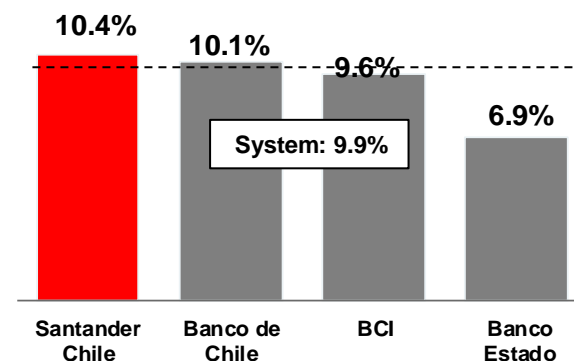
NIMs – 9M 2013



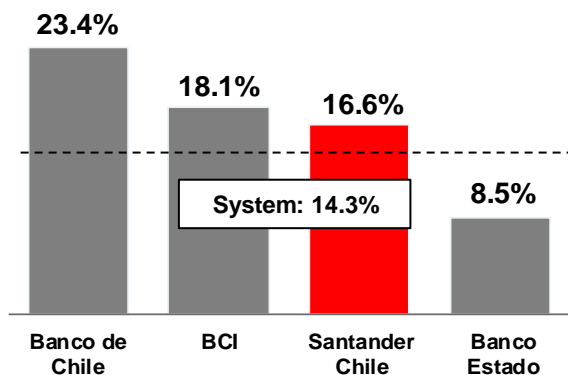
Loan yields – 9M 2013



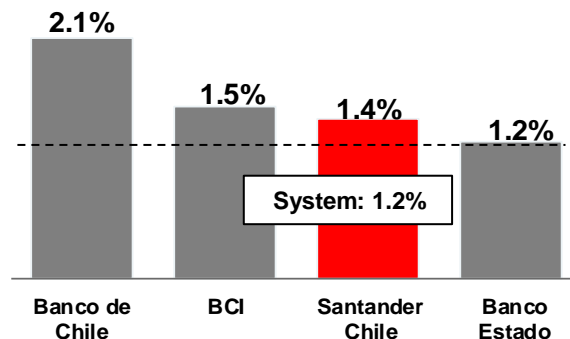
Core Capital Ratio – July 2013<sup>1</sup>



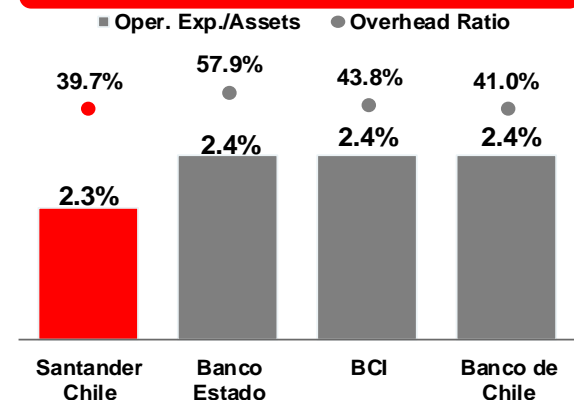
ROAE – 9M 2013



ROAA – 9M 2013



Efficiency<sup>2</sup> – 9M 2013

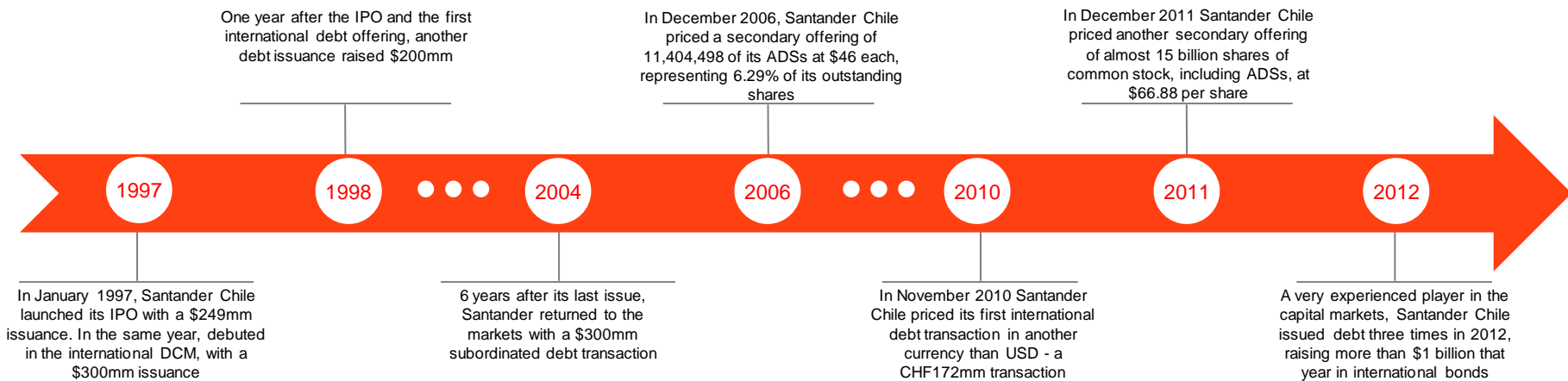


Source: Superintendency of Banks reports

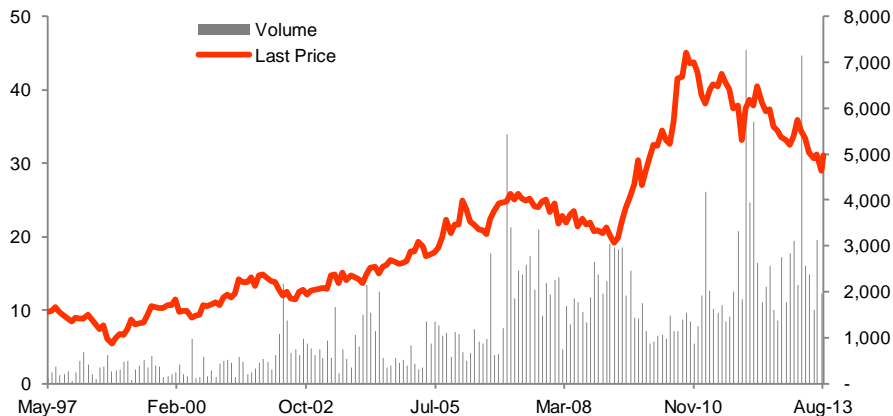
1. Except Santander which is as of Sept. 2013 2. Measured as Operating expense over assets



# Santander has a track record of success in the international capital markets



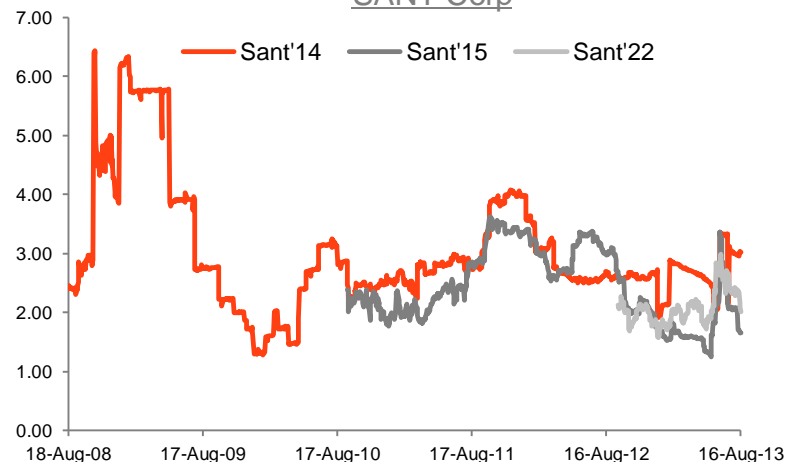
BSAC Equity



Market Cap Last 10 years (US\$m):

Jan-03	Jul-04	Jan-06	Jul-07	Jan-09	Jul-10	Jan-12	Aug-13
3,349	4,798	7,919	9,016	6,012	12,286	13,570	11,465

SANT Corp

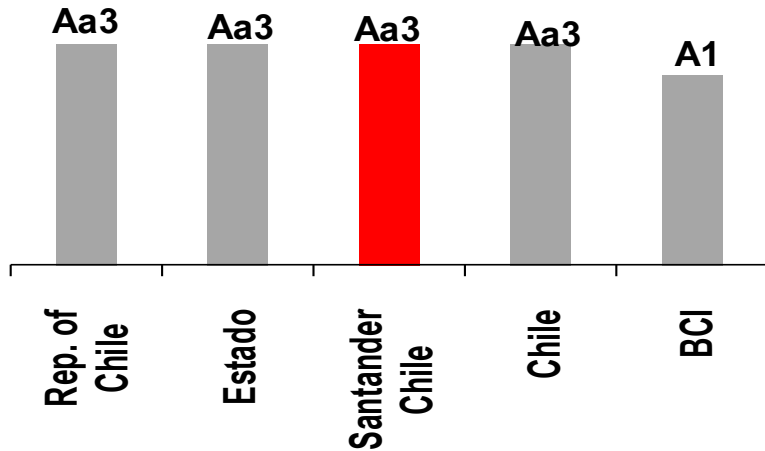


USD Bonds Issued (US\$m)

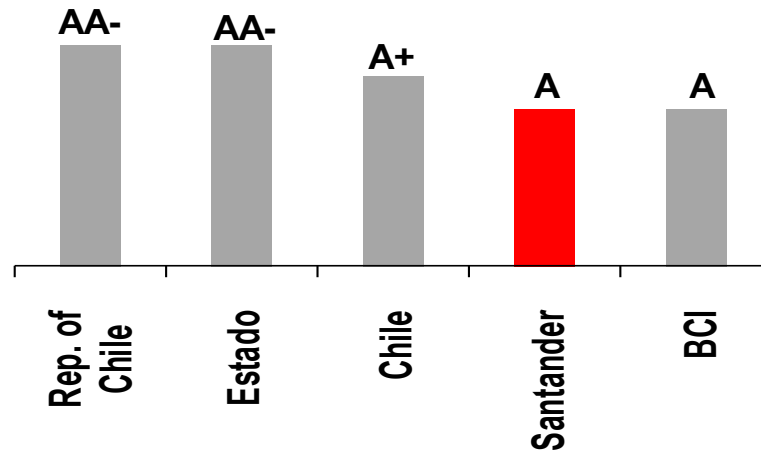
1997	1998	2003	2004	2009	2010	2011	2012	2013
300	200	222	700	1,100	1,200	635	1,086	250

One of the highest credit ratings in the region

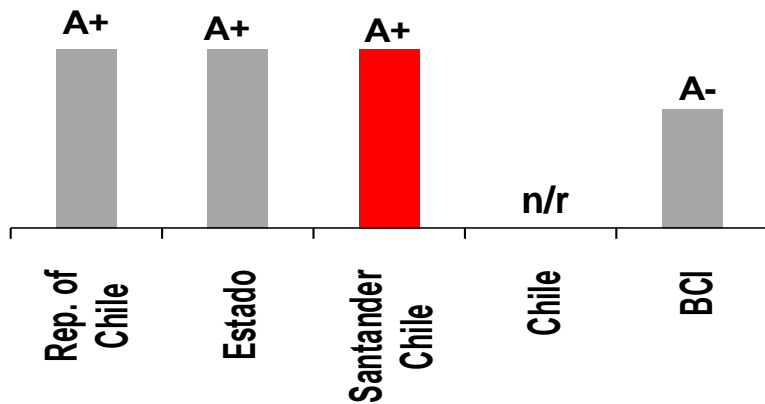
Moody's (Outlook Negative)



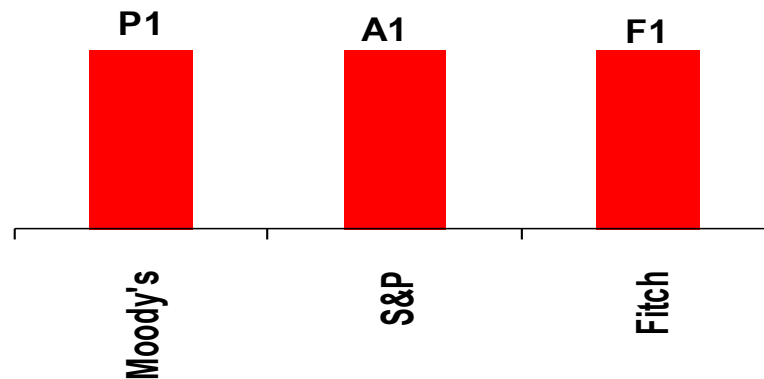
Standard & Poor's (Outlook Stable)



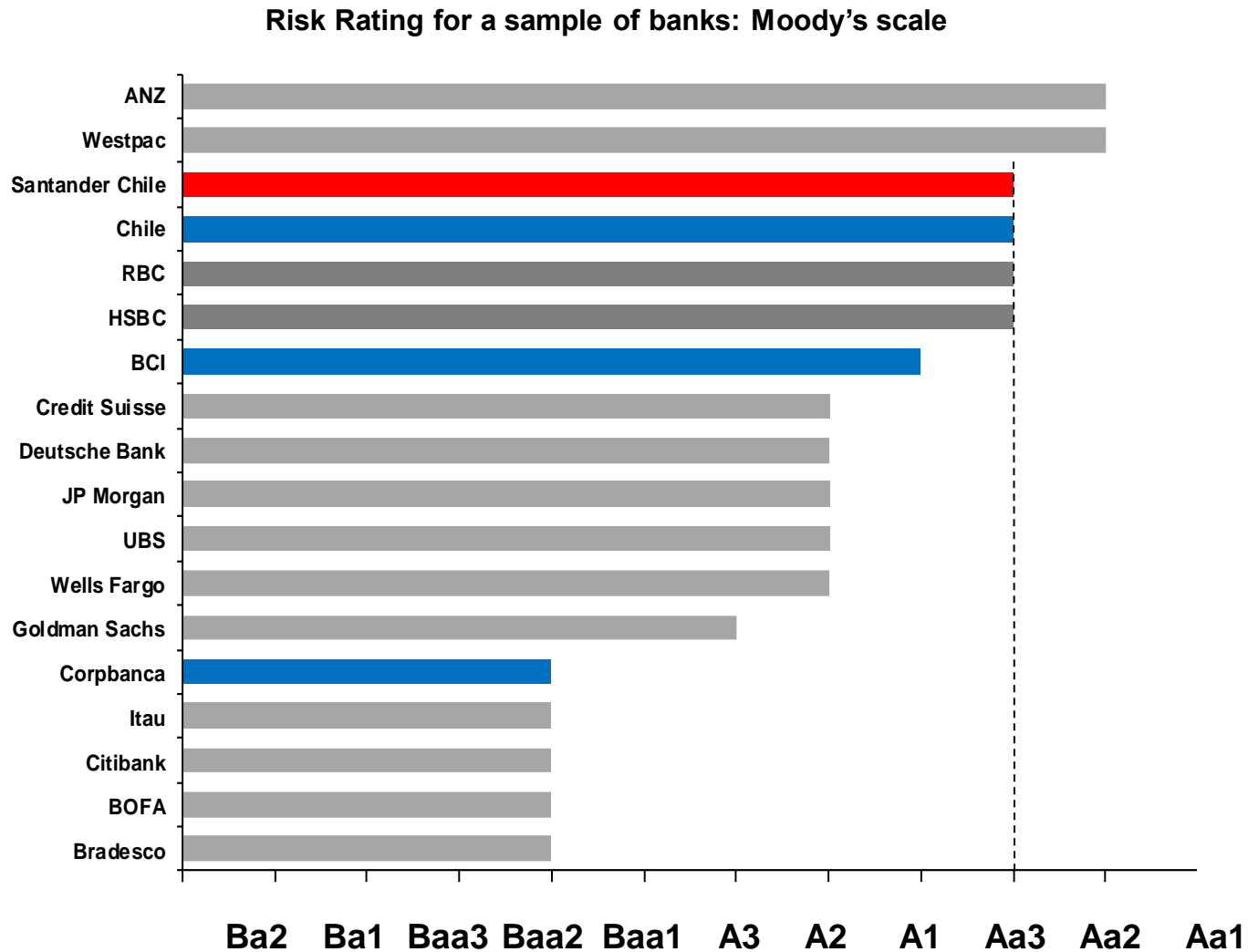
Fitch (Outlook Stable)



Short-term ratings (Outlook Stable)



### One of the highest credit ratings in the region



Source: Moody's

Postal Address:  
Investor Relation Office  
Bandera 140 Piso 19  
Santiago - Chile

Investor Relation Phone Contact:  
Robert Moreno  
From Chile: (02) 2320 2222  
International: (+56 2) 2320 2222

Monday to Thursday from 09:00 to 18:15 hrs.  
Friday from 09:00 to 16:15 hrs.

Web page: [www.santander.cl](http://www.santander.cl)  
IR web page: <http://phx.corporate-ir.net/phoenix.zhtml?c=71614&p=irol-IRHome>  
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