

Banco Santander Chile

Market leader in a strong economy

March 2013

Chile



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. 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

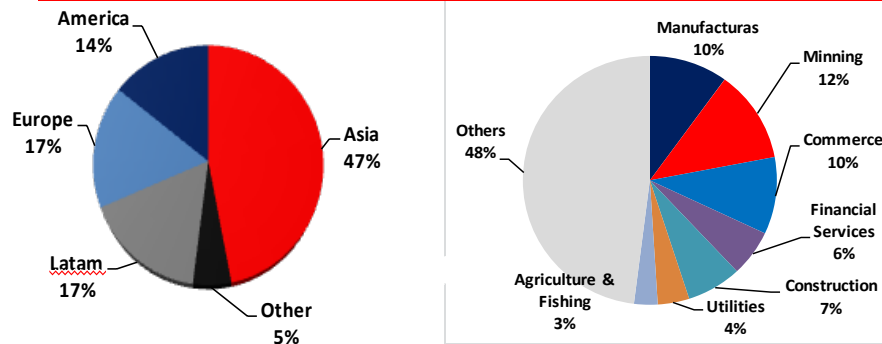


Chile: a strong and diversified economy...

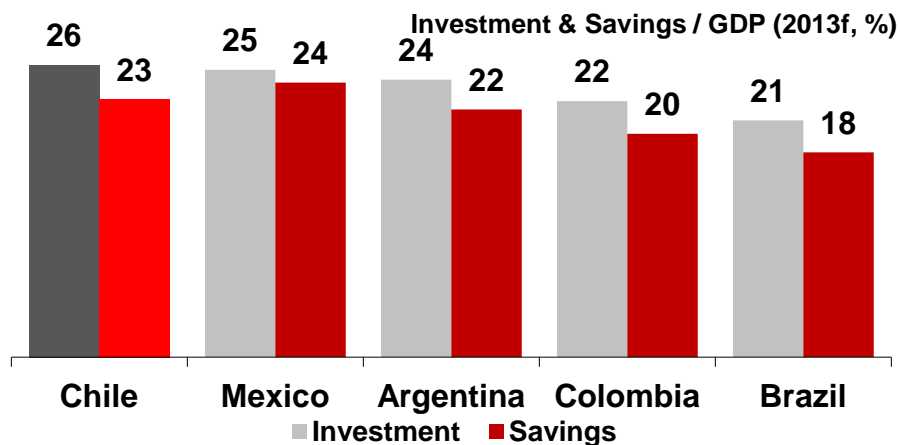
Chile's key economic highlights⁽¹⁾

Population:	16.6 mn
GDP:	US\$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

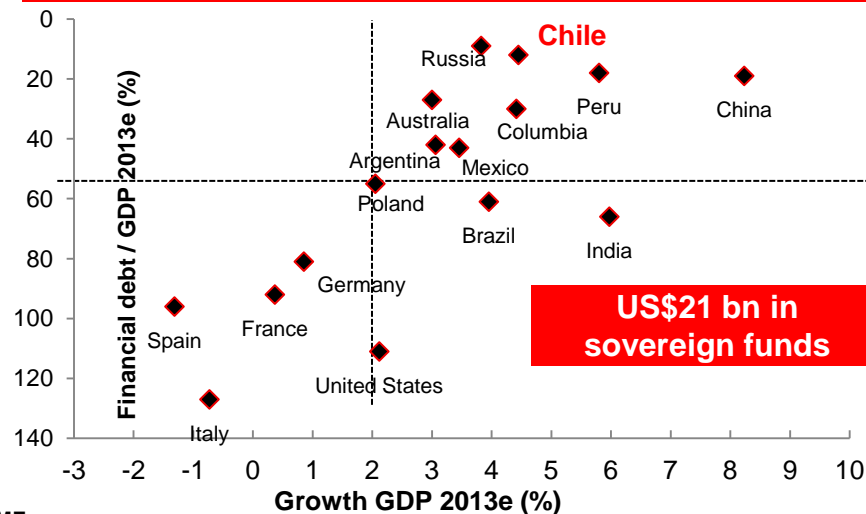
A diversified economy...⁽¹⁾



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



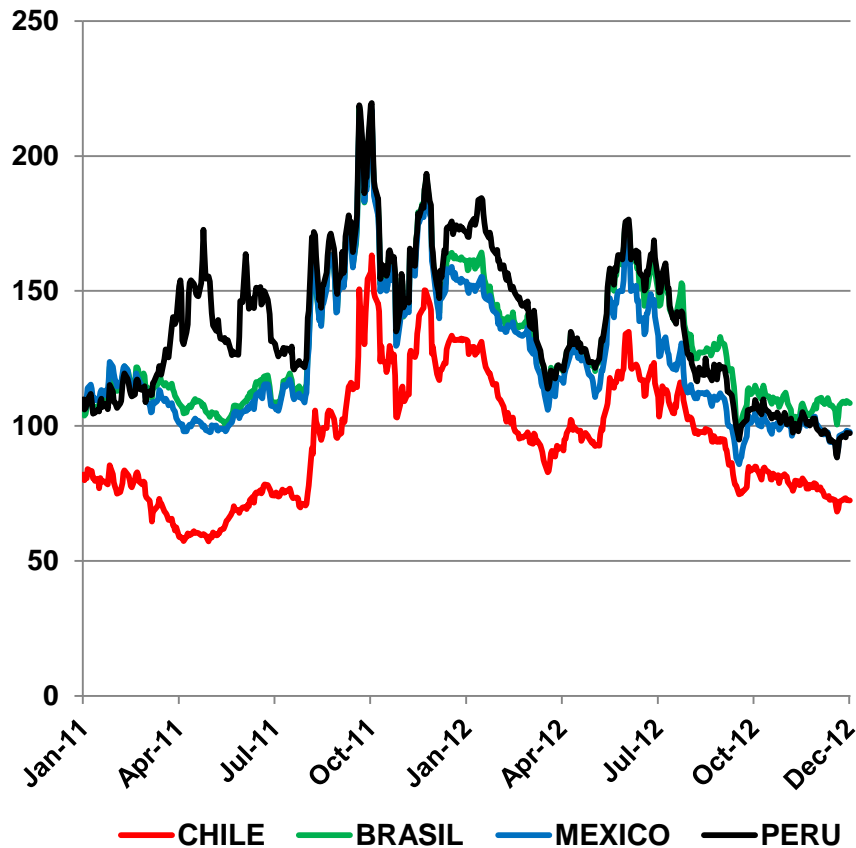
... and a solid fiscal position⁽²⁾



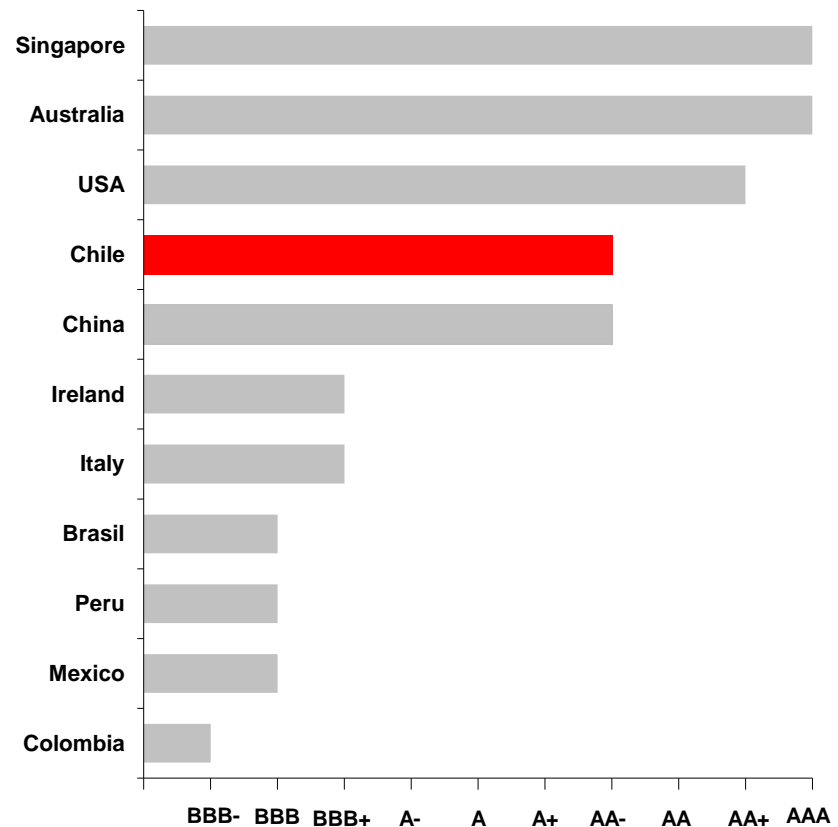
(1) Figures for 2012 or latest available data. Source: Central Bank of Chile. (2) Source: IMF.

... resulting in a relatively low-risk environment

Low Sovereign risk...(1)



... and high Sovereign rating(2)

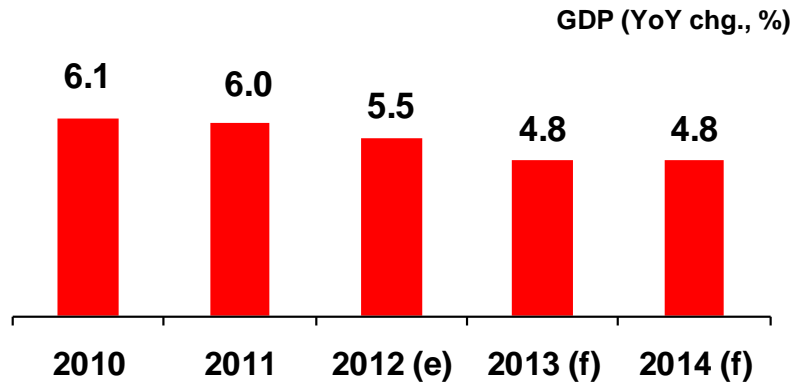


A sound institutional framework and business environment

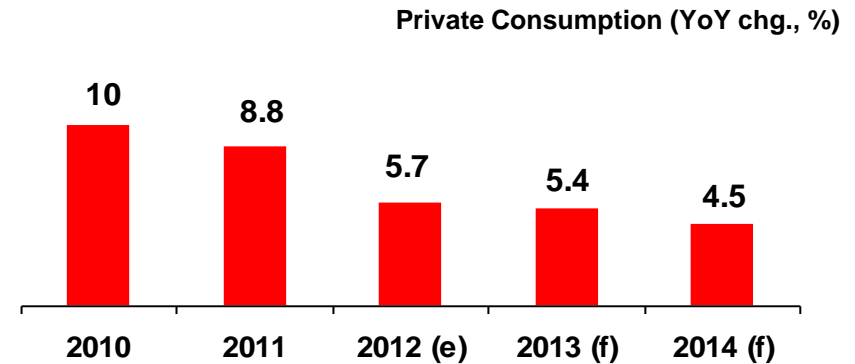
(1) CDS Spreads. Source: Bloomberg. (2) Source: S&P via Bloomberg, as of December 2012

Our outlook for 2013 - 2014 is positive

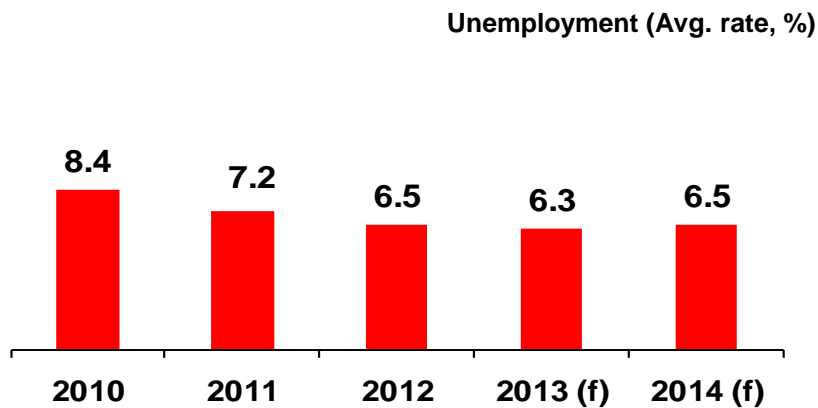
Solid GDP growth...



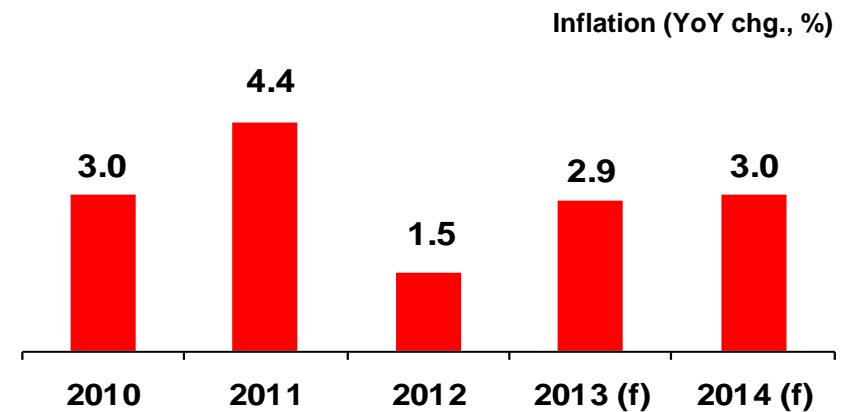
... fueled by Private Consumption



Stable unemployment...



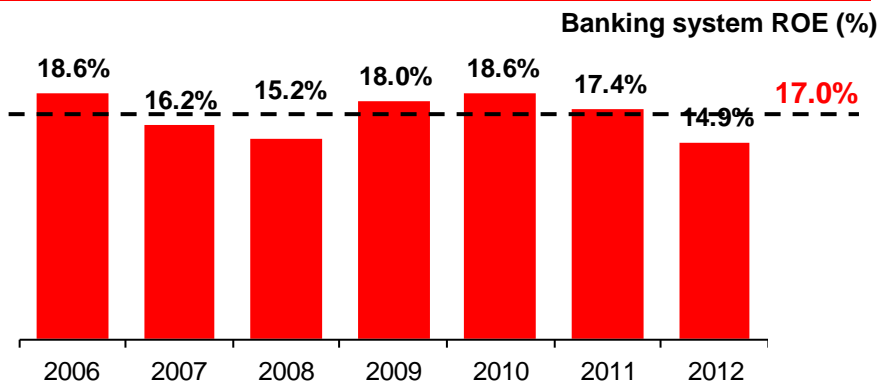
... and low inflation



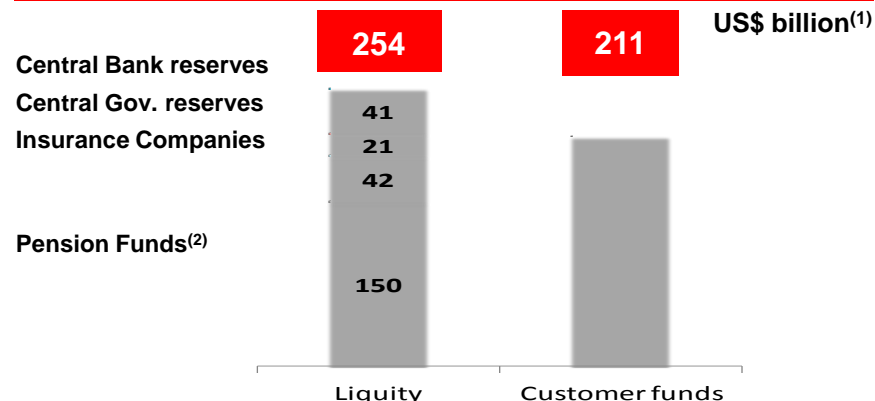
Source: Central Bank of Chile.(e)/ (f): Santander Chile's estimations and forecasts

A profitable and solid financial system

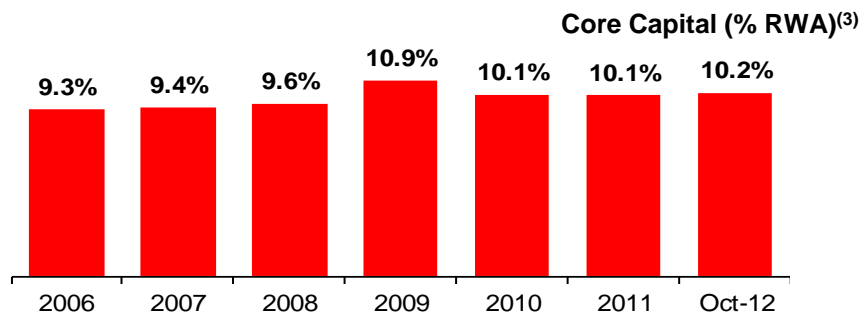
Attractive profitability



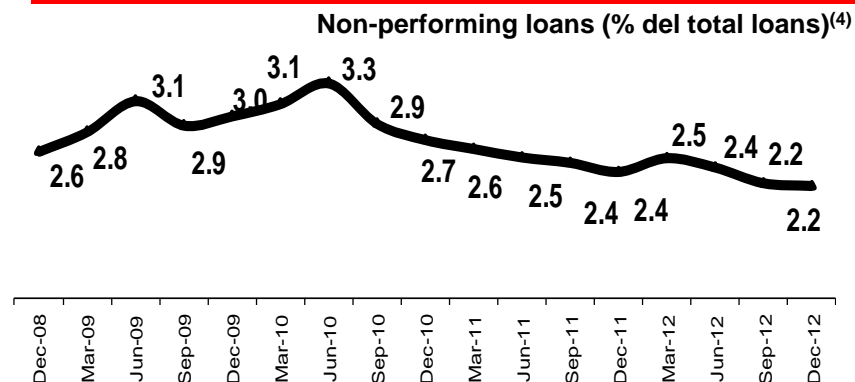
Ample liquidity to access



High capital ratios



Stable asset quality



(1) Figures as of Dec. 2012 or latest available information.

(2) Pension funds excludes deposits in Banks.

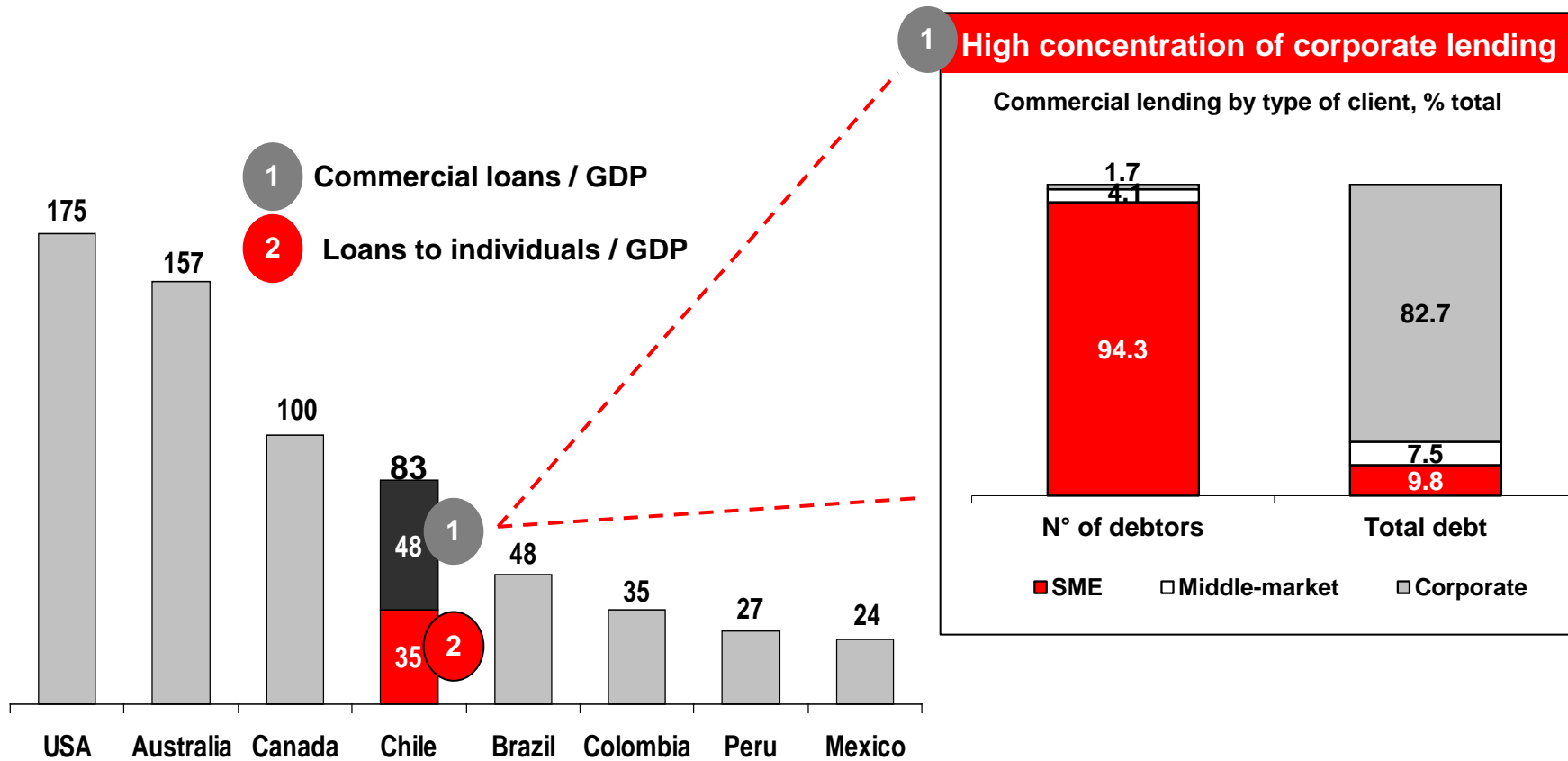
(3) Core Capital in Chile is 100% shareholder's voting equity.

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

Source: Superintendencia de 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*, %

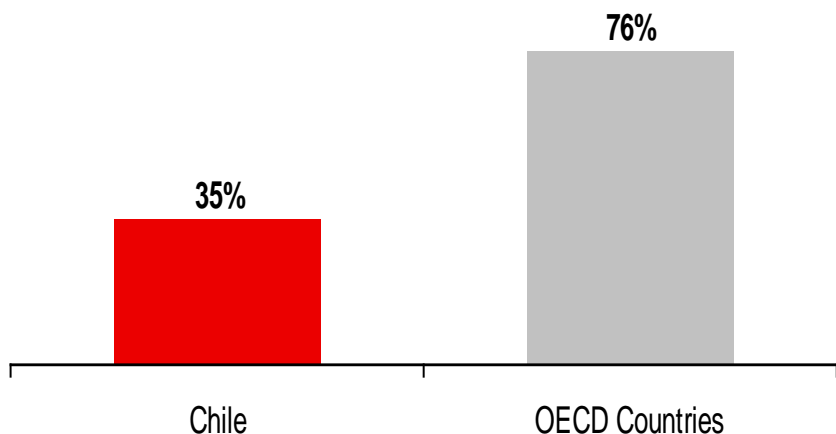


* Or latest available information. Source: Barclays Capital, Deutsche Bank, and Superintendency of Banks of Chile

2 ... and individuals

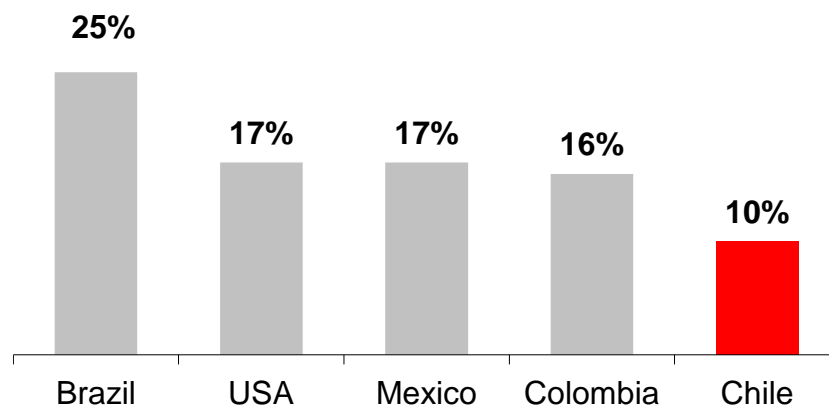
Relatively low leverage...

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: 2012. Includes: Poland, Italy, France, Germany, Sweden, USA, Australia, Denmark, Korea, & Taiwan. Source: Chile CB, OECD, McKinsey and IMF.

(2) As of Dec. 2011, except Chile which is as of Dec. 2012.

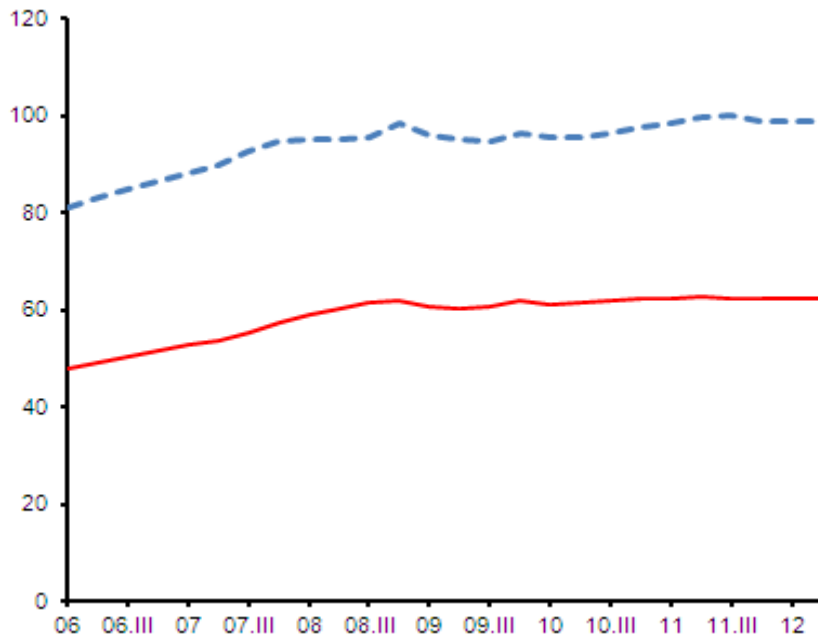
(3) Calculated as Interests + amortizations over total disposable income.

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

Low and stable leverage and service ratios

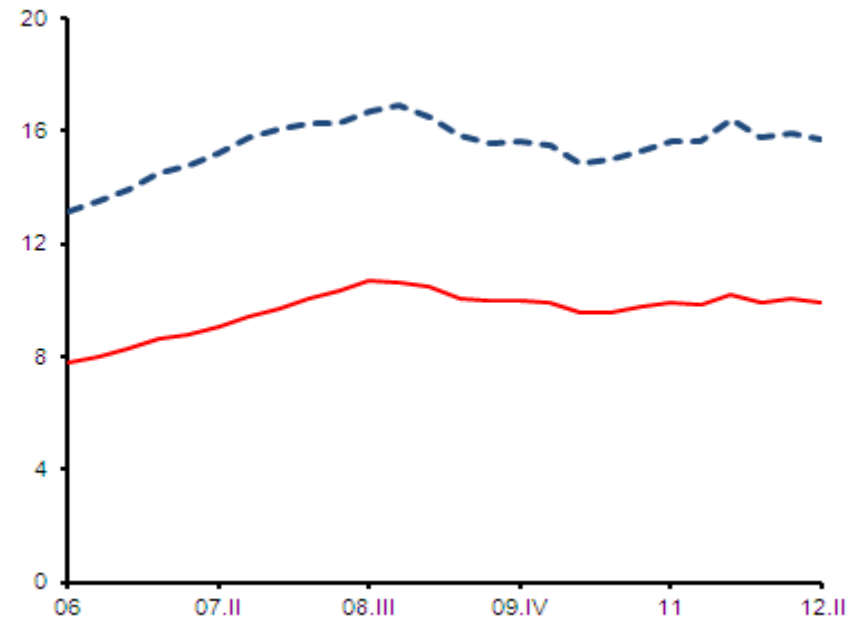
Leverage...

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 (redline) and over salary pool (blue line).

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

Source: Central Bank of Chile

New forces are redefining the banking environment...

Changing...



I. Regulations



II. Competition



III. Technology

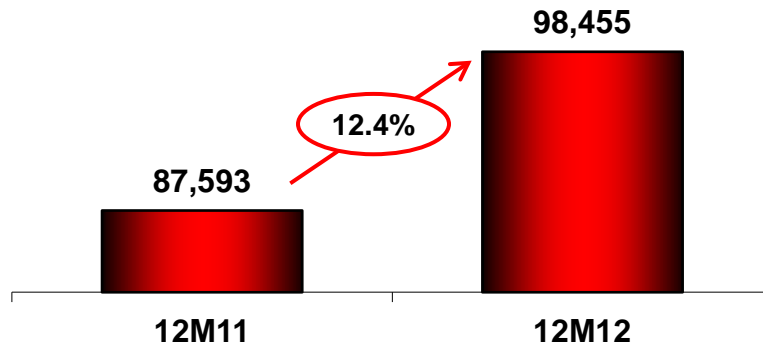


IV. Consumer attitudes

... which impacted 2012's results

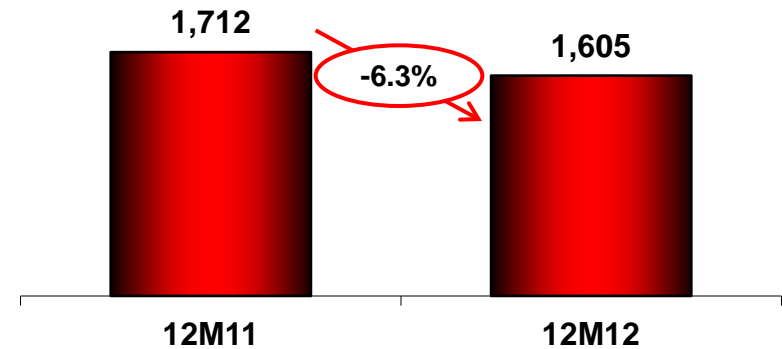
Despite solid loan growth...

Financial System: loans (Ch\$ billion)



... net income decreases

Financial System: Net Income (Ch\$ billion)

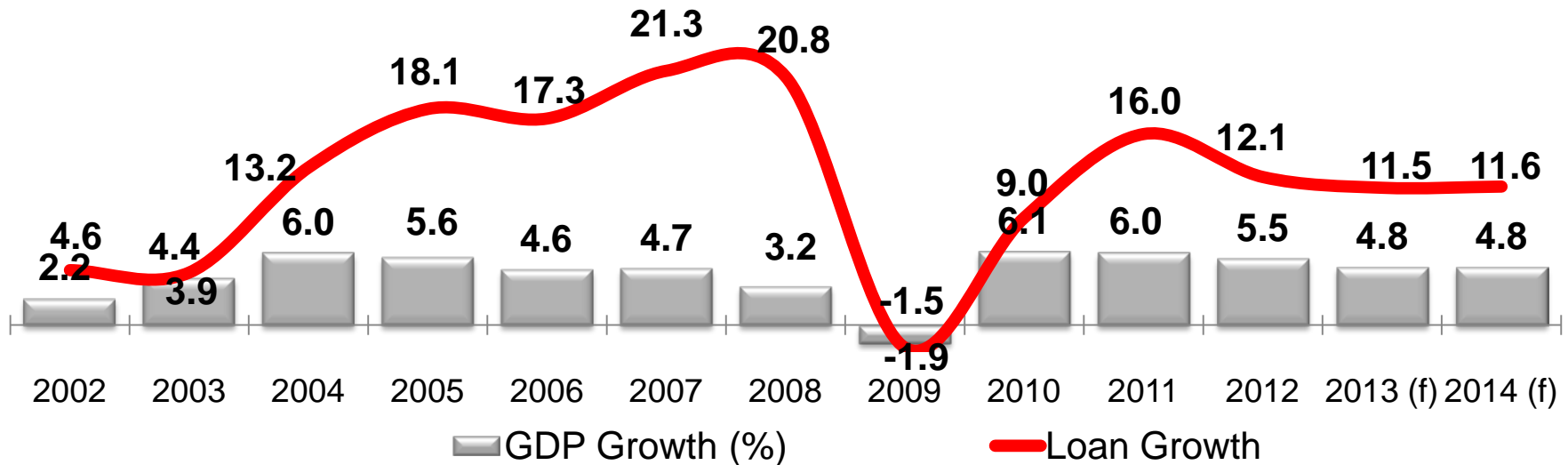


Results also affected by lower inflation / higher loan loss provisions

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)

Highlights



Santander Chile has the country's leading banking franchise

Figures as of Dec. 2012¹

Figures			Clients & Network		
	US\$bn	Mk. Share			
Assets:	US\$52	18.0%	Clients	3.5 mn	~39% ²
Loans:	US\$38	18.9%	Internet clients	770 ths.	17.3%
Individuals:	US\$20	22.1%	Checking acct.	732 ths.	24.2%
SMEs:	US\$6	~25%	Credit cards	1.8 mn	20.4% ³
Deposits:	US\$29	16.2%	Debit cards	3.1 mn	21.2%
Equity:	US\$4	19.3%	Branches:	503	21.3%
Net income:	US\$820mn	25.5%	Employees:	11,731	21.2% 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

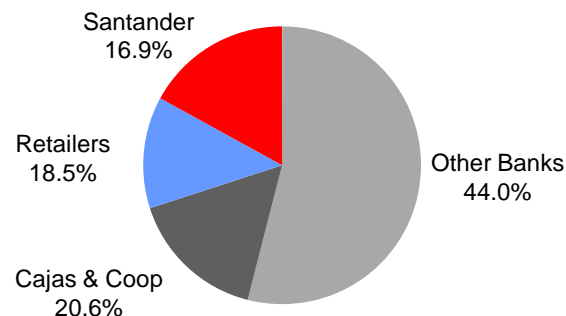
... with a strong position in retail banking

High share in retail segments...

	Mk. Share ⁽¹⁾	Share 2 nd Private bank
Individuals	22.1%	18.9%
- Consumer	24.2%	22.0%
- Mortgage	22.0%	17.2%

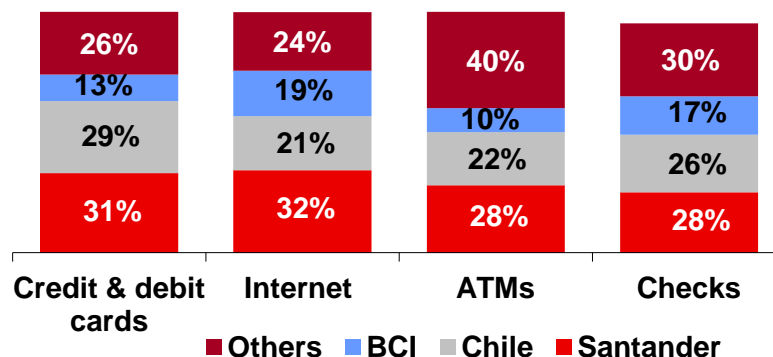
... strong presence in consumer lending

Total Consumer loan market, %



... and a high share of client transactions

Market share in transactions, %⁽²⁾

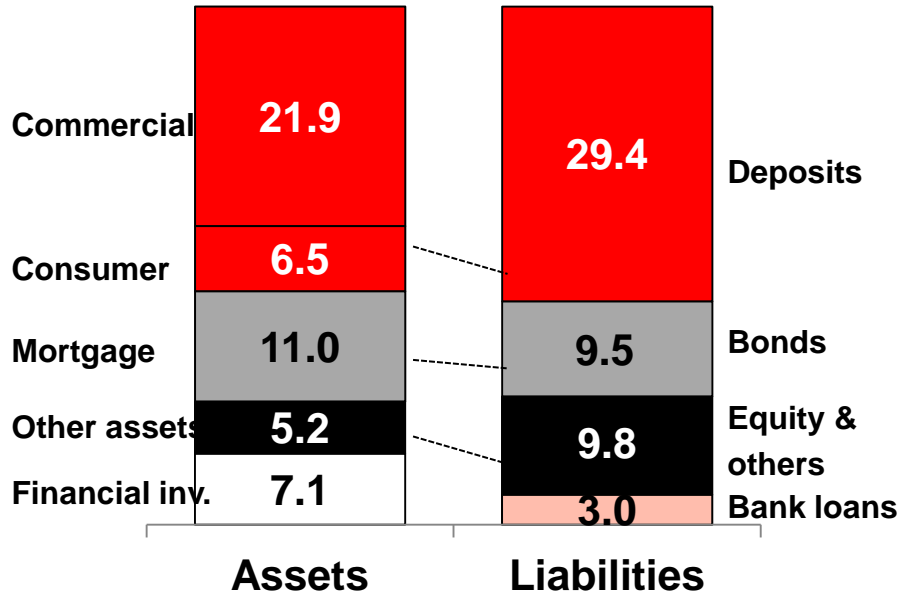


(1) As of Dec. 2012. Source: Superintendencia of Banks of Chile, includes banks only. Excludes Corpbanca Colombia (2) Checks and credit cards: Internet & ATMs: 2011. Source: Superintendencia of Banks of Chile, Cajas de Compensación & Transbank.

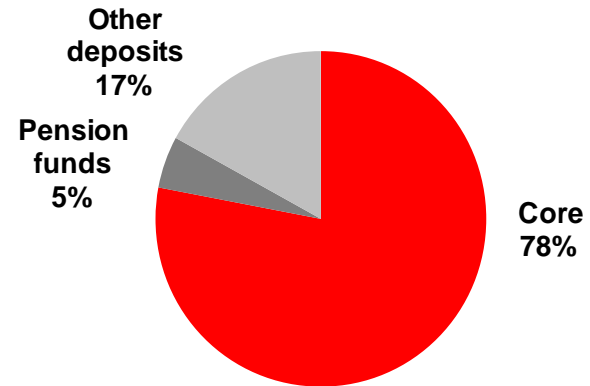
A balanced assets and liabilities structure...

A sound balance sheet...

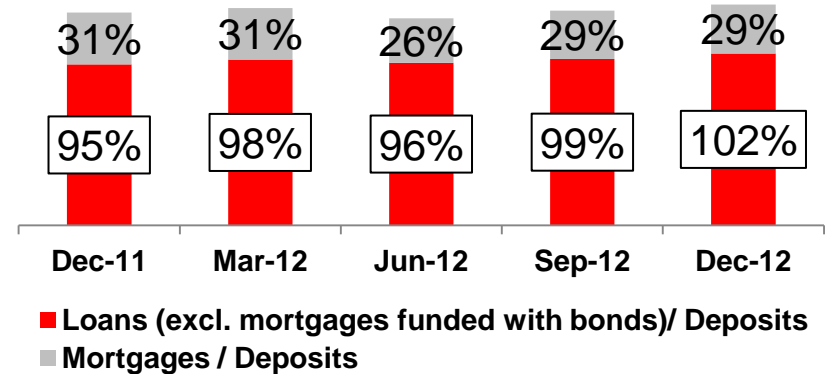
US\$ billion as of Dec. 2012



... and deposits structure, %



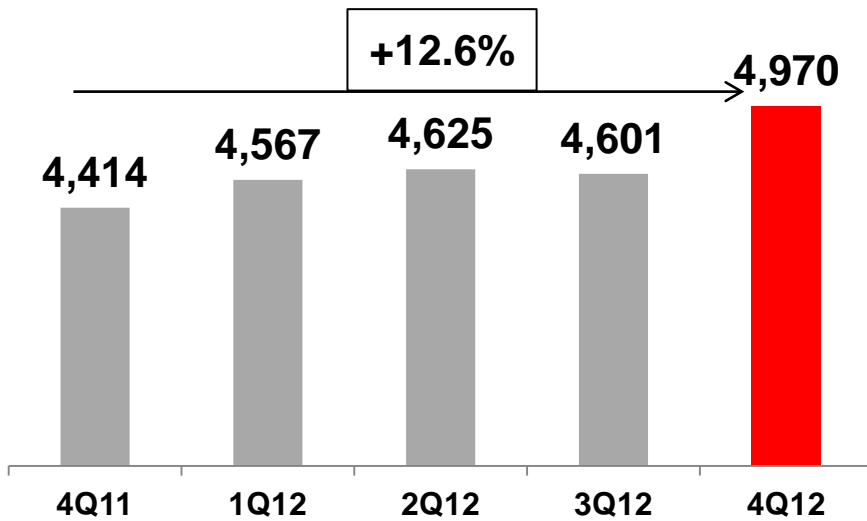
... allows for sound Loan to Deposits Ratio



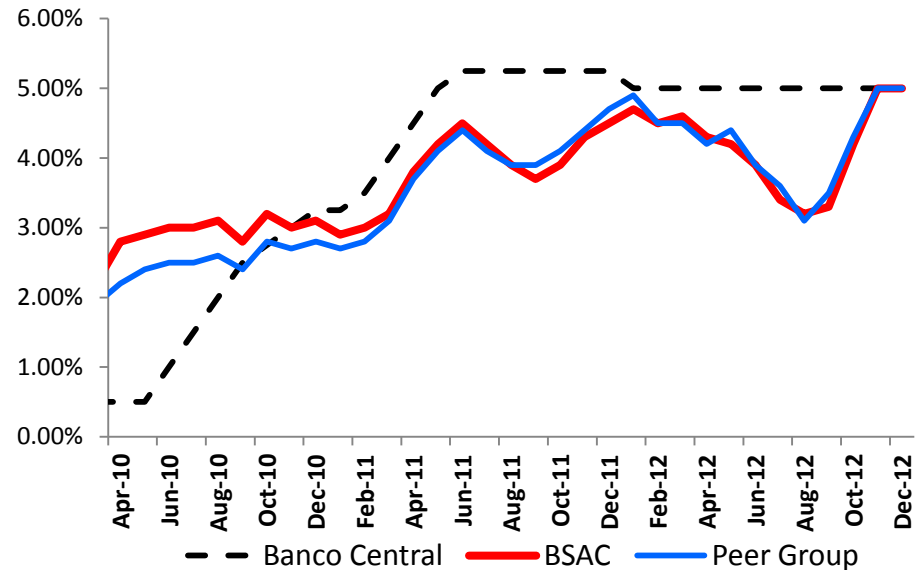
... and a sound evolution of the cost of funding

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

Demand Deposits (US\$ billion)



Cost of funds¹ (%)

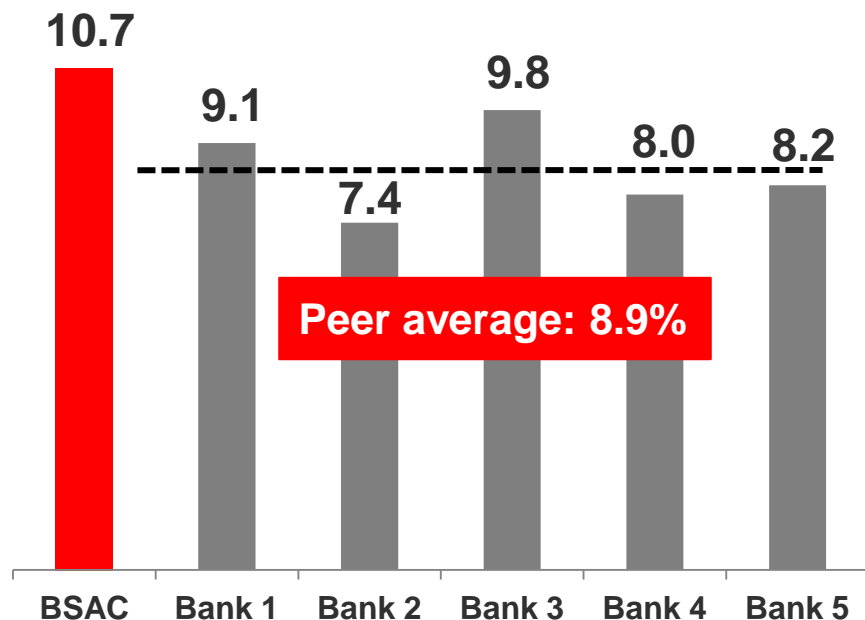


¹ Cost of funds = interest expense annualized divided by liabilities. Peer Group is Banco de Chile and BCI. Source: Superintendency of Banks of Chile

A high capital base and a balanced risk-return relation

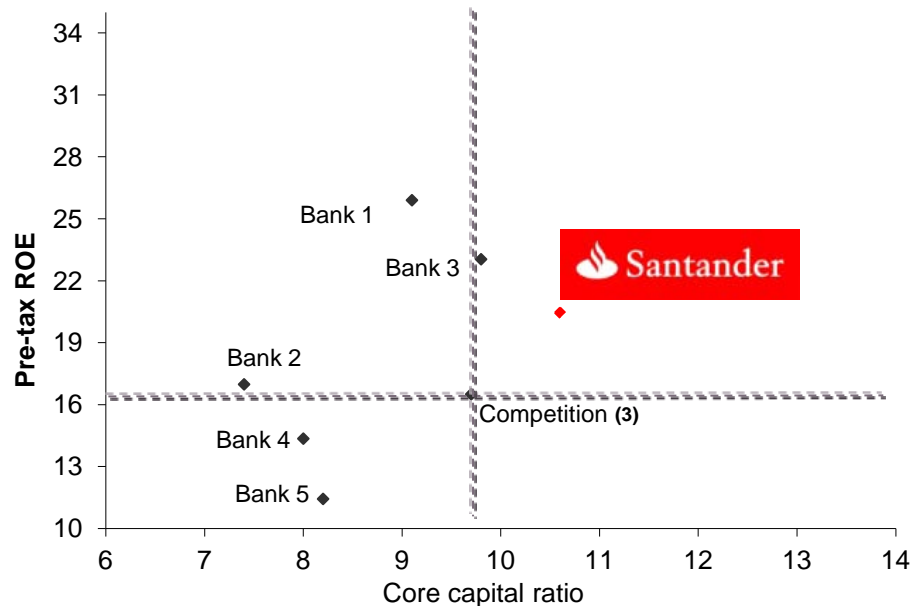
High Core Capital

Core Capital Ratio⁽¹⁾, %



Best risk-return ratio in Chile

Pre-tax ROE & Core Capital Ratios^(1, 2), %



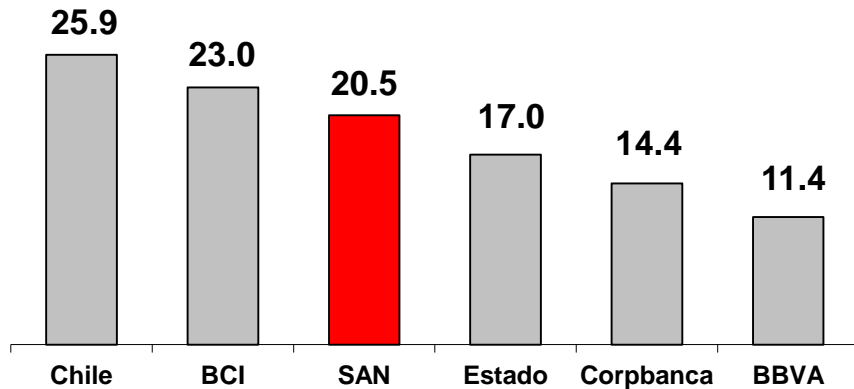
Dividend policy stable for 3 years at 60%. No new shares issued since 2002

(1) Tier I is as of Oct. 2012. (2) Pre-Tax ROE annualized as per Dec. 2012. (3) Competition calculated as the average of selected companies ex-Santander Chile.
Source: Superintendence of Banks of Chile. Santander Chile figures as of Dec 2012

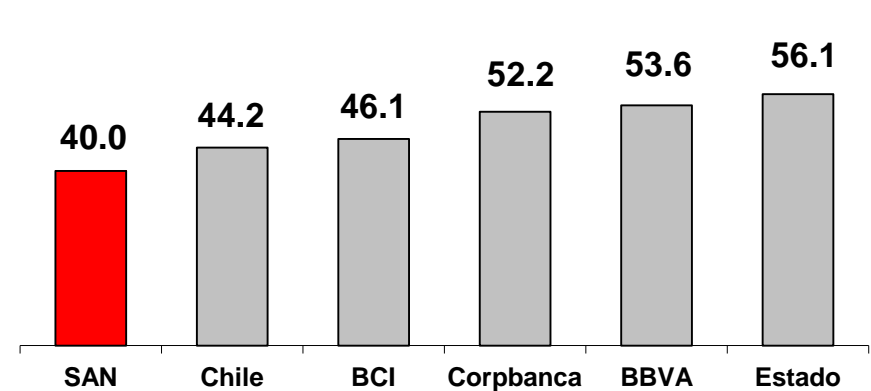
Strong financial indicators compared to competition

Figures as of December 2012

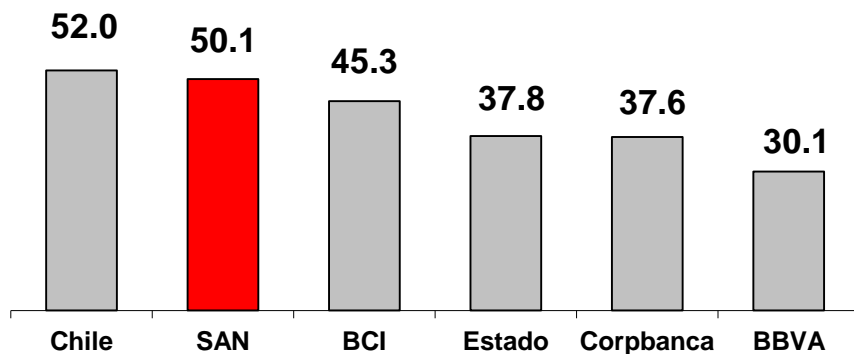
Pre-tax Return on period-end equity (%)



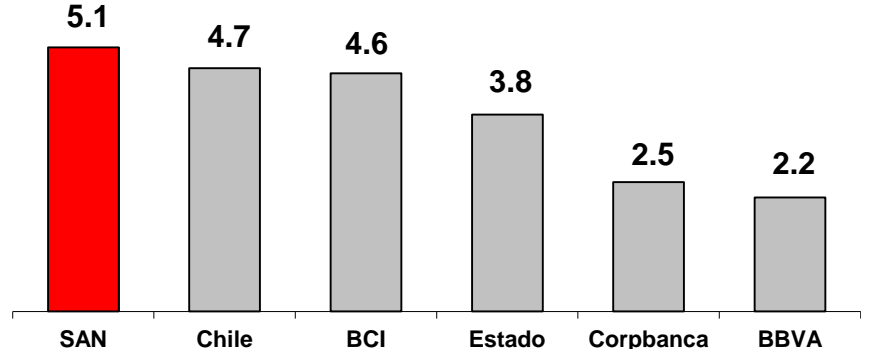
Cost / Income (%)



Fees / costs (%)



NIM (%)



Comp = Competition: All banks excluding Santander. Pre-tax figures. Source: Superintendency of Banks of Chile. NIM as of May Nov 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

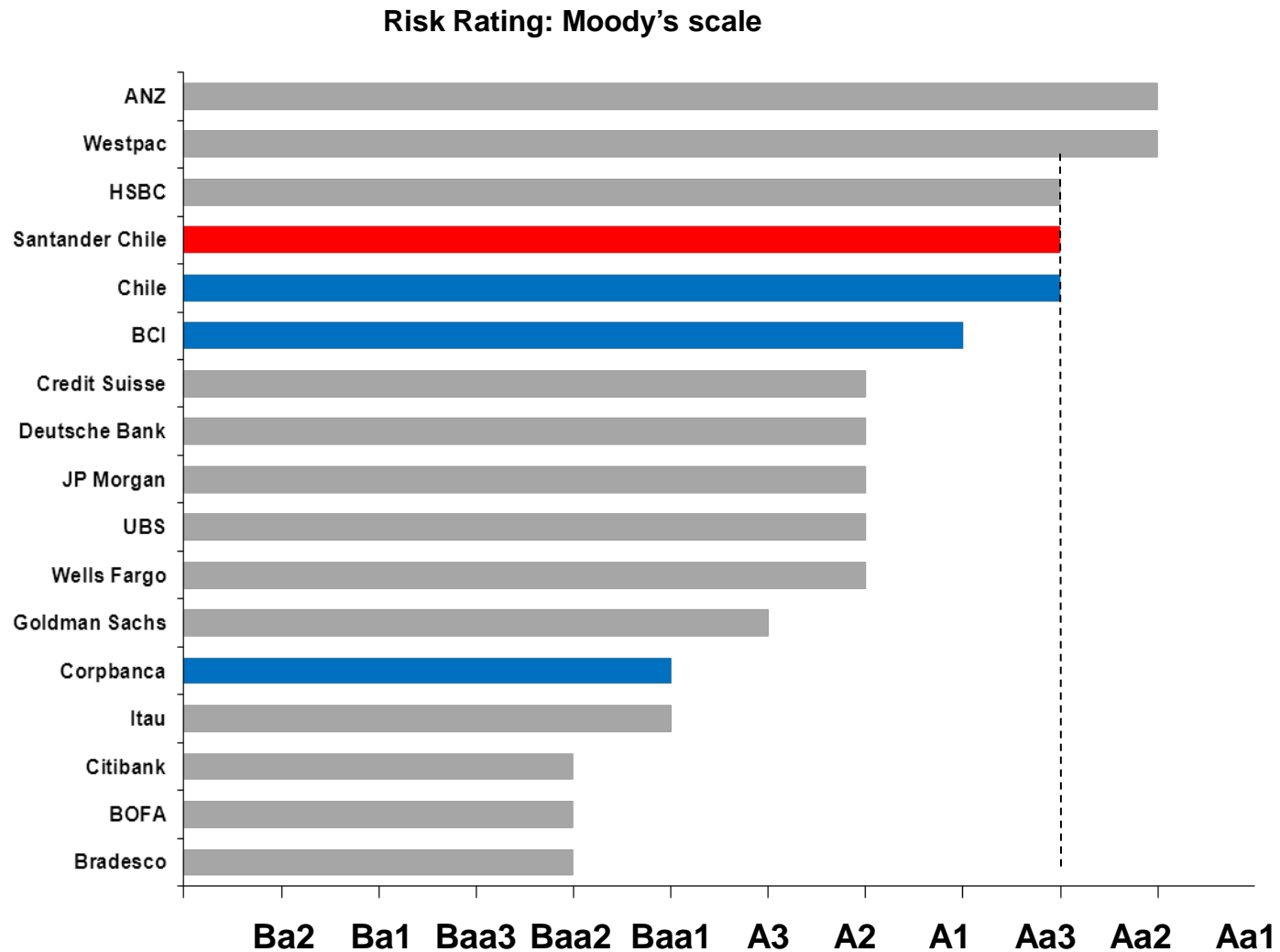
- Related company lending: Limited to 5% of total equity (unsecured) or 25% (w/ collateral);
- Deposits in related party entities abroad: limited to 25% of equity. Deposits in a single foreign bank: Limited to 5% of equity
- Too big to fail regulations
- Dividends paid once a year
- Strict liquidity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

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

As of December 2012, Santander Chile has no cross border lending / borrowing to / with other Grupo Santander units

One of the highest credit ratings in the Region



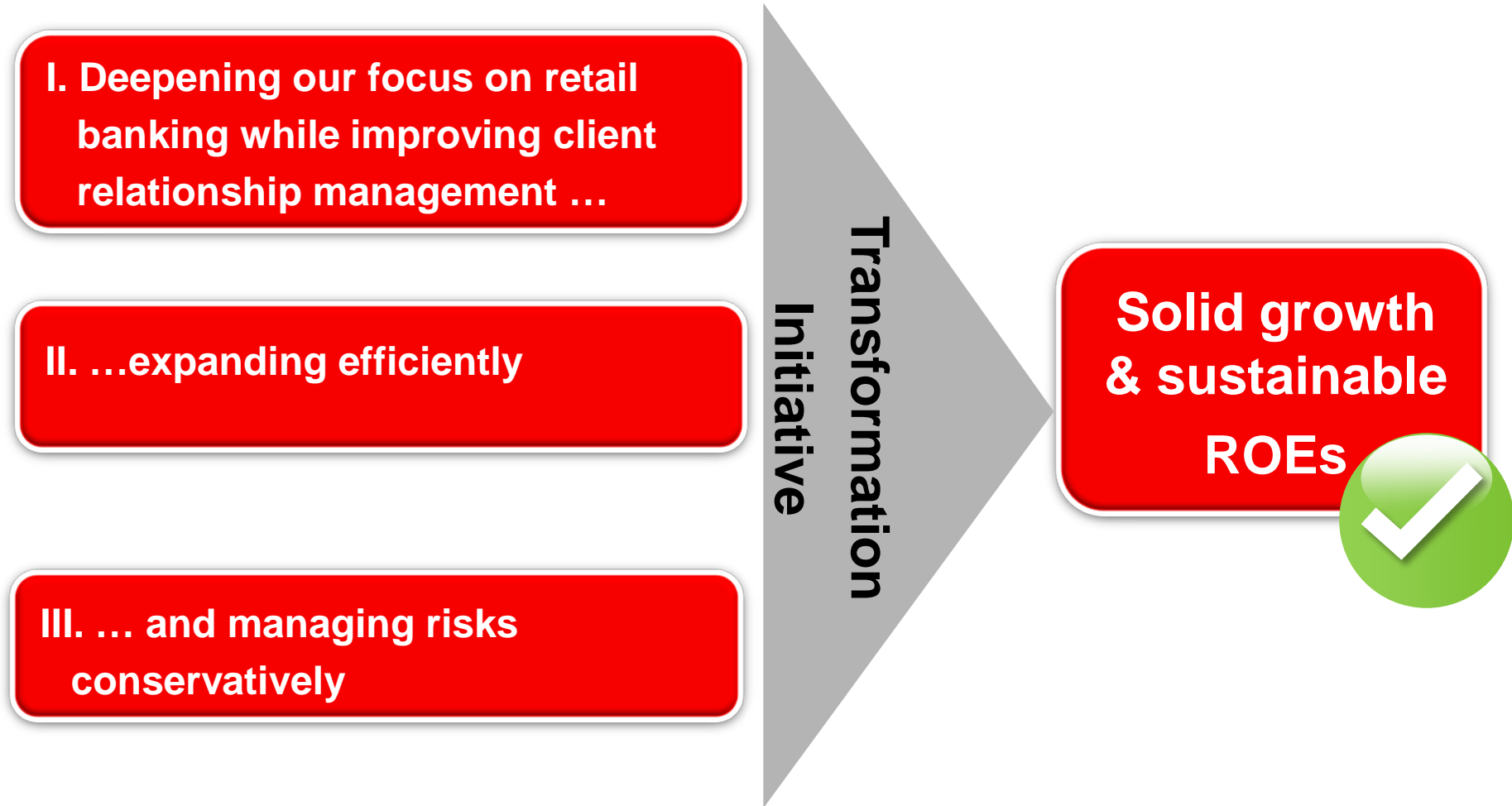
Source: Moody's via Bloomberg, as of December 2012

Highlights



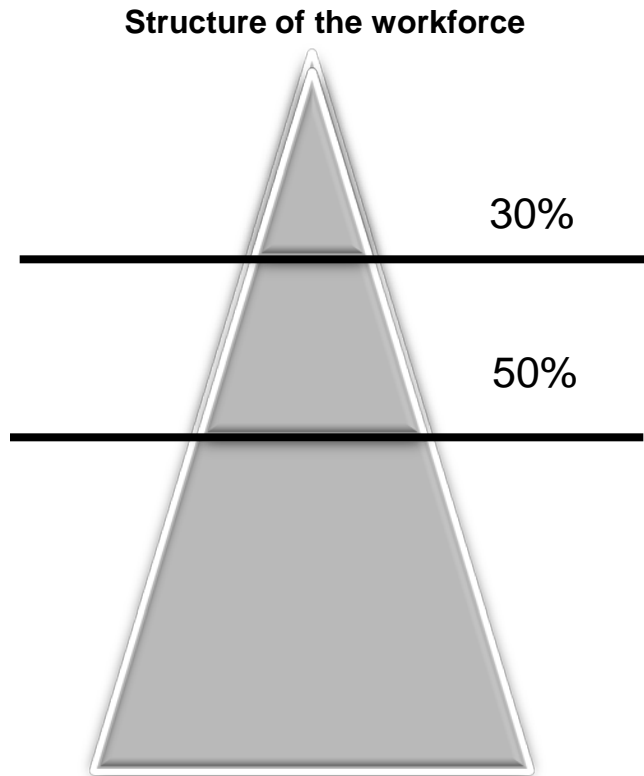
3 objectives to sustain performance

Santander Chile: Strategic drivers



Re-thinking our retail strategy...

Target market in individuals











- 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

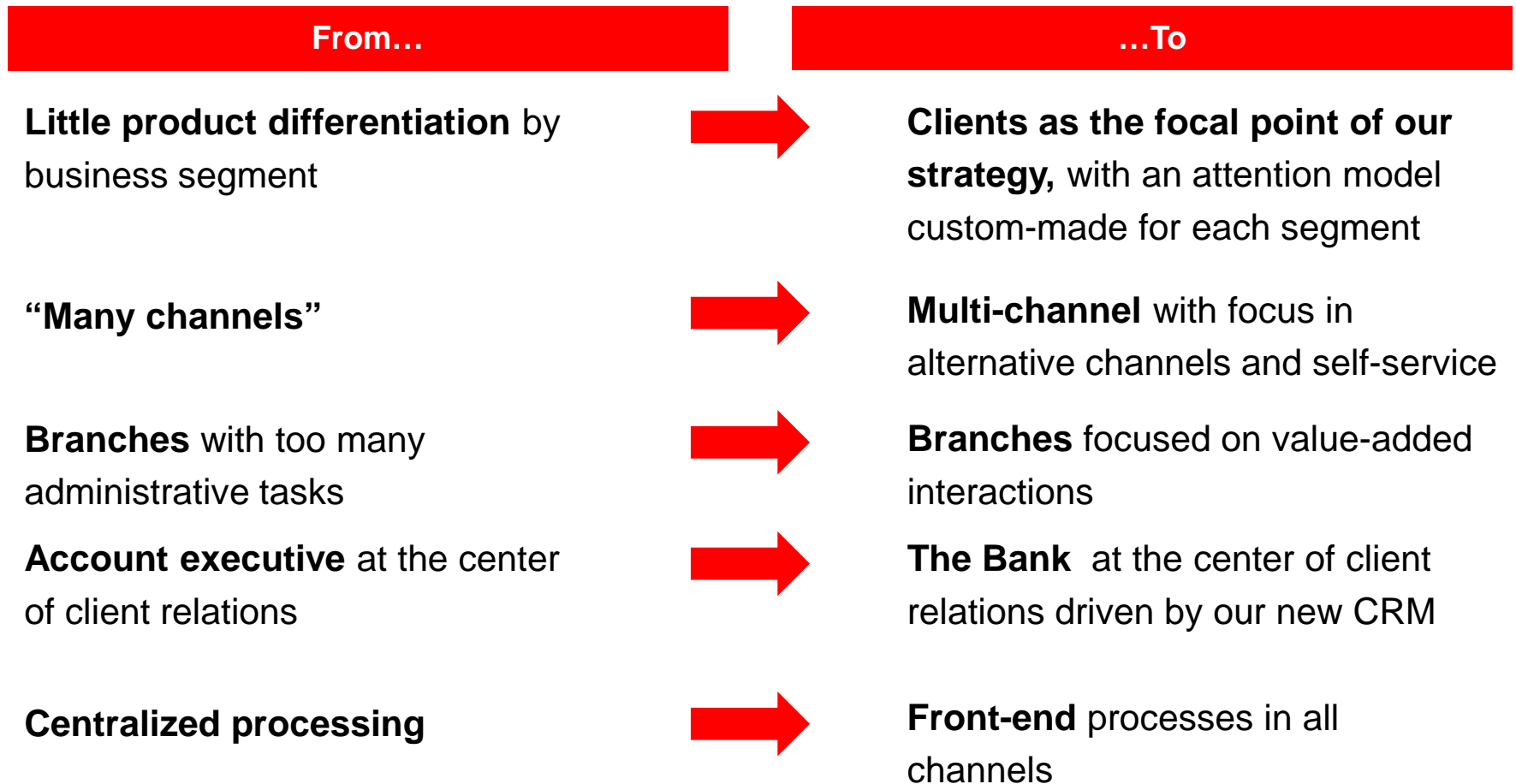
Objective is to grow in a healthy manner with our clients

... as opportunities for improvement exist in many areas

Business Transformation Model

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

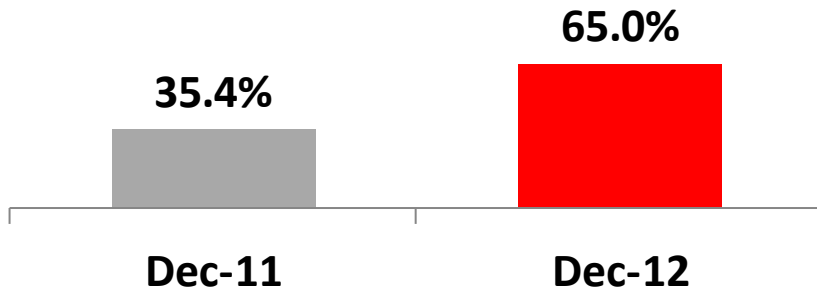
Implementing a profound transformation in retail banking...



... that is starting to deliver encouraging results

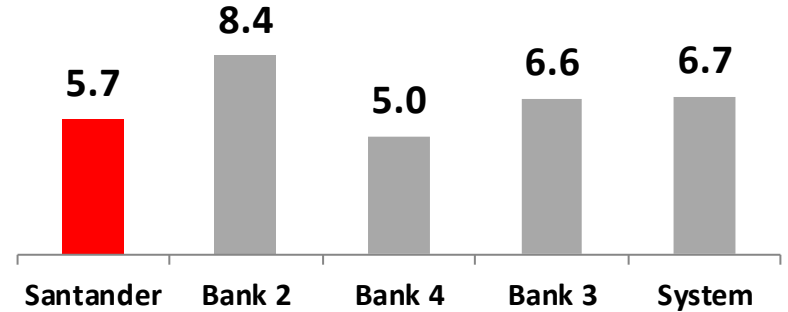
More pre-approved sales...

% of sales that are pre-approved in retail banking (excluding Banefte)



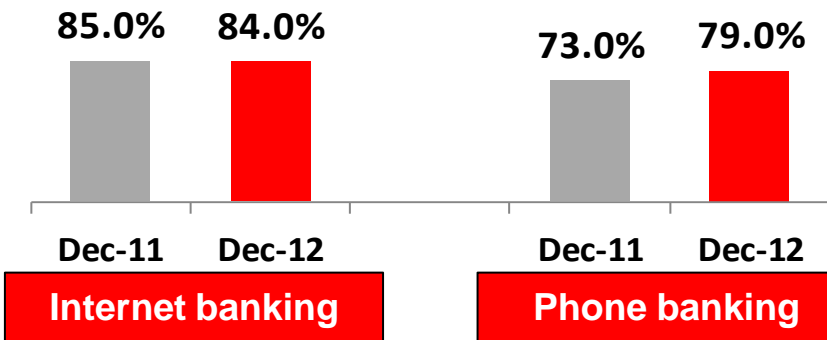
... with better quality of service*

Number of complaints to SERNAC / 10,000 debtors



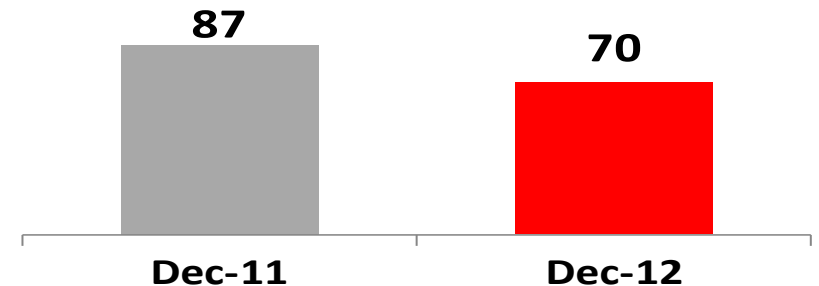
A better multi-channel bank...

% of clients that rate service good or excellent (%)



... with simpler business processes

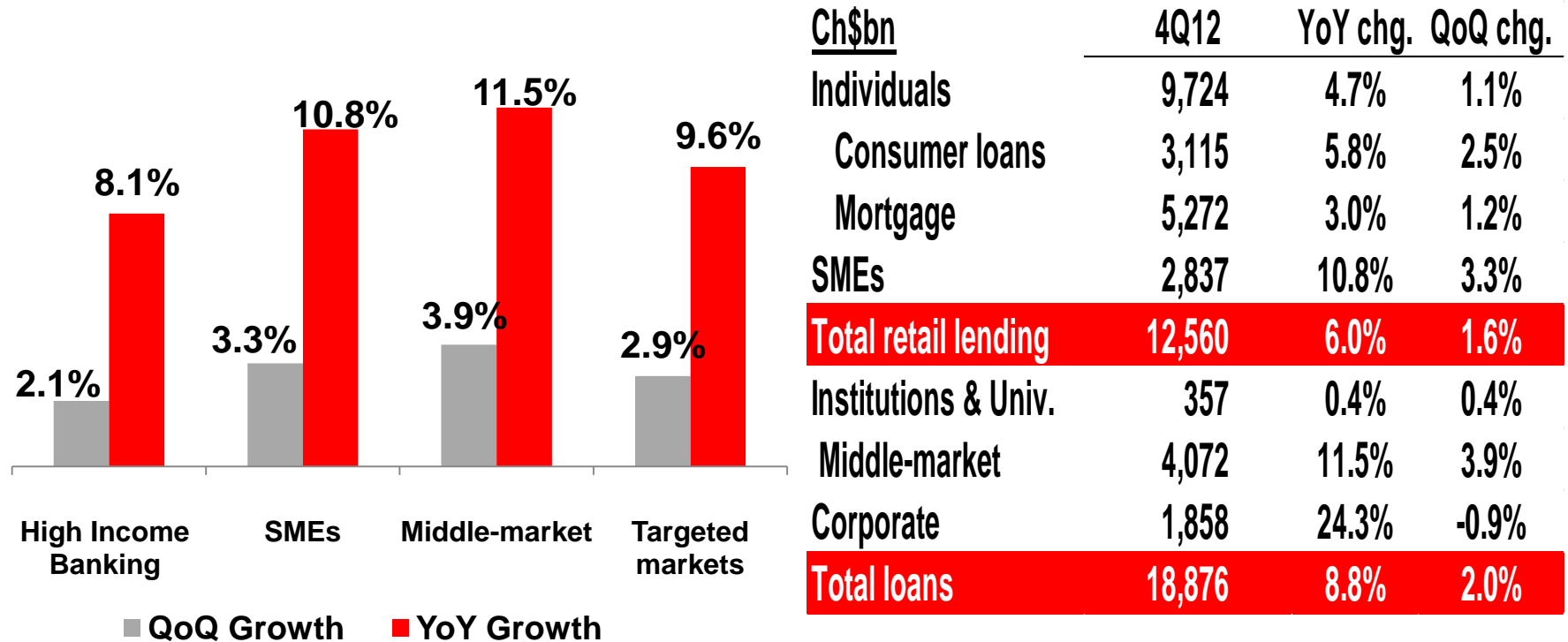
Hours it takes to disburse a consumer loan



* Source: SERNAC Financiero (National financial consumer protection agency)

Loan growth accelerating in the markets the Bank is targeting

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

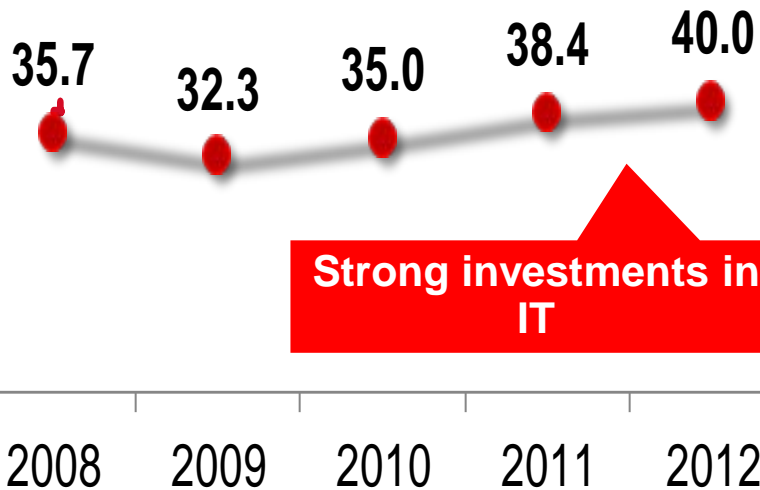


Our main strategic focus continues to be profitability over market share

Improving efficiency through productivity gains

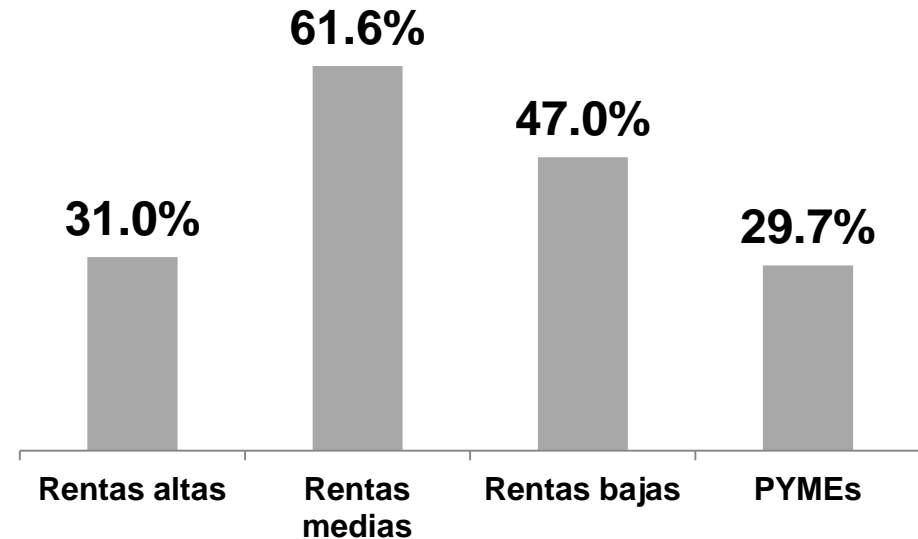
Figures as of Dec. 2012

Efficiency (%)



Improving productivity

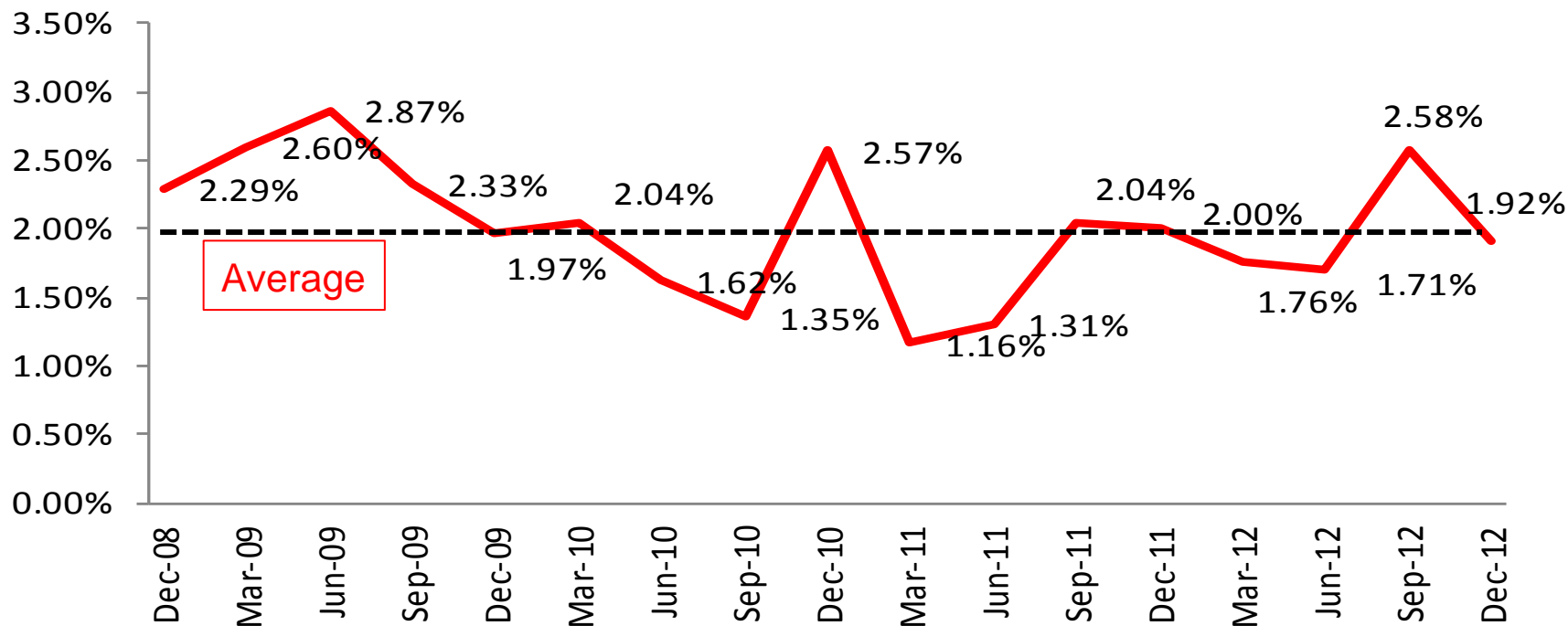
Efficiency ratio by retail segment, 2012, %



Transformation project should lead to greater efficiencies in retail banking

Provision expense and the cost of credit evolving as expected

Cost of credit* (%)



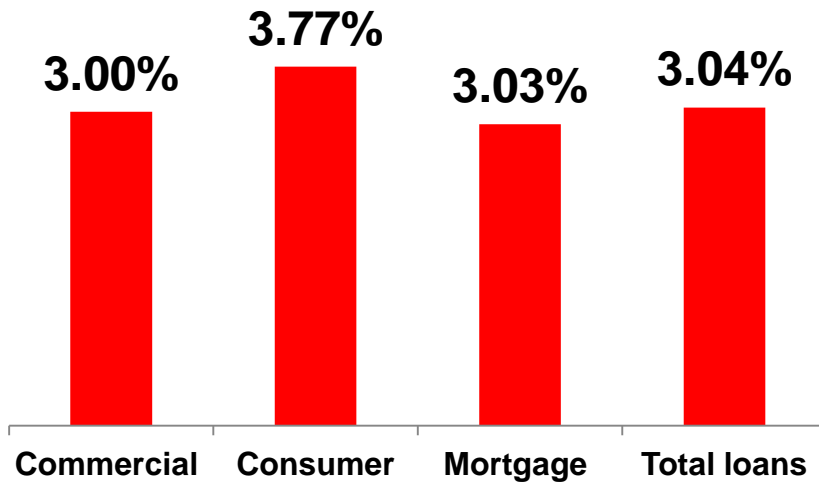
More robust scoring models implemented in all retail segments

* Annualized quarterly provision expense / total loans. A Ch\$ 24.753 million extraordinary provisions was recognized in 3Q12

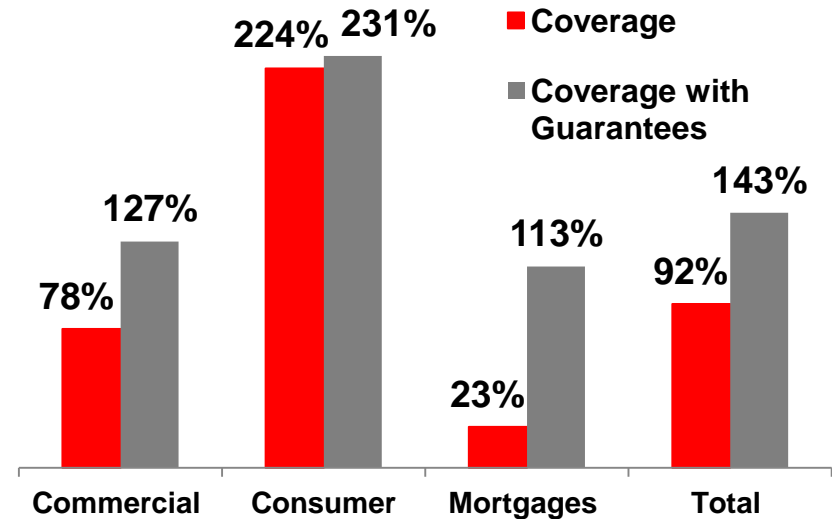
Comfortable coverage levels

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

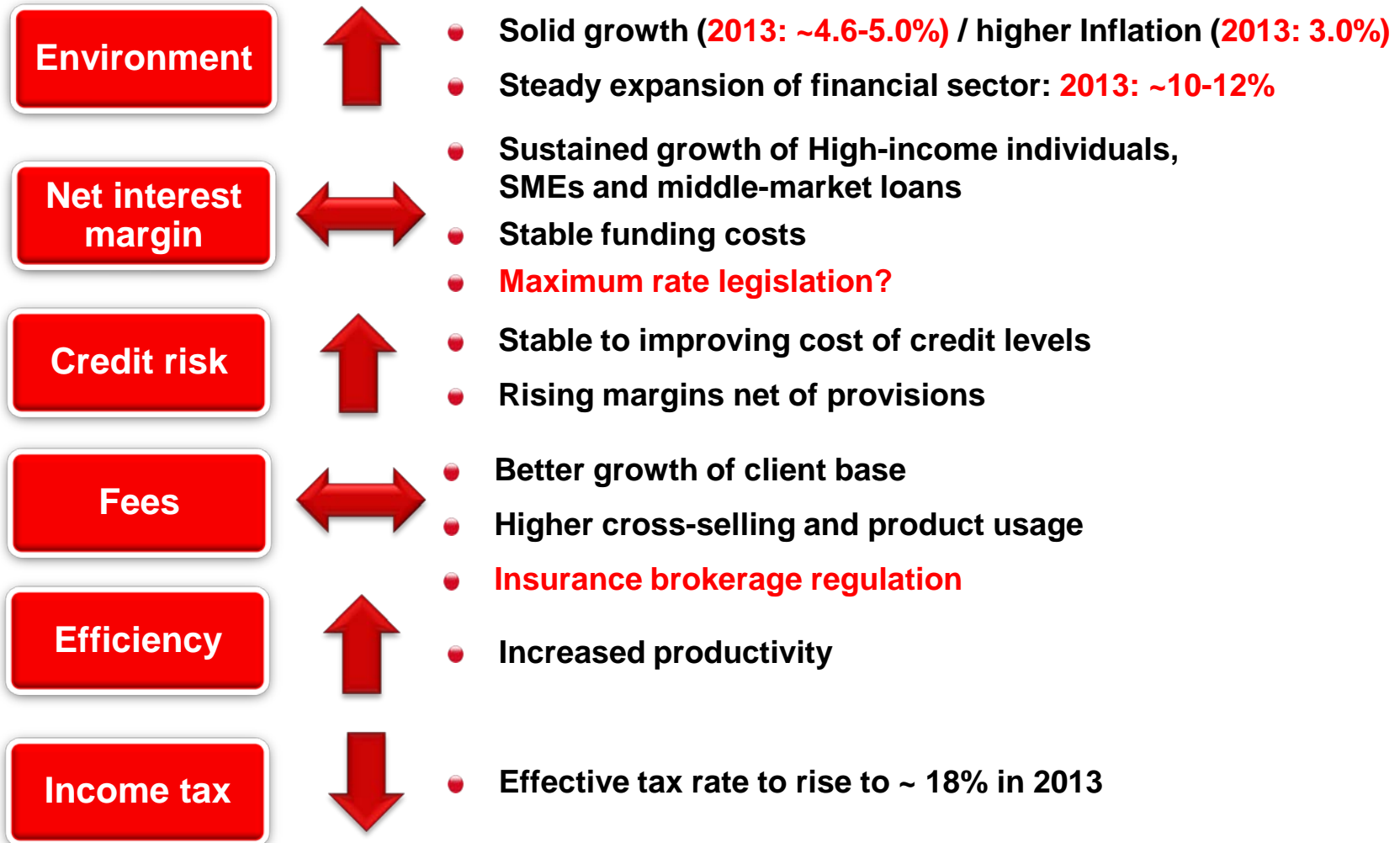
NPL ratio¹



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



Santander Chile should continue delivering solid results

Summary

