

# Banco Santander Chile

## *Positive growth trends and outlook*

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

- **Chile's sound macroeconomic outlook should fuel the growth of its financial system**
- **Santander Chile has adjusted its medium-term strategy to sustain profitable growth in a more challenging environment...**
- **... and is starting to benefit from stronger client activity and improved profitability trends**
- **... leading to a positive medium-term outlook**

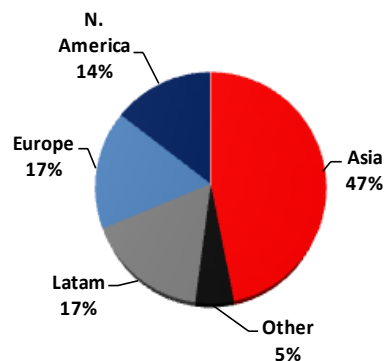
## Chile: a solid and diversified economy

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

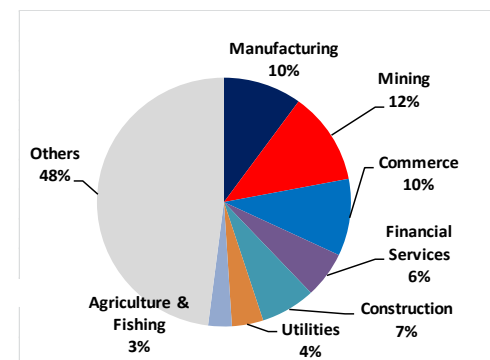
Population:	16.6 mn
GDP:	US\$268bn
GDP Per Capita (PPP):	US\$17,980
Exports / GDP:	31.7%
Investment / GDP:	26.0%
Net Public Debt / GDP:	- 6.9%
Current Ratings:	AA-/A+/Aa3

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

Exports by destination

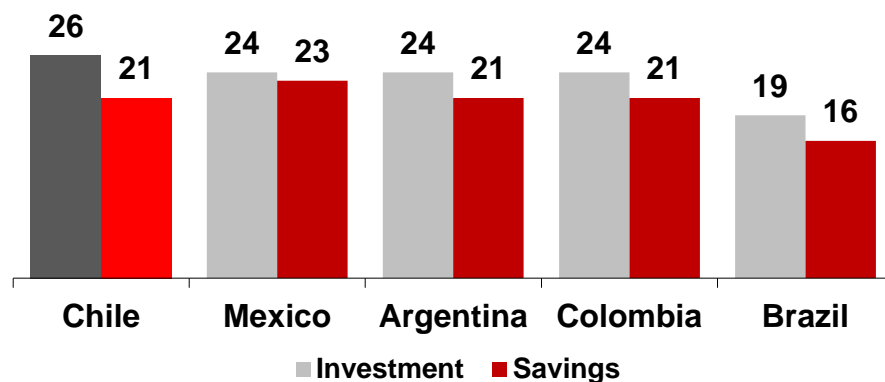


GDP by sectors



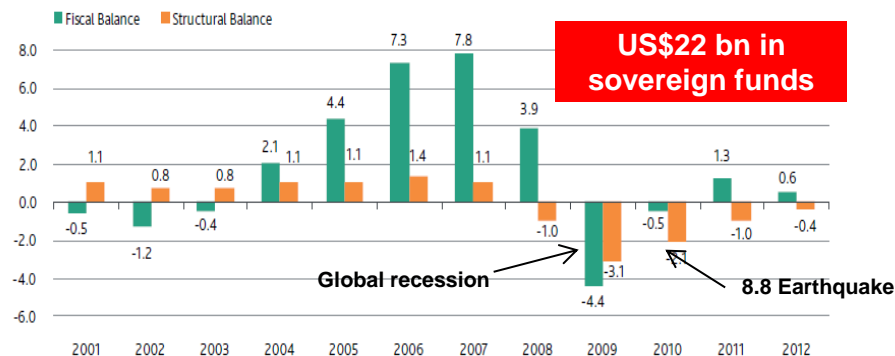
### ... with high investment & savings rates

Investment & Savings / GDP (2013f, %)



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

% of GDP

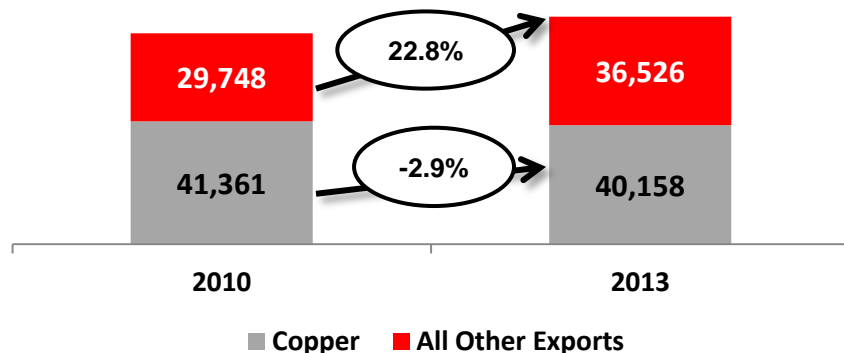


(1) Figures for 2012 or latest available data. Source: Central Bank of Chile. (2) Sovereign funds as of June 2013. Source: Ministry of Finance and Moody's

## Chile's reliance on copper has diminished

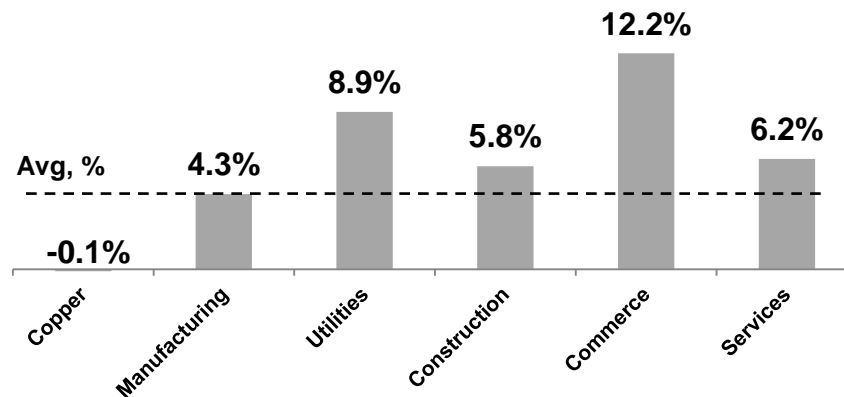
### Non-copper exports lead growth...

Exports, US million

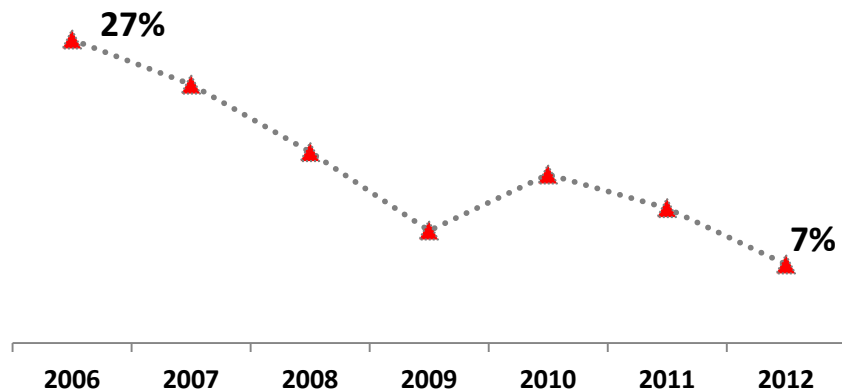


### ... and copper contribution to GDP was low

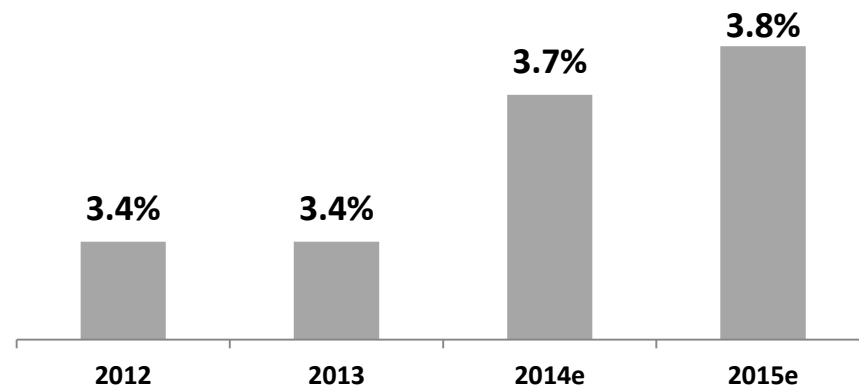
Avg. GDP growth by sector (2009-2012)



### Copper revenue (% of total Govt. revenue)



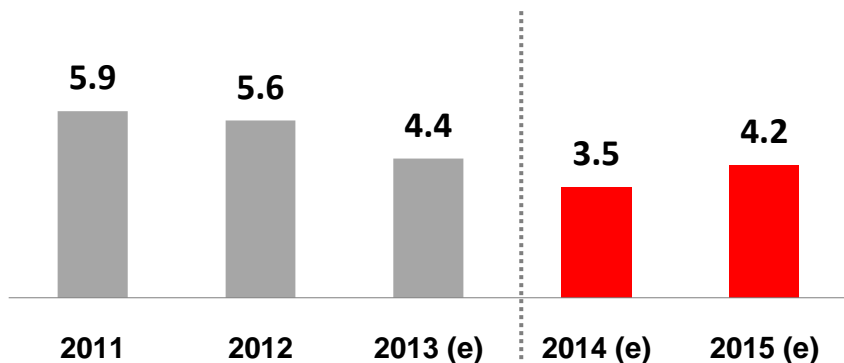
### GDP growth of Chile's main trade partners



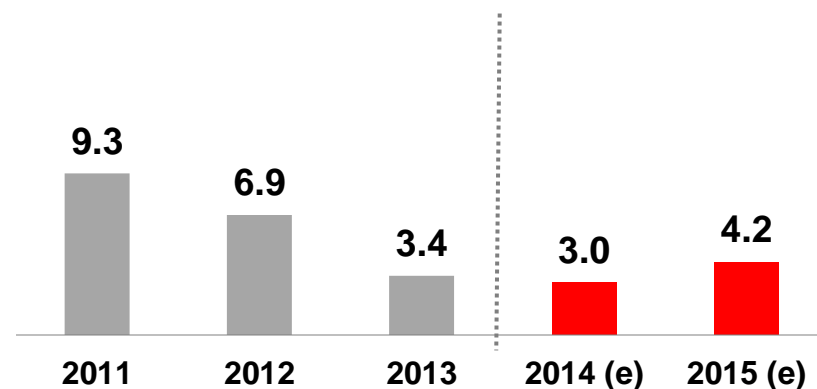
Source: Banco Central de Chile, Ministry of Finance, Moody's and IMF. (e): Estimates Santander Chile

Despite slight deceleration, macro environment still healthy

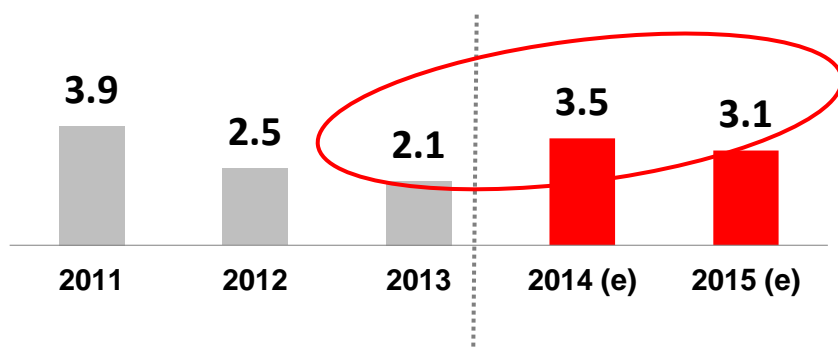
GDP (YoY growth, %)



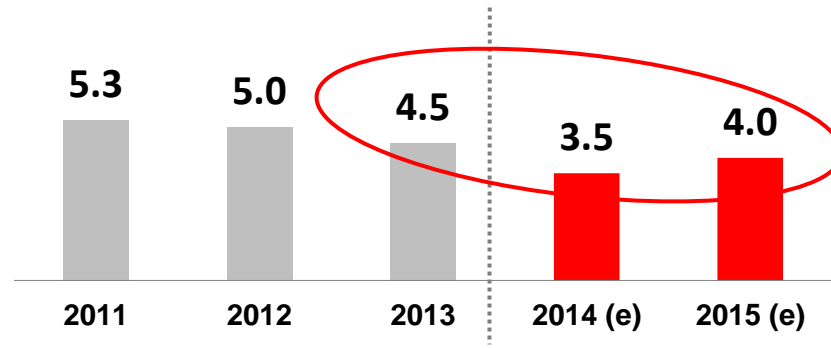
Internal Demand (YoY growth, %)



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

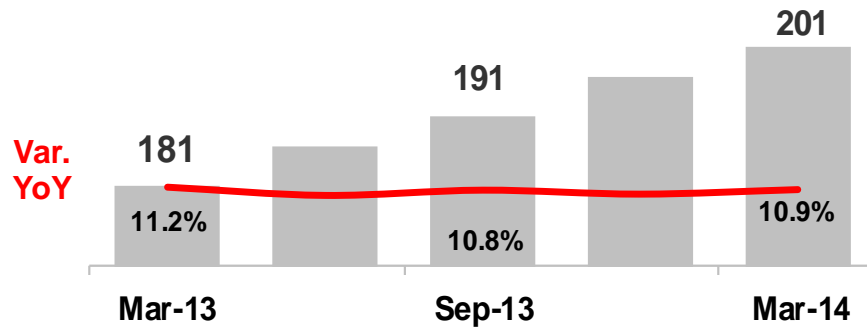
# Financial system: Loan and deposit growth

## Financial system with stable growth trends

Figures for the Financial system

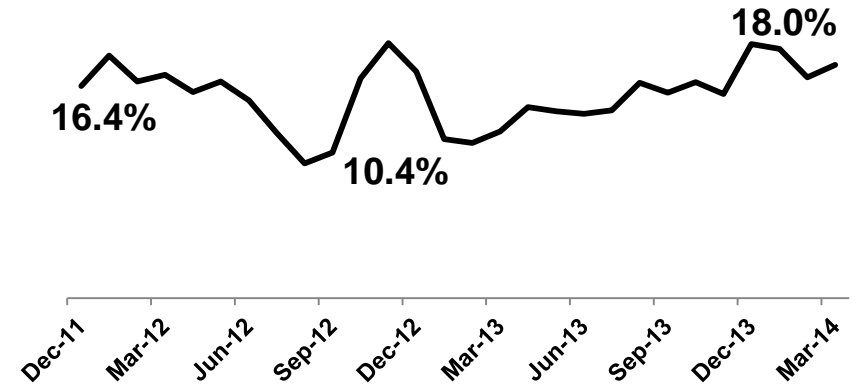
### Total Loans

US\$bn\*



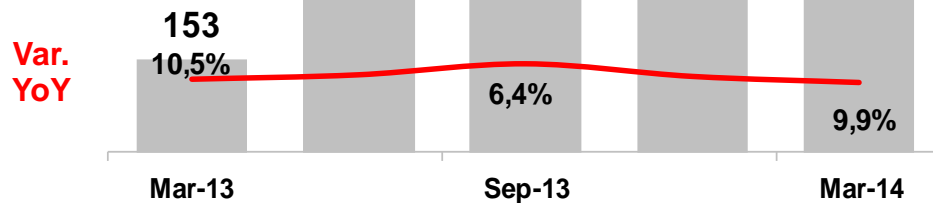
### Roe for the financial system

Quarterly avg, %



### Total Deposits\*\*

US\$bn\*



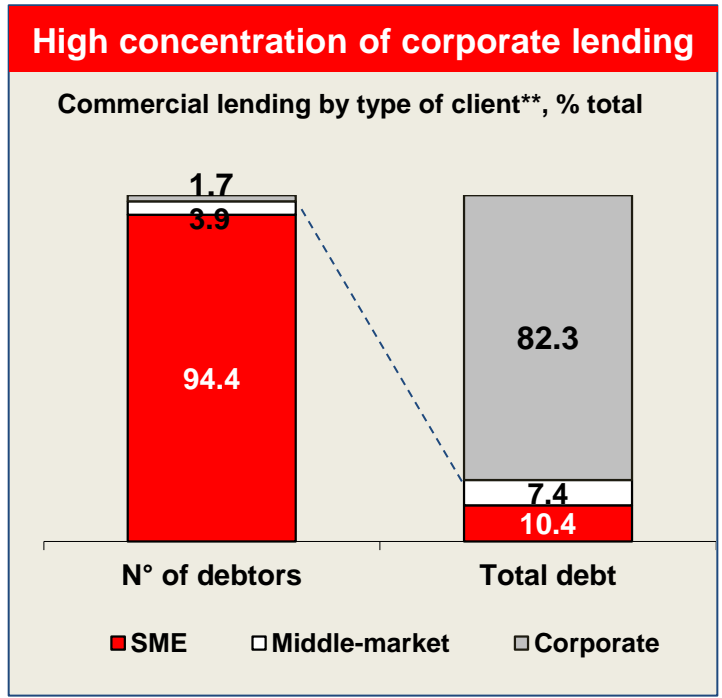
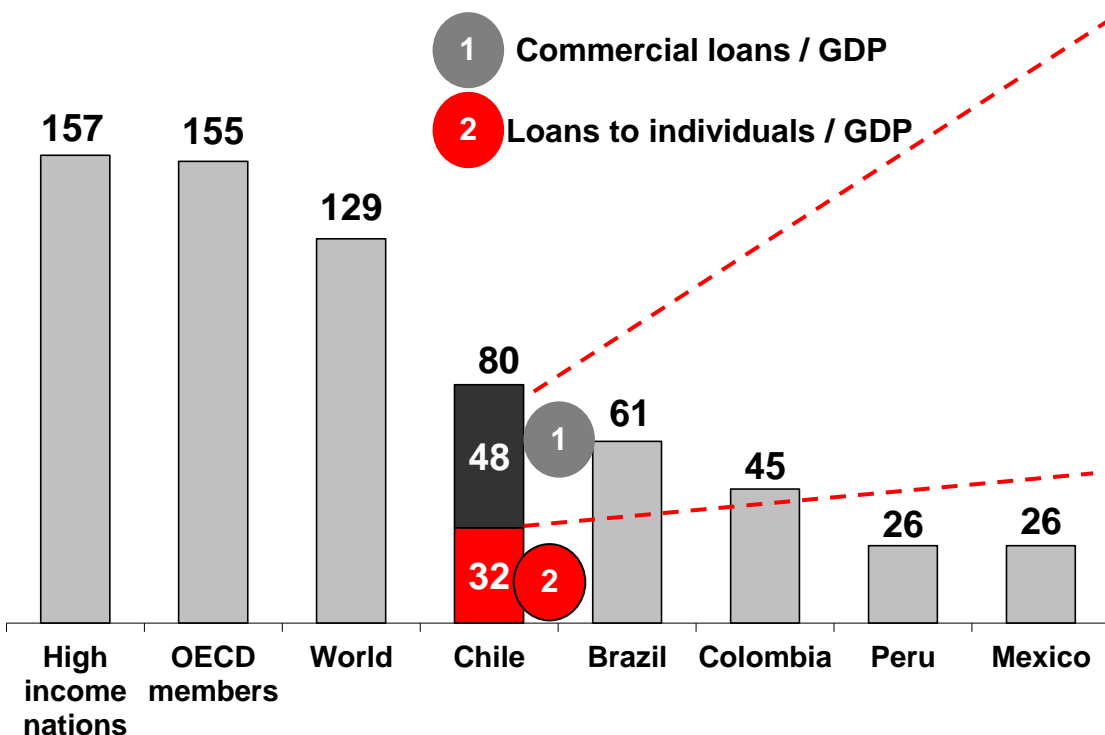
- Loan growth less affected by lower investment as slowdown concentrated in reconstruction / large mining projects with little bank financing
- Deposit growth remains healthy

\* Converted using constant exchange rate as of February 2014. Source: Superintendency of Banks, SBIF. Excludes Corpbanca Colombia.

\*\* Demand and time deposits.

The market has high growth potential in **1** SMEs & Middle-market

Loans / GDP as of Dec. 2012\*, %



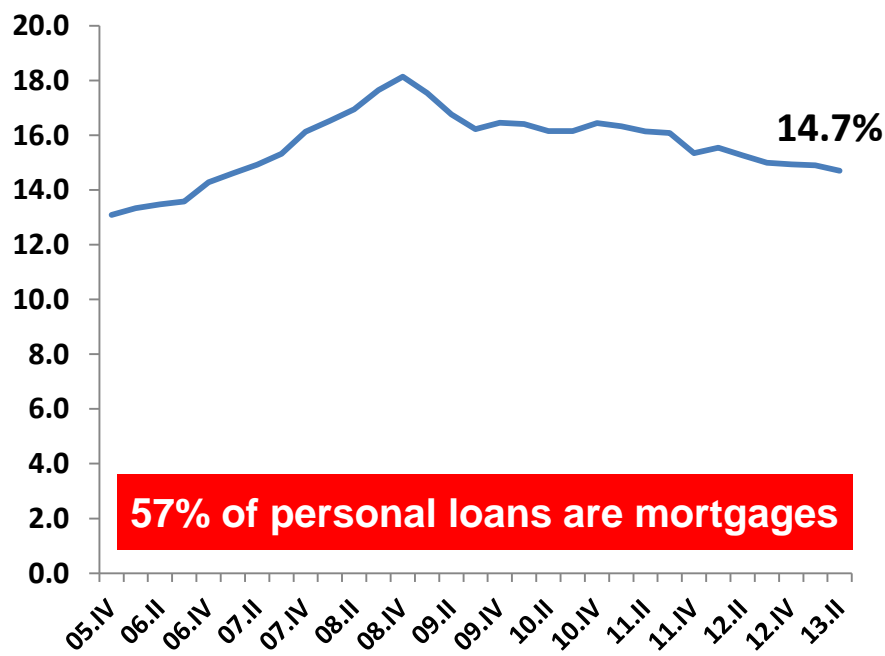
**Solid trends in entrepreneurship and creation of companies**

\* Or latest available information. Source: World Bank, weighted by size of world economies. \*\*Source Chile: Santander Chile based on information from Superintendencia of Banks, Central Bank and www.cajasdechile.cl

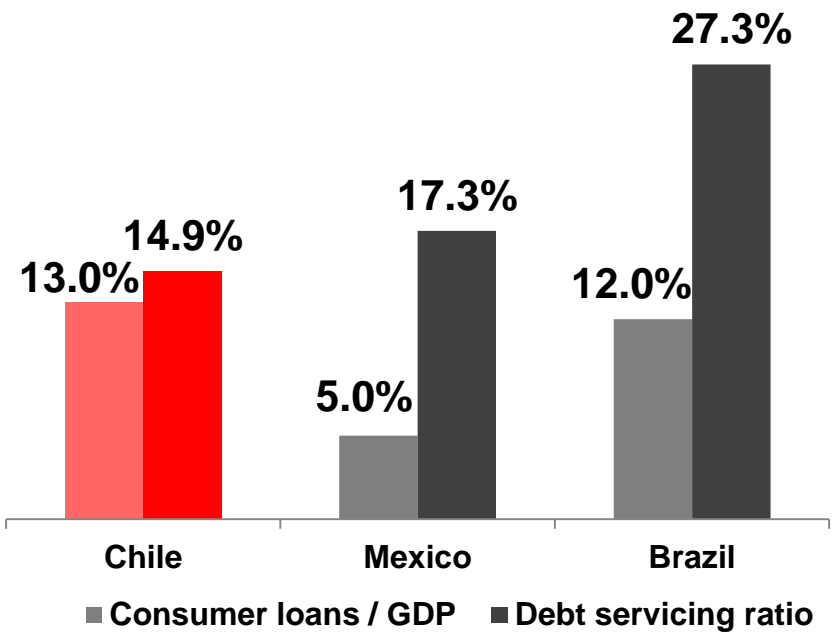


**2 ... and individuals, especially mid-high income segments**

**Chile: lower Debt service ratio (DSR<sup>1</sup>)**



**Consumer loan penetration<sup>2</sup> and DSR**

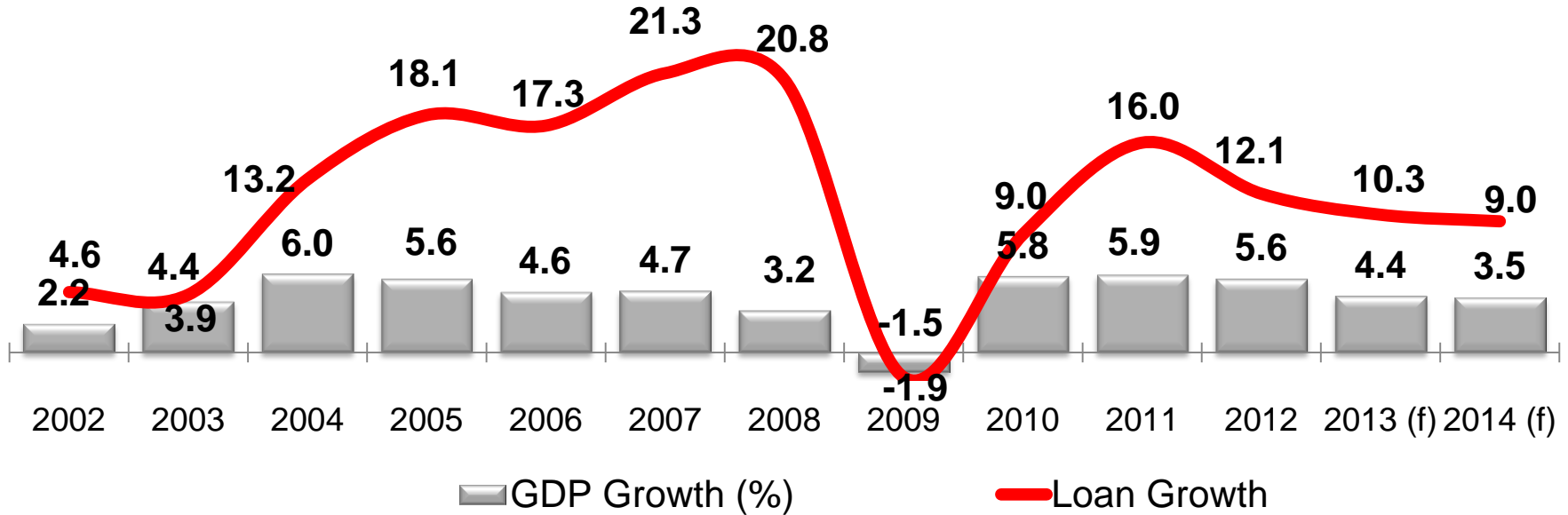


**Once the regulatory environment normalizes, growth in emerging segments should rebound. Good outlook for consumer lending**

1. Debt servicing ratio, DSR: Total debt payments including amortization and interest / Disposable income. 2. Consumer loans / GDP  
 Source: For Chile: Central Bank of Chile. For Brazil and Mexico: JP Morgan, Scotiabank and Felaban

### Attractive growth outlook

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



**Chile today offers a unique combination of expected growth and profitability, in a relatively low-risk environment**

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

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## Santander Chile is the nation's leading bank



US\$bn	Mar'14	Var. YoY
<b>Business and Results</b>		
Loans	US\$ 38.8	12.3%
Deposits	US\$ 27.6	8.0%
Equity	US\$ 4.4	10.0%
Net income	US\$ 258mn.	74.6%
<b>Network and Customers</b>		
	Mar'14	Mkt. share
Clients	3.5 mn	26.2% <sup>2</sup>
Branches	485	18.3%
ATMs	1,793	24,6%
<b>Market Share</b>		
Loans	19.7%	4.8%
Deposits	16.7%	-1.8%
Checking Accounts	23.3%	
Credit Cards	27.5% <sup>3</sup>	-2.5%

1. As of Feb'14 or latest available figures using the period-end exchange rate. Excludes Corpbanca Colombia. 2. Market share of clients with checking accounts and credit cards. 3. Market share is over total monetary transactions using a credit card and includes department stores. Source: Superintendency of Banks of Chile

### 3 objectives for healthy growth / higher profitability

I. Growth focused on segments with highest net contribution...

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

III. ... and managing risks conservatively

Transformation  
Project

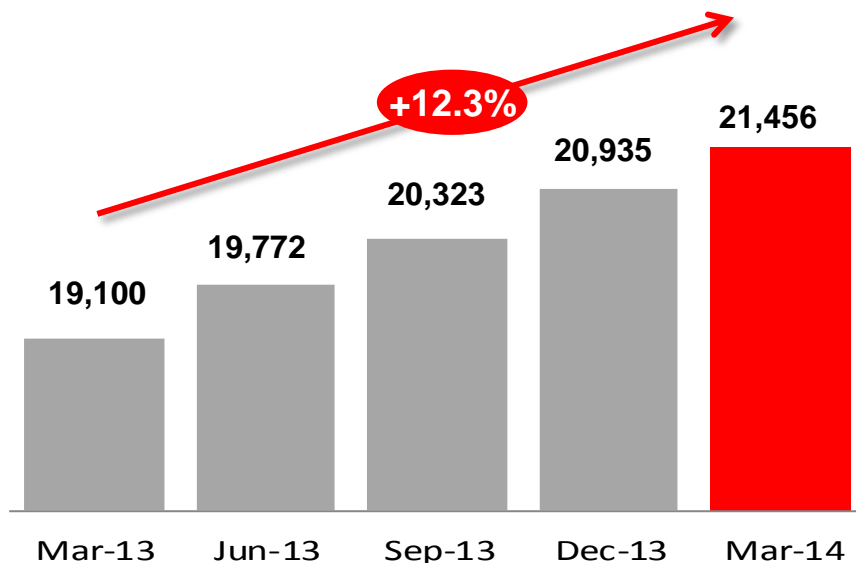
Optimizing the  
risk return  
relation



Positive loan growth in segments with higher risk-adjusted contribution...

Total Loans

Ch\$bn



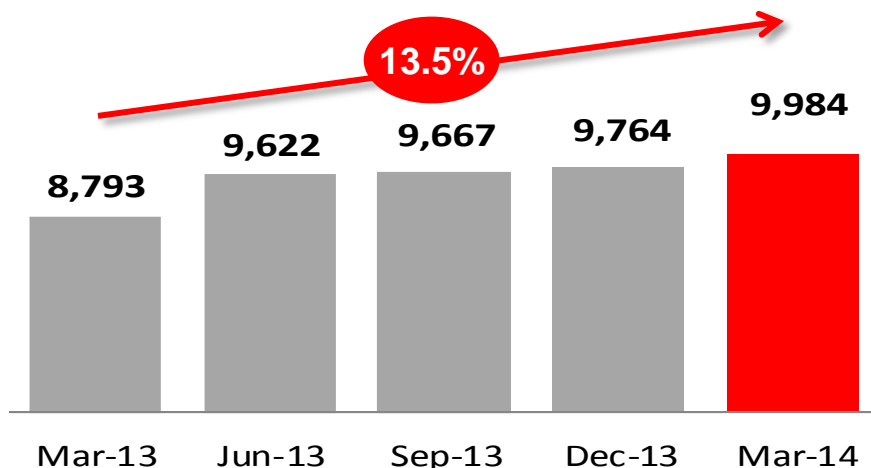
Ch\$bn

	3M'14	YoY	QoQ
Individuals	10,828	11.4%	3.7%
– Consumer	3,696	16.8%	2.5%
– Mortgage	5,841	10.0%	3.8%
SMEs	3,289	10.9%	2.9%
Middle-Market	5,117	10.7%	1.7%
Corporate	2,169	15.4%	(2.3%)
<b>Total loans</b>	<b>21,456</b>	<b>12.3%</b>	<b>2.5%</b>

... and improving funding mix, with strong growth of retail deposits

**Retail Deposits\***

Ch\$bn



Ch\$bn

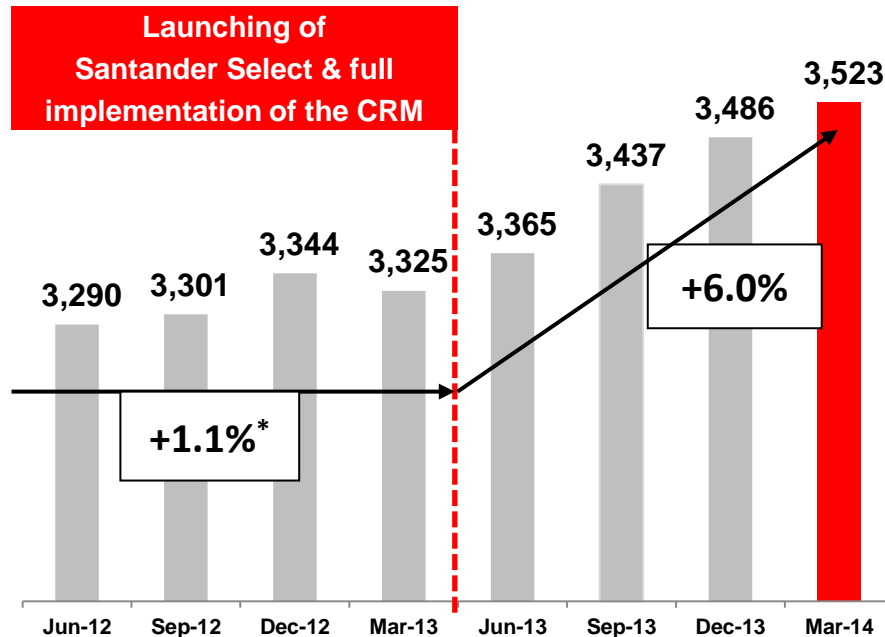
	3M'14	YoY	QoQ
Demand	5,610	13.0%	-0.2%
Time	9,640	5.3%	-0.4%
<b>Total deposits</b>	<b>15,251</b>	<b>8.1%</b>	<b>-0.3%</b>

**Transformation Project is boosting commercial activity**

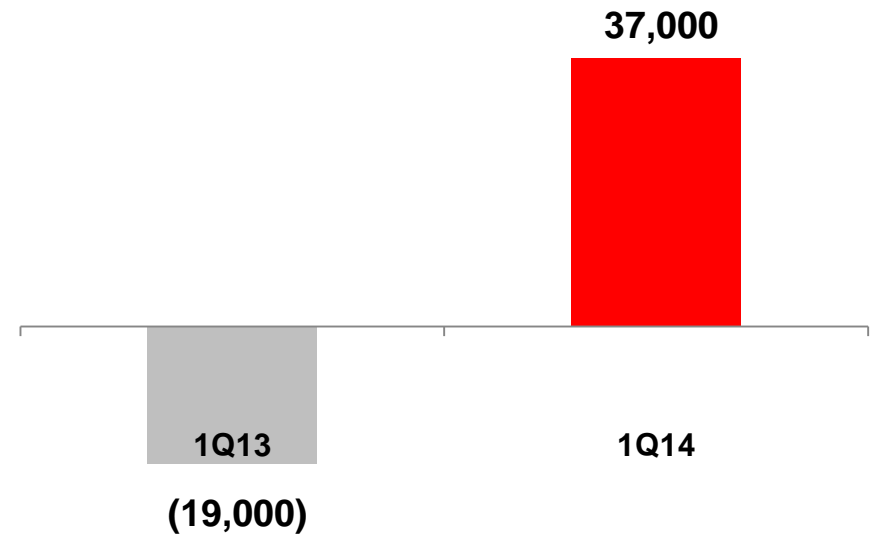
\* Deposits from individuals, SMEs and the Middle-market

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

Total Clients (ths.)



New clients (net)



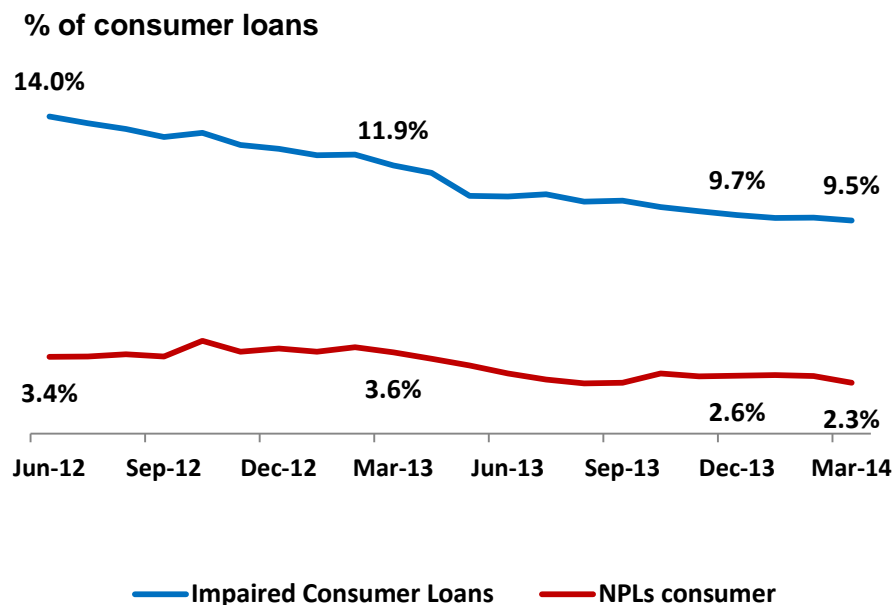
Client base growth should help to drive fee growth

\* Annualized rates

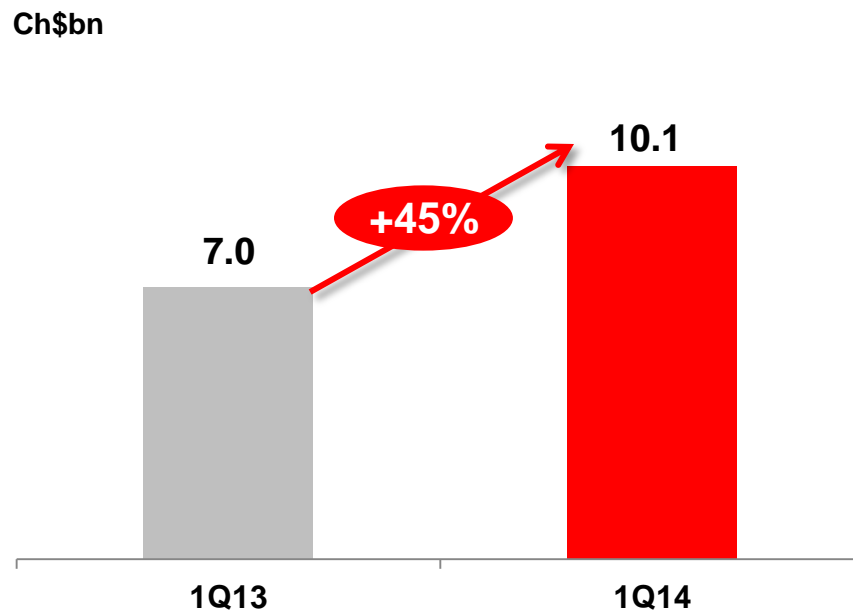


## Steady improvement in asset quality indicators

### Impaired + NP consumer loans



### Consumer loan recoveries



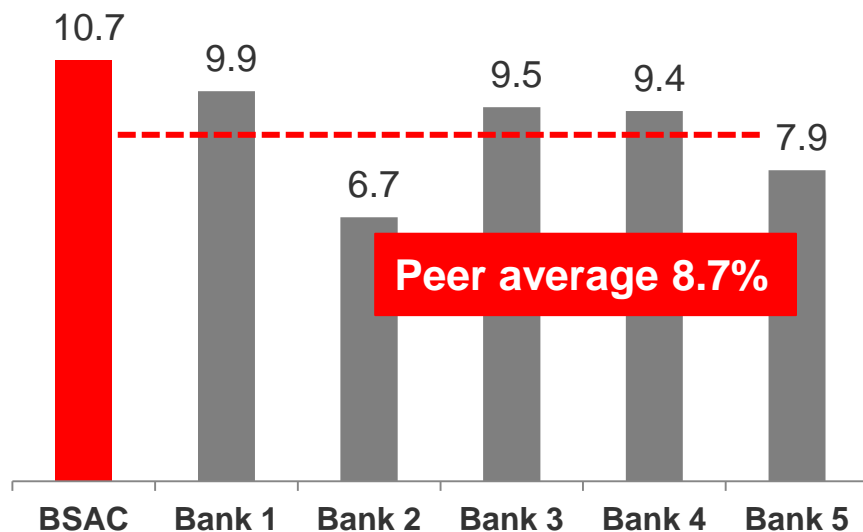
Risk reduction also reflects: (i) the portfolio mix change, (ii) improvements in risk models, (iii) origination focusing on pre-approved loans, and (iv) improvements in recoveries processes

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

## Optimizing the risk-return relation

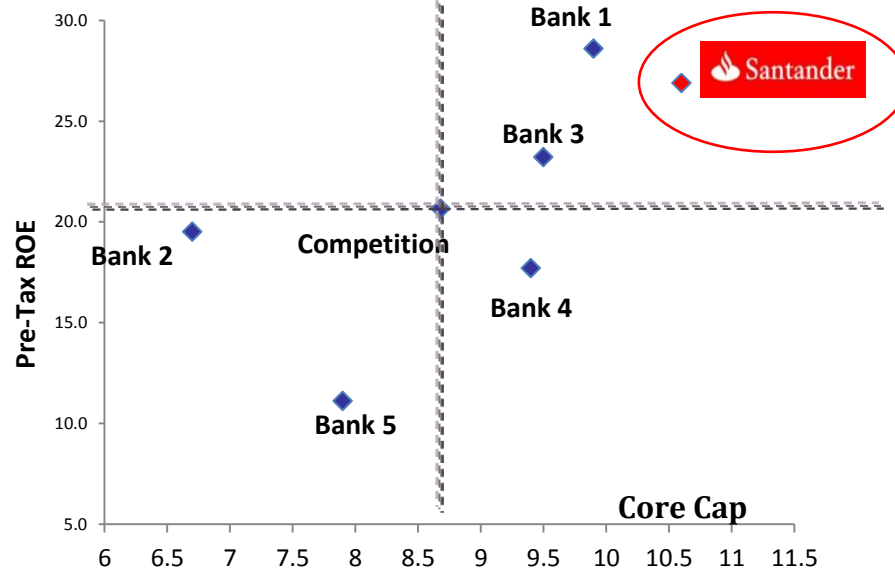
### High capital base\*

Core Capital ratios, %



### Solid risk-return ratio

Pre-tax ROE & Core Capital ratios\*, %



**Dividend yield = 4.1%**  
**Dividend up 13.8% in 2014**

**One of the highest credit risk ratings**  
**in the banking world**

\* As of Dec. 2013 for Competition (Financial System ex-Santander) and as of March 2014 for Santander Chile. ROEs as of Feb. 2014.

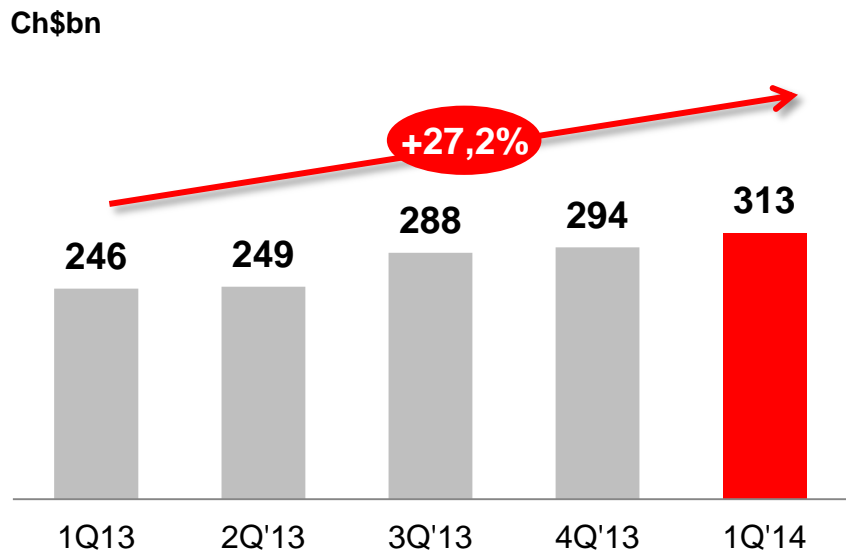
Source: Superintendency of Banks of Chile

# Agenda

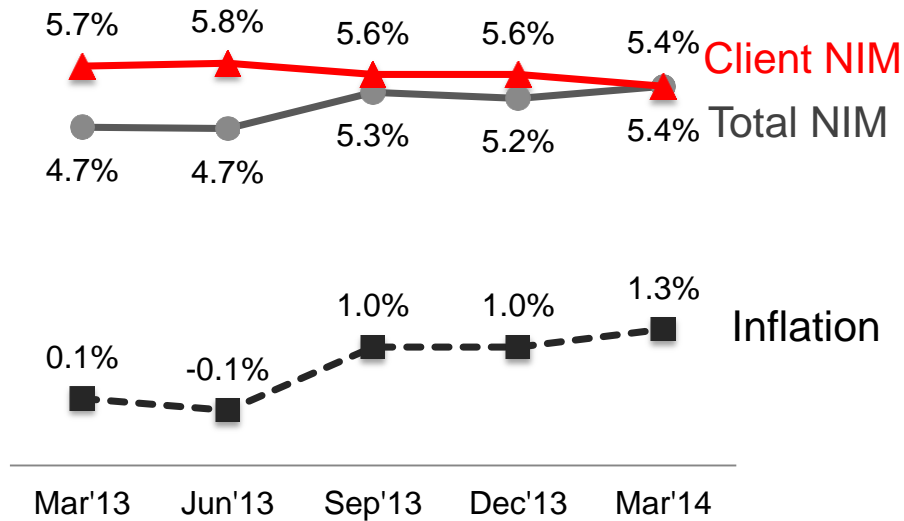
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Net interest income trending up due to better funding mix and higher inflation

Net interest income

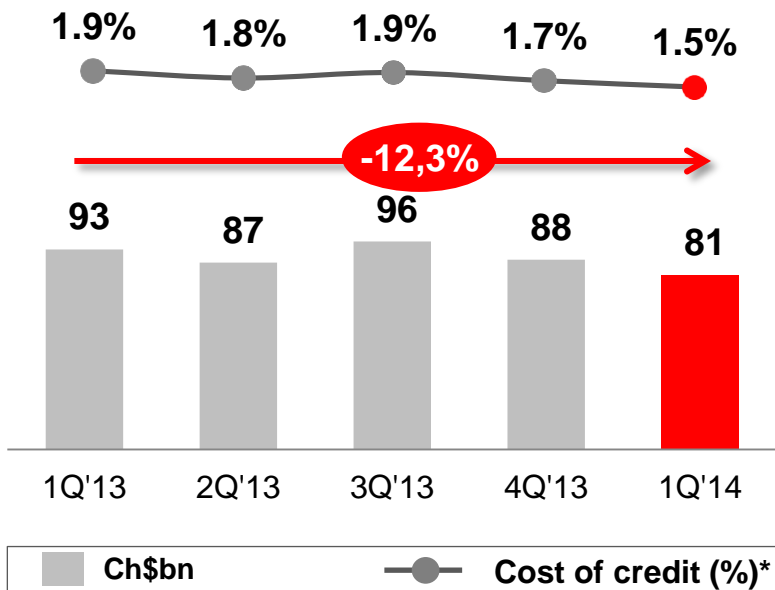


NIM, client NIM and inflation



Sustained improvement of most asset quality metrics

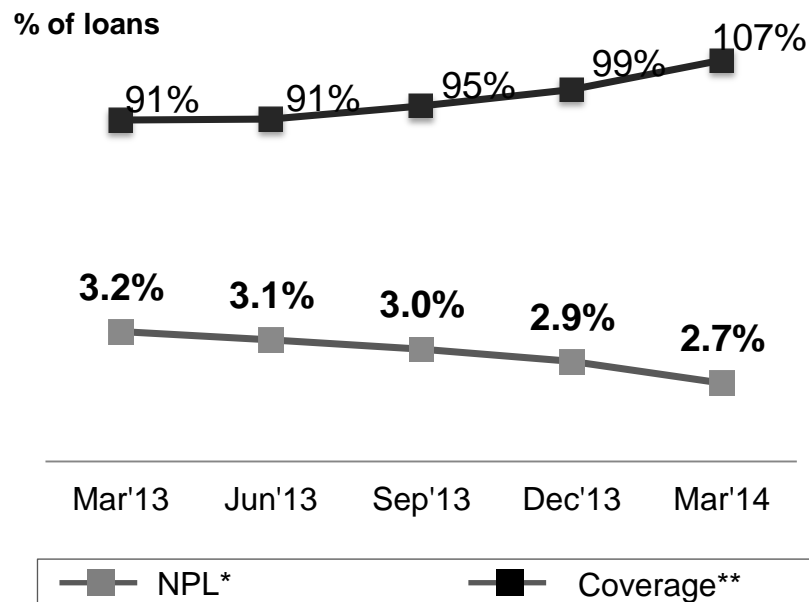
Provision expense & cost of credit



Cost of credit declines to 1.5% in quarter

\* Annualized quarterly provision expense / total loans

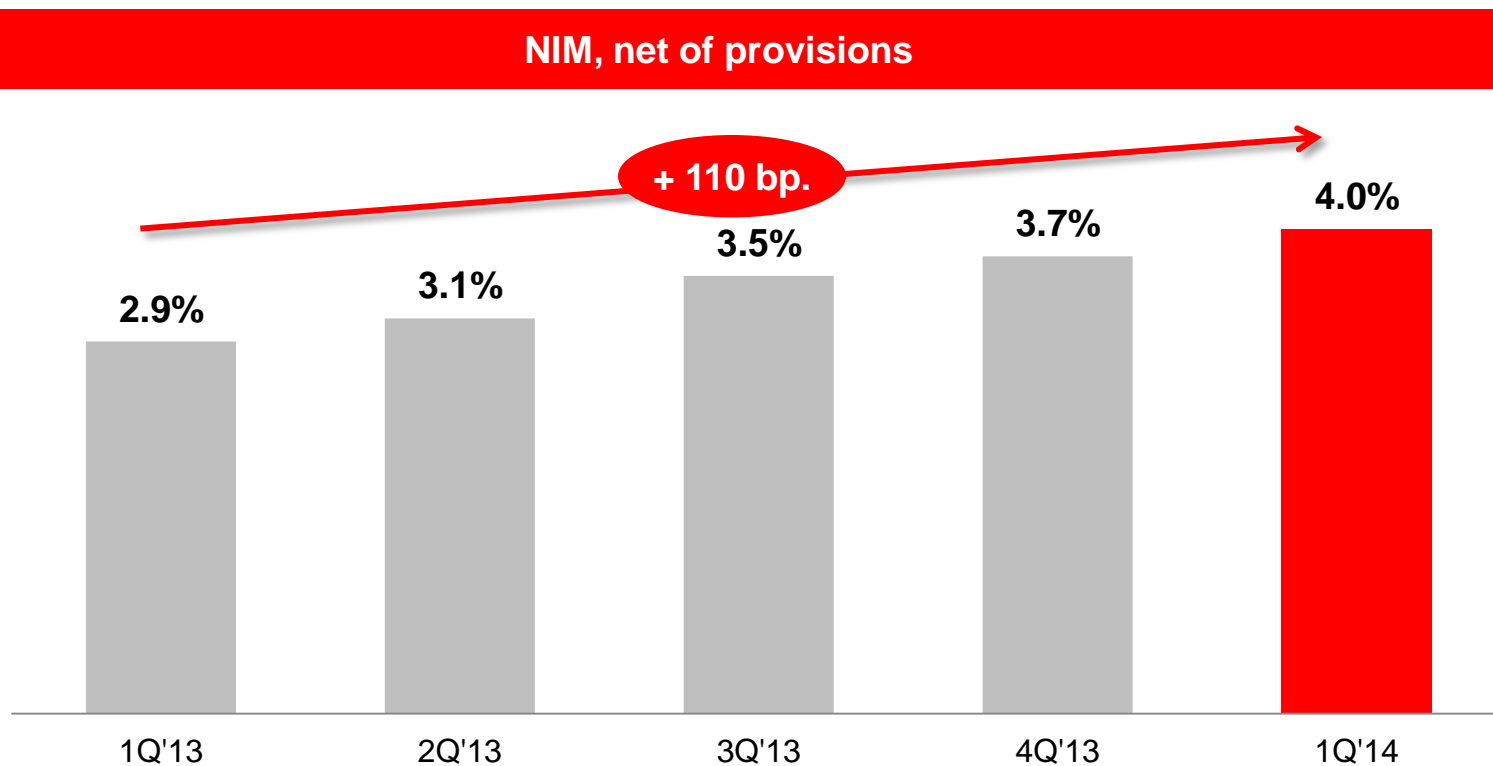
NPL and coverage ratio



NPLs at 2.7%. Coverage at 107%

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

**NIM, net of provisions, is steadily rising**

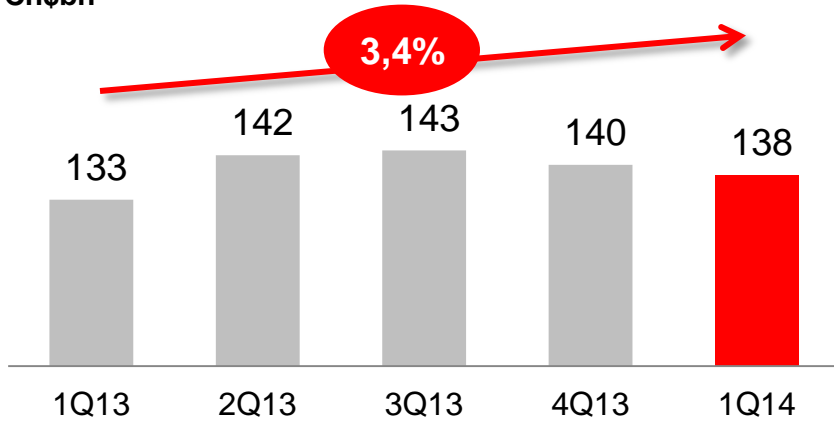


**The Bank's focus is to maximize spreads net of provisions, gaining market share in segments with higher risk-adjusted contribution**

**Transformation Project enhancing productivity**

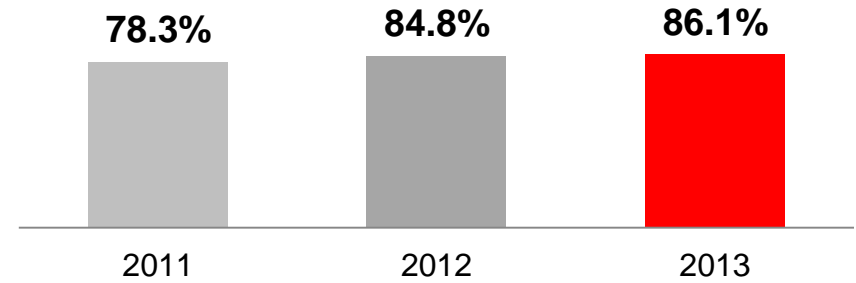
**Operating expenses**

Ch\$bn



**Transactions using complimentary channels**

% of transactions through Internet, Phone, Mobile, Automatic Bill Payments and POS

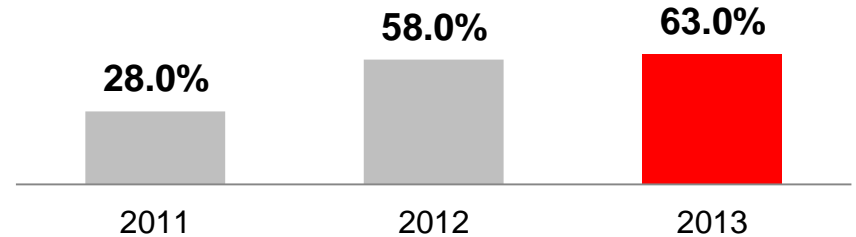


**Network**

	1Q'13	1Q'14	%
▪ Branches	497	484	-2.6%
--Traditional	360	366	1.7%
--Select	44	44	0.0%
--Banefe	93	74	-20.4%
▪ Employees	11,679	11,455	-1.9%

**Pre-approved consumer loans**

% of pre-approved consumer loans over total consumer loans

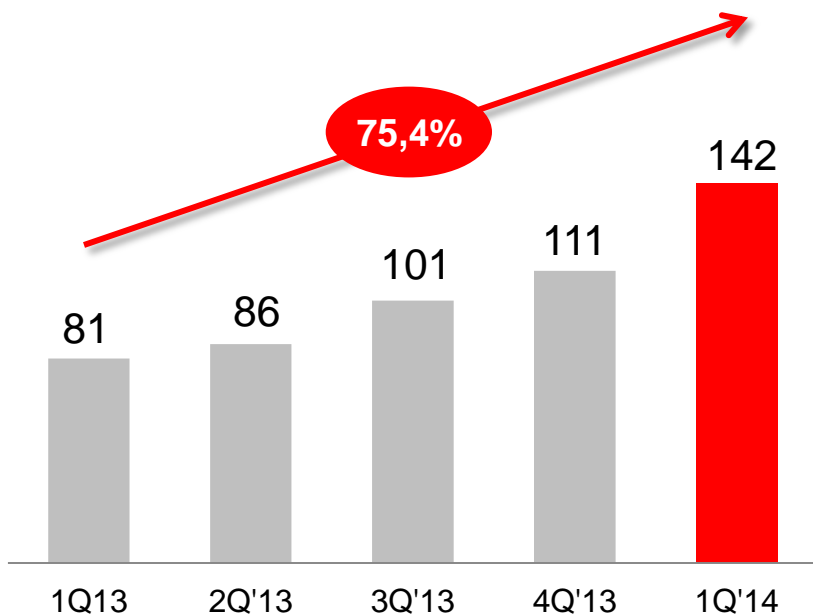


**Efficiency ratio improves to 35.6% in 1Q14**

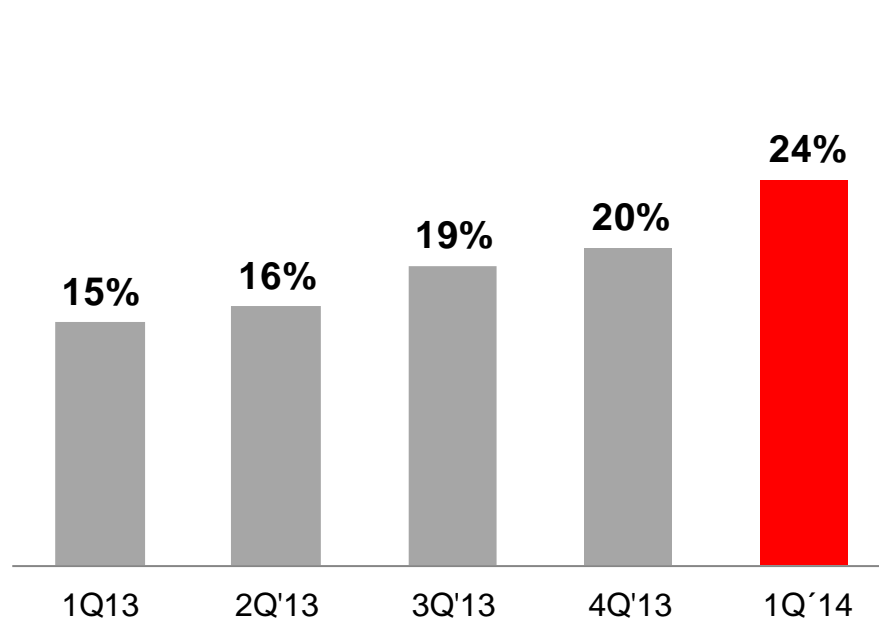
**Net income up 75.4% YoY. ROE reaches 23.9%**

**Net income\***

Ch\$bn



**ROE\***



**Net operating income of Commercial areas up 19% YoY**

\* Excludes gain from the sale of Santander Asset Management in 4Q13



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## Sound outlook for 2014

- **Chile: Economy on track, but a slight slowdown is expected in 2014**
- **Financial system continues to show healthy growth rates**
- **Santander Chile: 1Q14 Net income up 27.9% QoQ and 75.4% YoY. ROE at 23.9%**
  - **Transformation Project is boosting commercial activity:**
    - **Loan growth accelerates to 12.3% YoY, especially in segments with higher risk-adjusted contribution**
    - **Improving funding mix. 13.5% YoY growth of retail deposits**
  - **High Core Capital ratio: 10.7%**
  - **NIM, net of provisions, rises to 4.0% (+110 bp YoY). Gross NIM trending up due to better funding mix and higher inflation, while cost of credit declines to 1.5%**
  - **Fees still affected by regulatory changes. Client base continues growing steadily**
  - **Transformation Project enhancing productivity: efficiency ratio at 35.6%**



**Positive medium-term outlook**



Chile