

***Banco Santander Chile:  
Solid results in 2014  
Sound outlook for 2015***

***November 2014***

**Chile**



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.

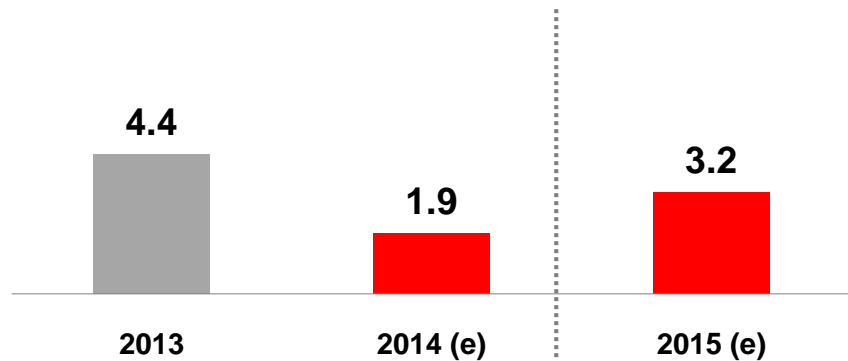
Note: the information contained in this presentation is not audited. Nevertheless, the consolidated accounts are prepared on the basis of generally accepted accounting principles. All figures presented are in nominal terms. Historical figures are not adjusted by inflation. Historical figures have been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

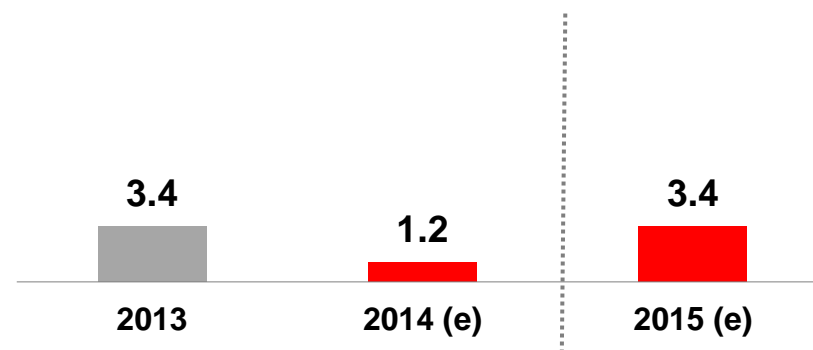
- **Despite recent deceleration, economy expected to rebound in 2015. Financial system with stable growth trends**
- **Santander Chile has adjusted its medium-term strategy to sustain profitable growth in a more challenging environment...**
- **... and is starting to benefit from stronger client activity and improved profitability trends**
- **... leading to a positive medium-term outlook**

Despite slight deceleration, economy expected to rebound...

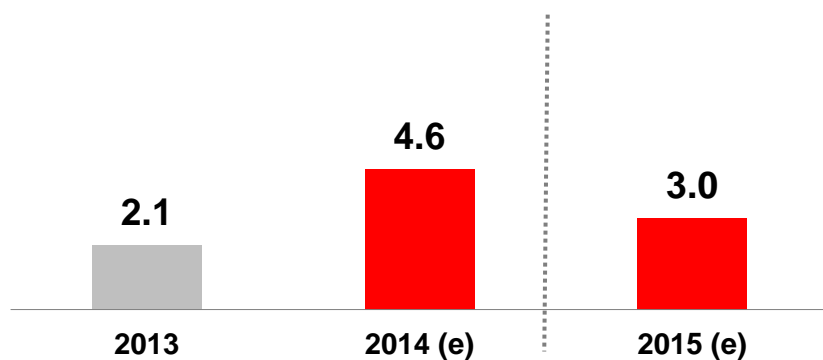
GDP (YoY growth, %)



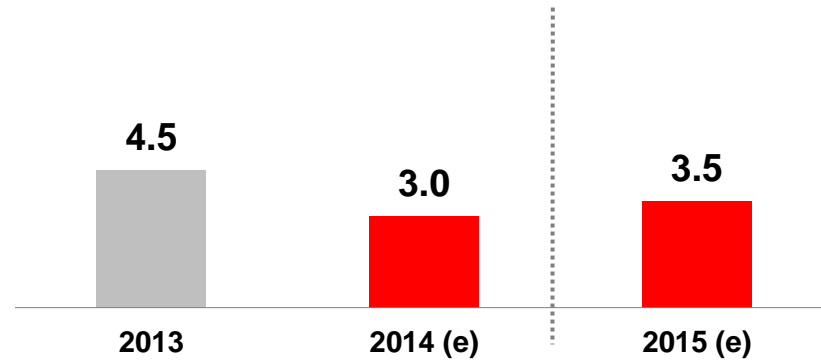
Internal Demand (YoY growth, %)



Inflation (YoY var. of UF, %)\*



Central Bank Reference rate (%)

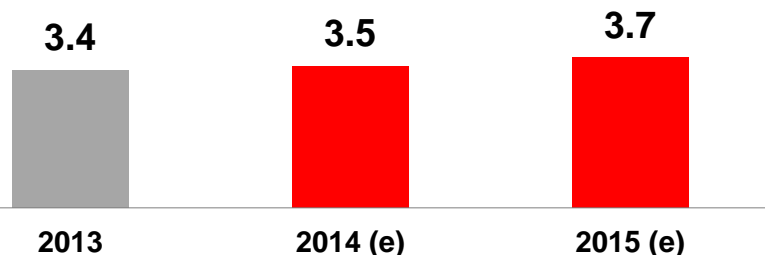


\* Inflation measured by the annual change in the Unidad de Fomento (UF). Source: Banco Central de Chile. (e): Estimates Santander Chile

.... led by export growth, investment and total consumption

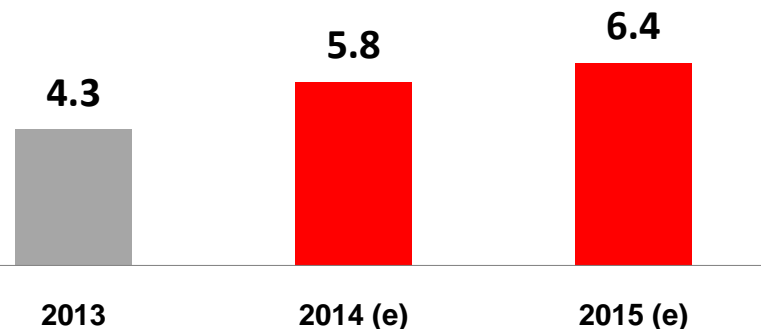
Higher GDP growth of Chile's main trade partners\* ...

YoY real growth, %



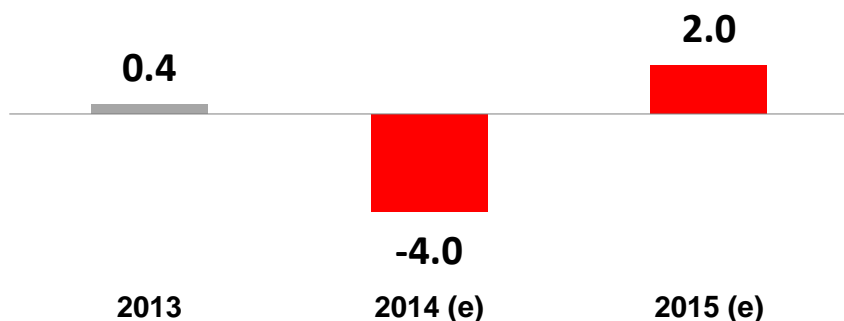
... and weaker Ch\$ should boost export growth

YoY real growth, %



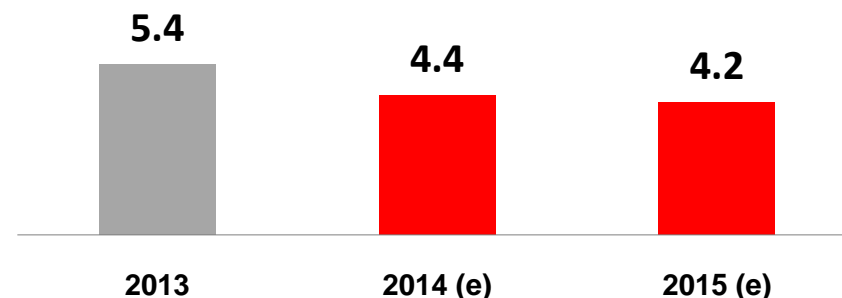
Investment expected to rebound, led by the energy and infrastructure sectors

YoY real growth, %



Consumption\*\* should remain strong

YoY real growth, %

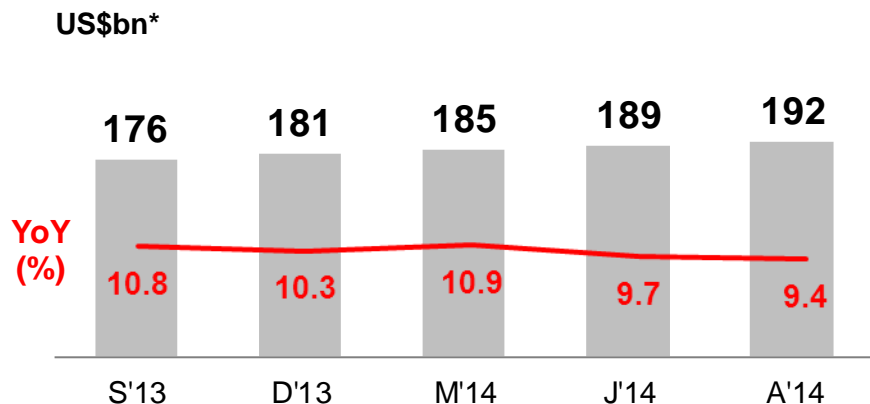


Source: Banco Central de Chile. (e): Estimates Santander Chile. \* Trade-weighted GDP growth. \*\* Includes private and government consumption

## Financial system with stable growth trends

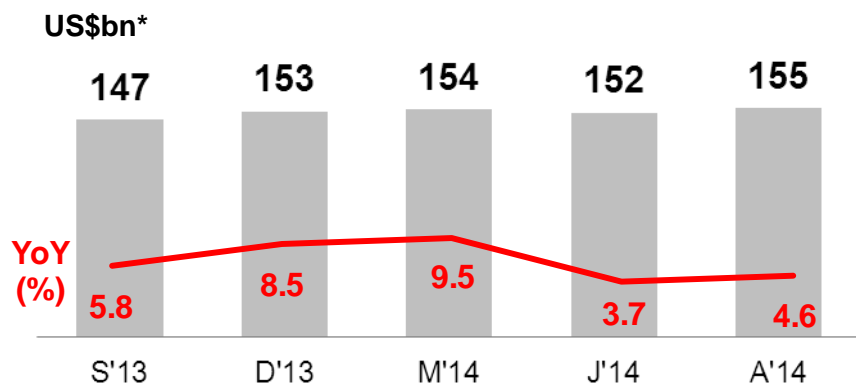
Figures for the Financial system

### Total Loans



- Relatively stable loan growth in 2014
- Loan growth less affected by lower investment as slowdown concentrated in reconstruction / large mining projects with little bank financing

### Total Deposits\*\*



- Deposit growth remains healthy, with some flow of funds away from time deposits to money market funds
- Financial system gross operating income up 30.8% YoY as of August 2014, in part due to lower levels of inflation.

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

\*\* Demand and time deposits.

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- **Despite recent deceleration, economy expected to rebound in 2015. Financial system with stable growth trends**
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- **... and is starting to benefit from stronger client activity and improved profitability trends**
- **... leading to a positive medium-term outlook**

## Santander Chile is the nation's leading bank



US\$bn

Sept. 2014

### Business and Results

Loans	US\$ 37.3
Deposits	US\$ 27.2
Equity	US\$ 4.2
Net income	US\$ 688

### Network and Customers

	Sept. 14	Mkt. share
Clients	3.5 mn	22.9% <sup>2</sup>
Branches	475	18.9%
ATMs	1,692	20.7%

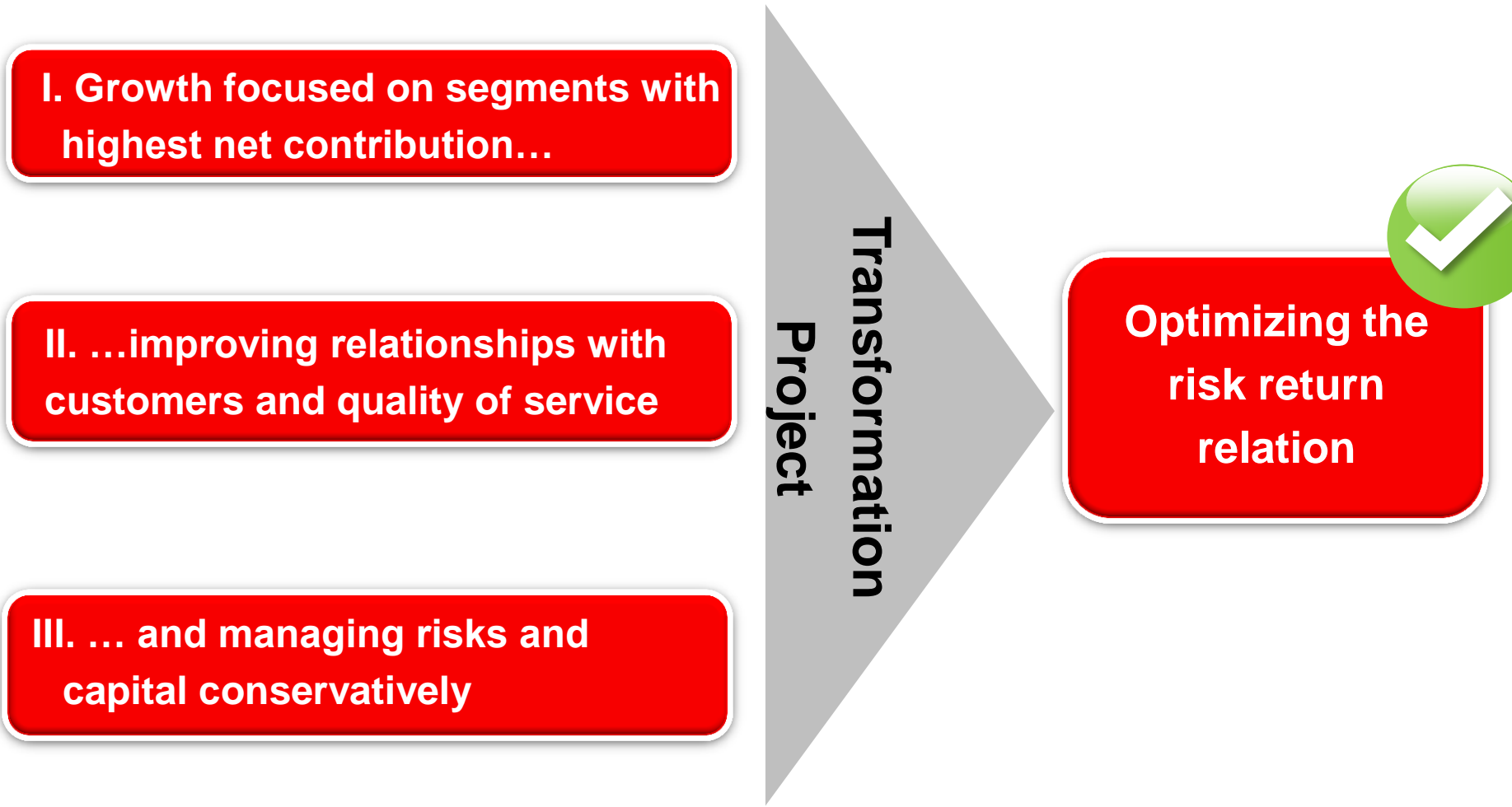
### Market Share

Loans	19.1%
Deposits	17.0%
Checking Accounts	22.9%
Credit Cards	22.5% <sup>3</sup>

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

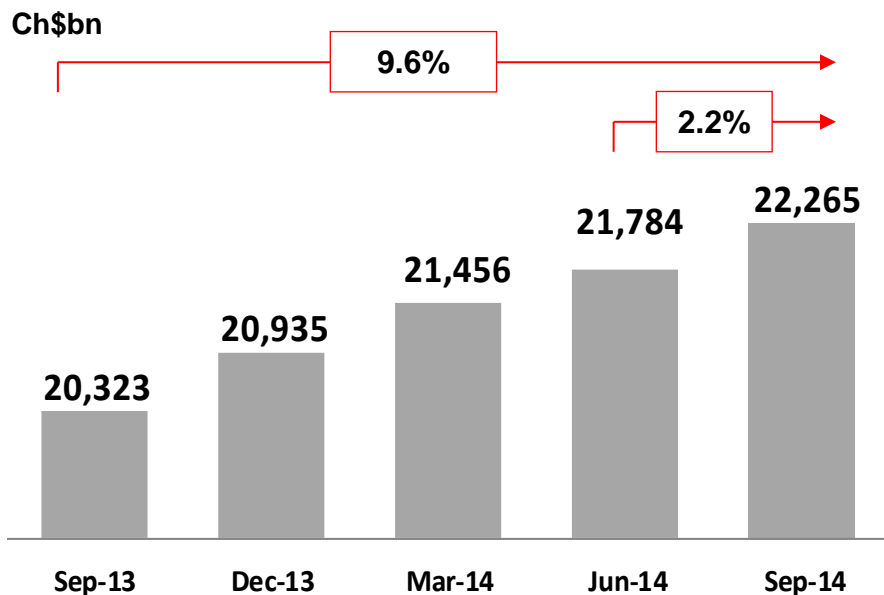


### 3 objectives for healthy growth / higher profitability



**Positive loan growth in the quarter especially in segments with higher risk-adjusted contribution**

**Total Loans**

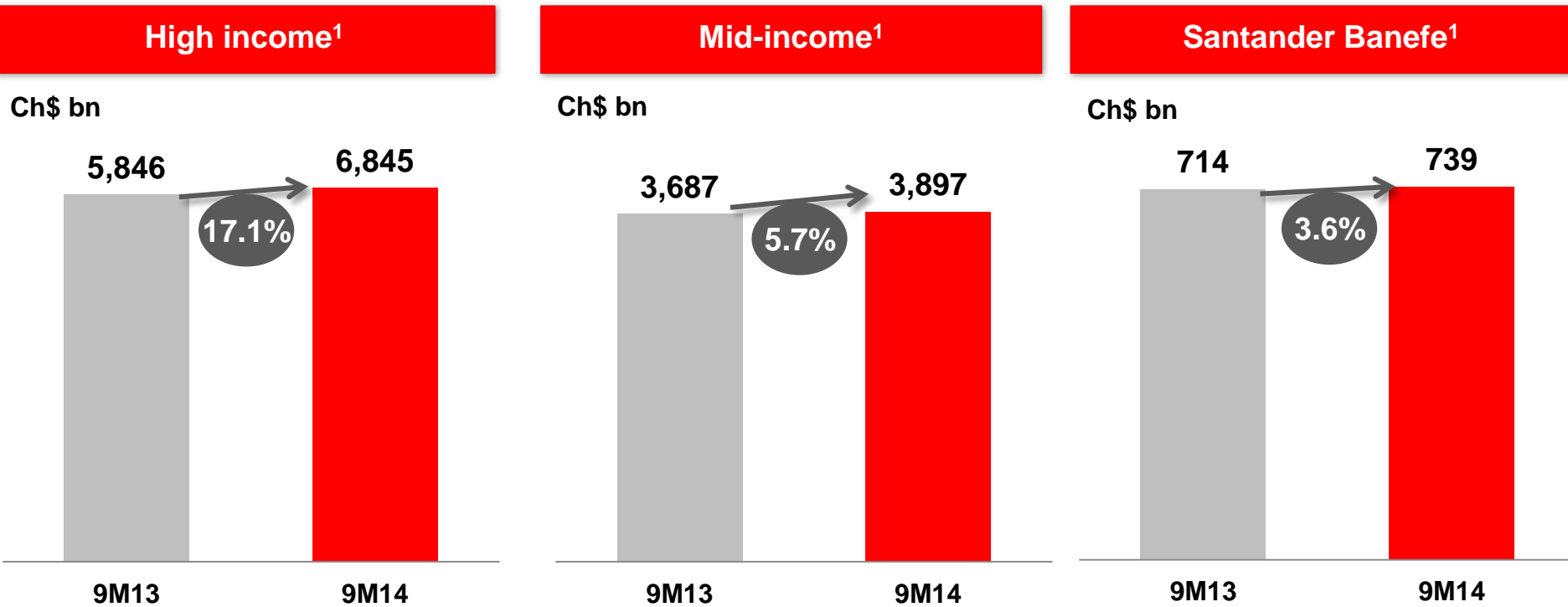


	Sep14	YoY (%)	QoQ (%)
<b>Individuals<sup>1</sup></b>	<b>11,342</b>	<b>12.0%</b>	<b>2.7%</b>
Mortgage	6,300	15.3%	3.3%
Consumer credit	3,819	11.5%	2.2%
<b>SMEs</b>	<b>3,316</b>	<b>4.5%</b>	<b>0.7%</b>
<b>Middle Market</b>	<b>5,386</b>	<b>9.8%</b>	<b>4.1%</b>
<b>Corporates</b>	<b>2,289</b>	<b>3.9%</b>	<b>-1.1%</b>
<b>Total<sup>2</sup></b>	<b>22,265</b>	<b>9.6%</b>	<b>2.2%</b>

**Transformation Project is boosting commercial activity**

1. Loans to individuals Includes all consumer, mortgage and commercial loans to individuals 2. Total loans includes other non-segmented loans

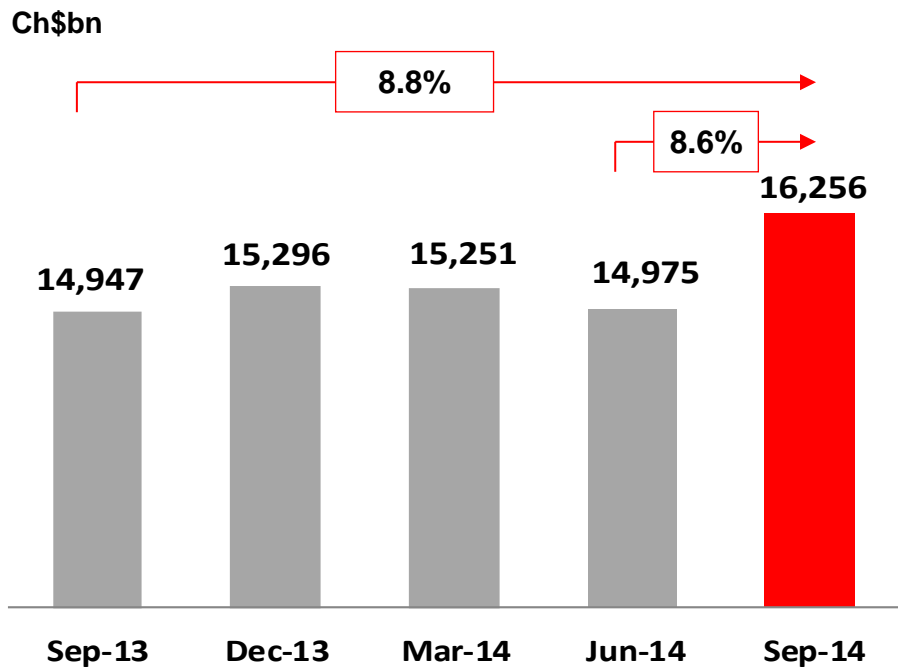
Loan growth focused on segments with highest risk adjusted return



\* At period-end exchange rate as of September 2014. 1. Includes all consumer, mortgage and commercial loans to individuals

High levels of liquidity in the local market pushes strong deposit growth

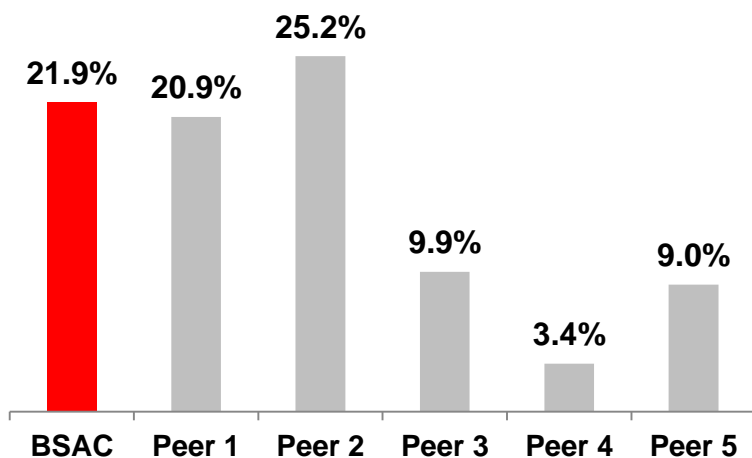
Total Deposits



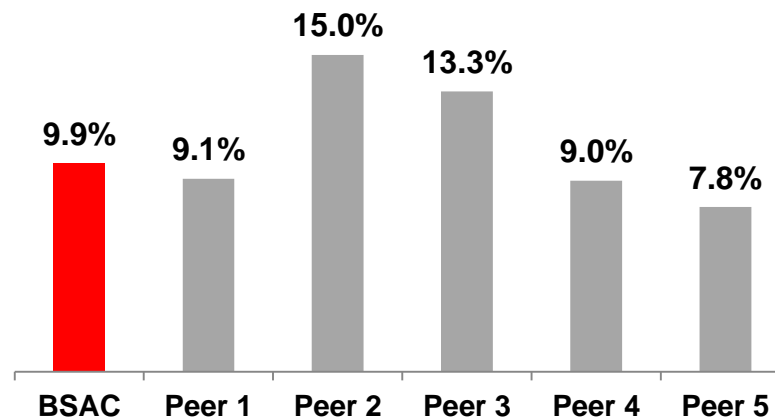
Ch\$bn	9M'14	YoY	QoQ
Demand	5,725	8.9%	1.1%
Time	10,531	8.7%	13.1%
<b>Total deposits</b>	<b>16,256</b>	<b>8.8%</b>	<b>8.6%</b>

## Market leaders in Core Deposits

Core deposit market share<sup>1</sup>



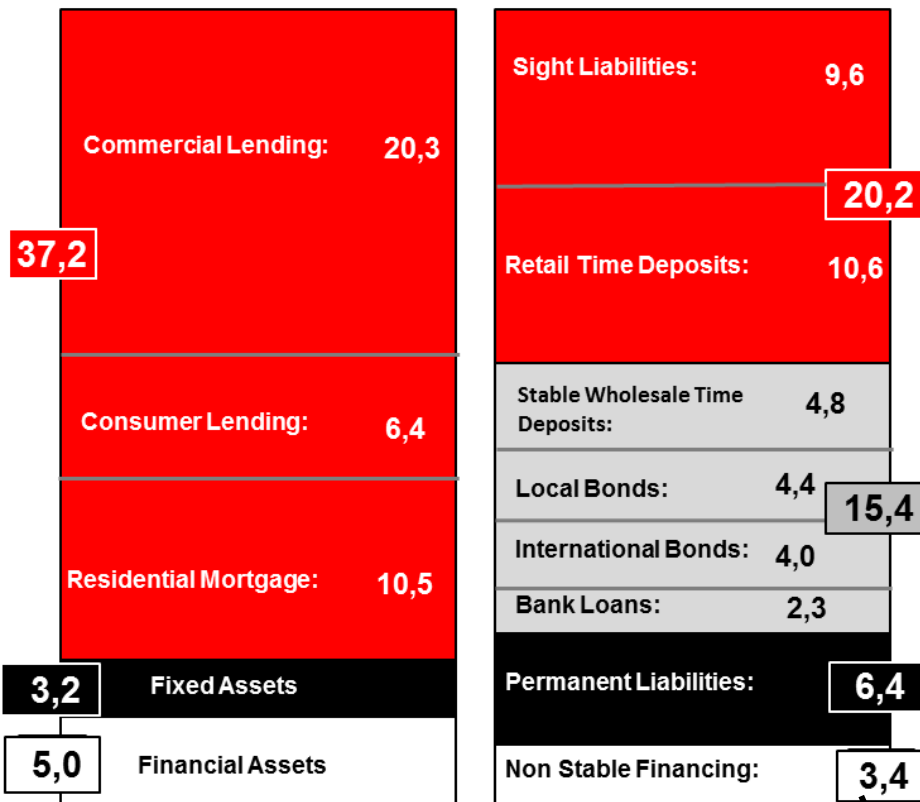
Deposit market share w/ institutional investors<sup>1</sup>



1. As of August 2014. Source of data used to calculate market share: DCV & SBIF. Institutional market share is over deposits cleared through the DCV

# Solid Balance Structure

USD bn as of September 2014

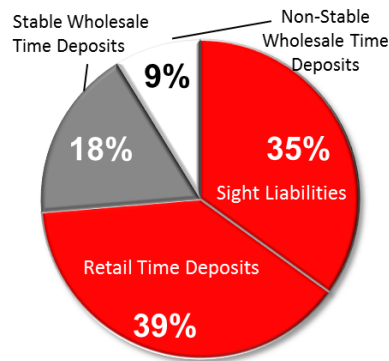


Assets <= 45,4 => Liabilities

Non-Stable Wholesale Time Deposits = 2,4  
 Commercial Papers = 0,7  
 Close to Maturity Bonds = 0,3

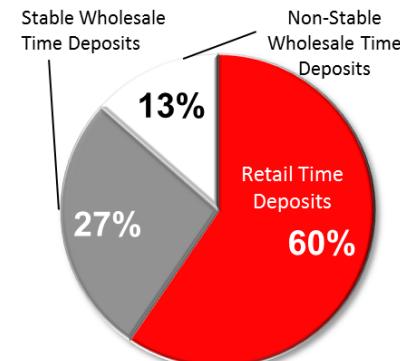
Total Deposits

USD 27,4 bn

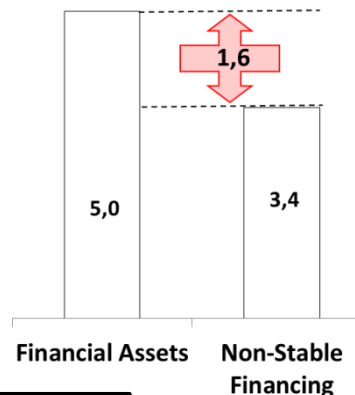


Total Time Deposits

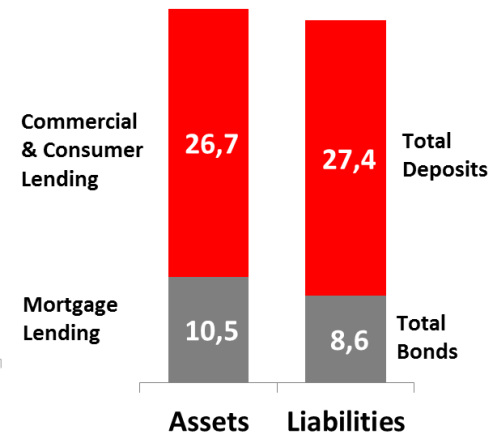
USD 17,6 bn



Structural Liquidity (USD bn)

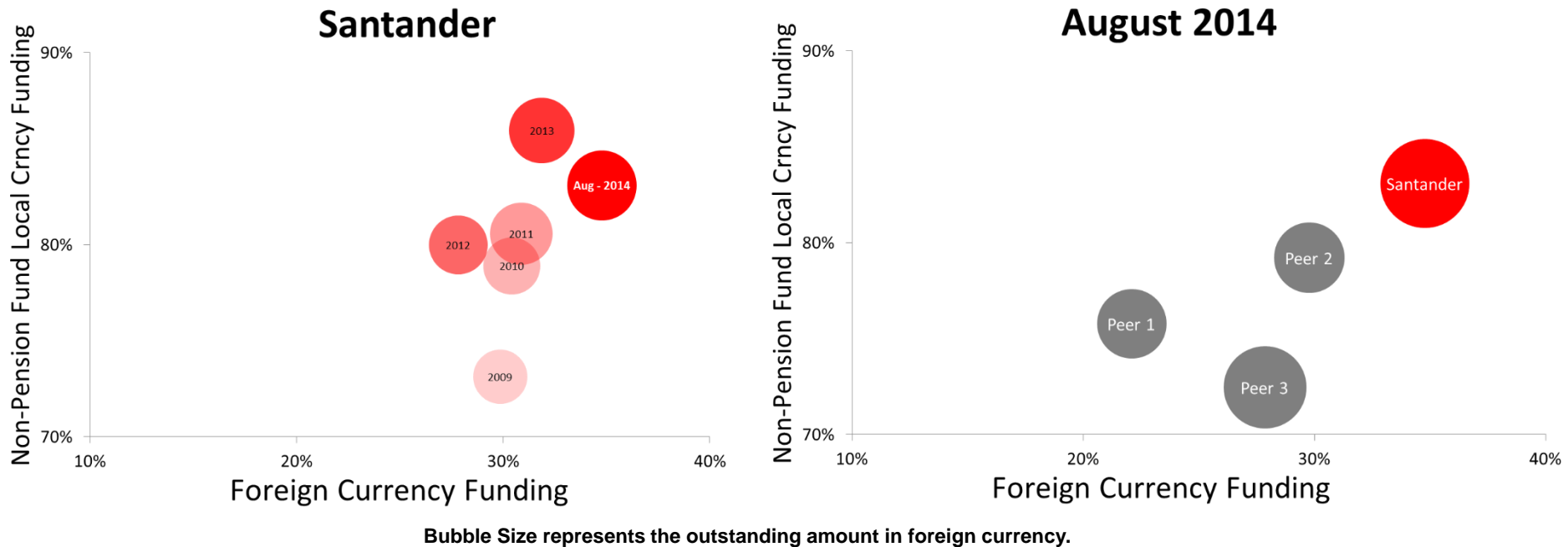


Commercial Balance (USD bn)



LTD = 132%  
 LTD ex Mortgages = 94%

## Diversification Improvement



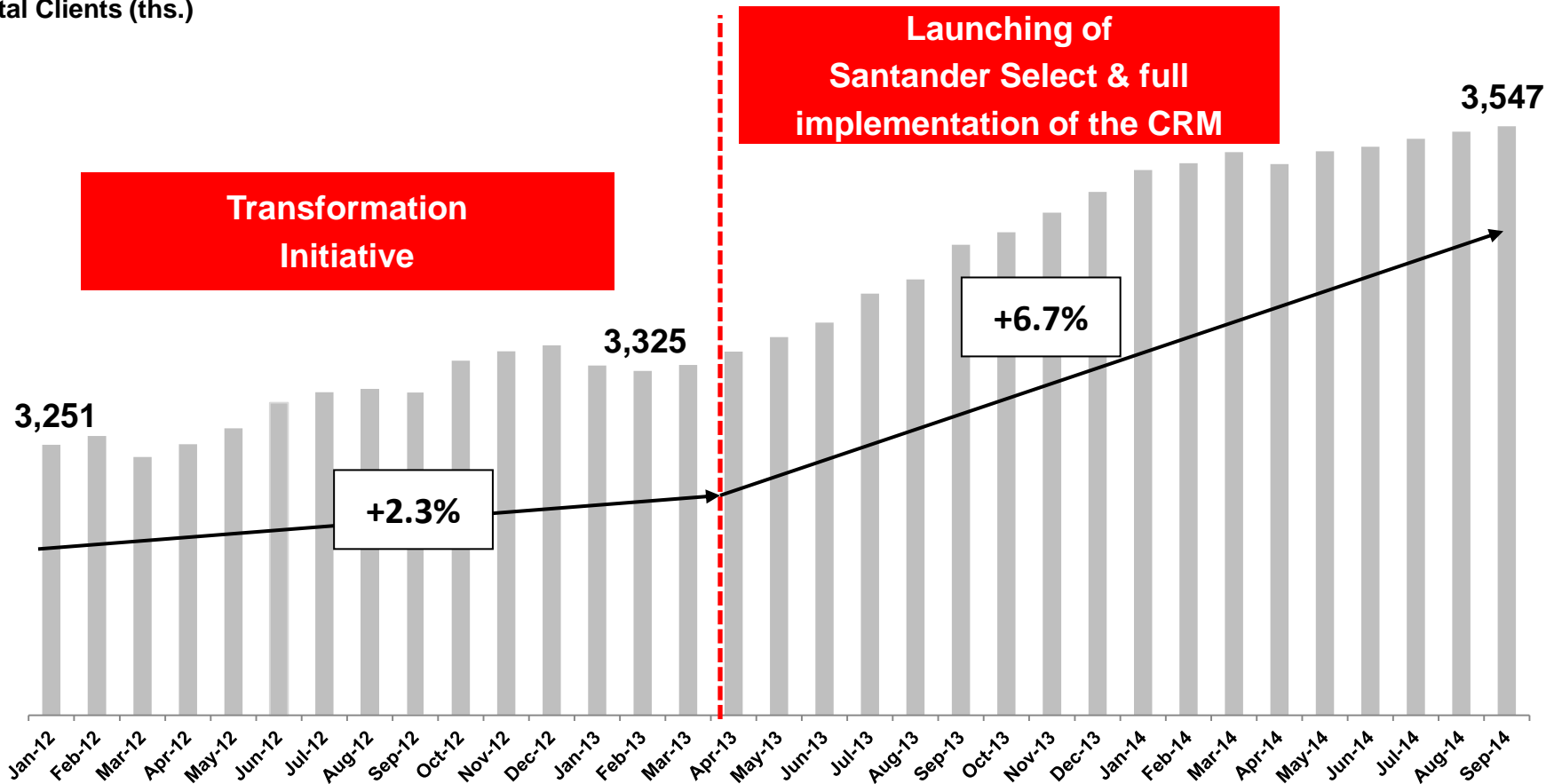
- **Banco Santander Chile’s funding strategy has been focused in diversification, specially reducing its domestic dependence on local pension funds.**
- **Accordingly, it has been increasing offshore funding and diversifying in terms of geographies and markets.**

Local Currency Funding: includes Time Deposits and Local Bonds.

Foreign Currency Funding: Includes Time Deposits, Foreign Bonds, Foreign Bank Loans and Commercial Papers.

## Six consecutive quarters of positive net client growth

Total Clients (ths.)

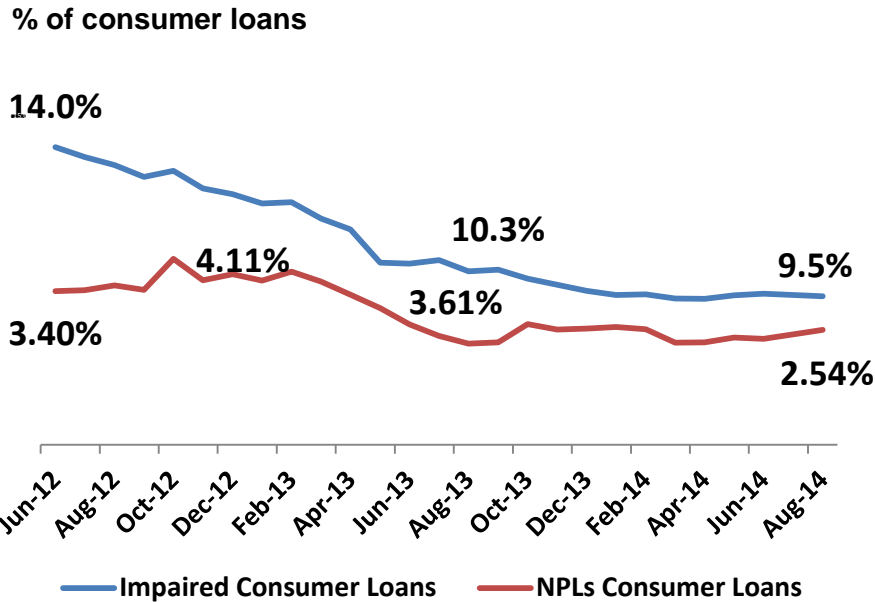


Santander Select clients increased 17% in the same period



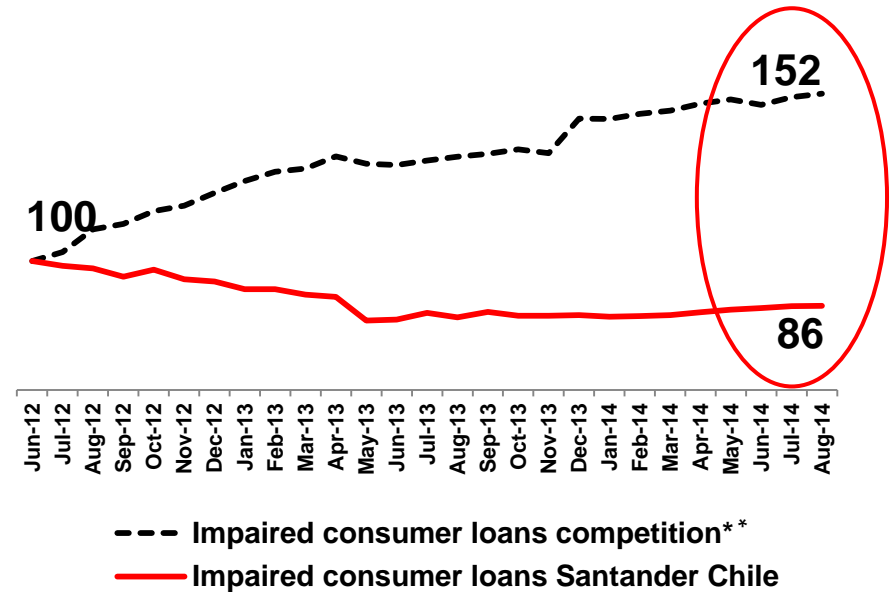
Steady improvement in consumer asset quality indicators

Impaired\* + NP consumer loans



Evolution of impaired consumer loans

Base 100 = 06/2012



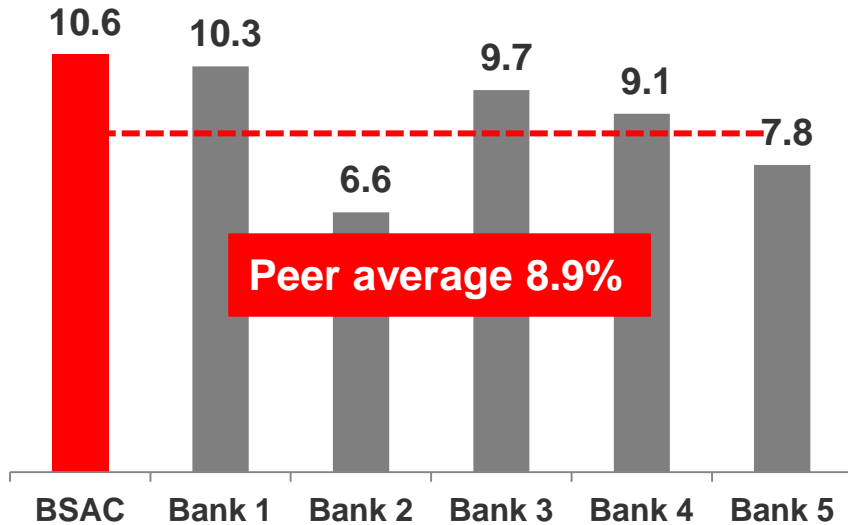
Risk reduction in consumer loans also reflects: (i) the portfolio mix change, (ii) improvements in risk models, (iii) origination focusing on pre-approved loans, and (iv) improvements in collection efforts

\* Impaired consumer loans include NPLs and renegotiated loans. \*\* Competition is all banks excluding Santander Chile. Source: SBIF. As of Aug. 2014.

Optimizing the risk-return relation

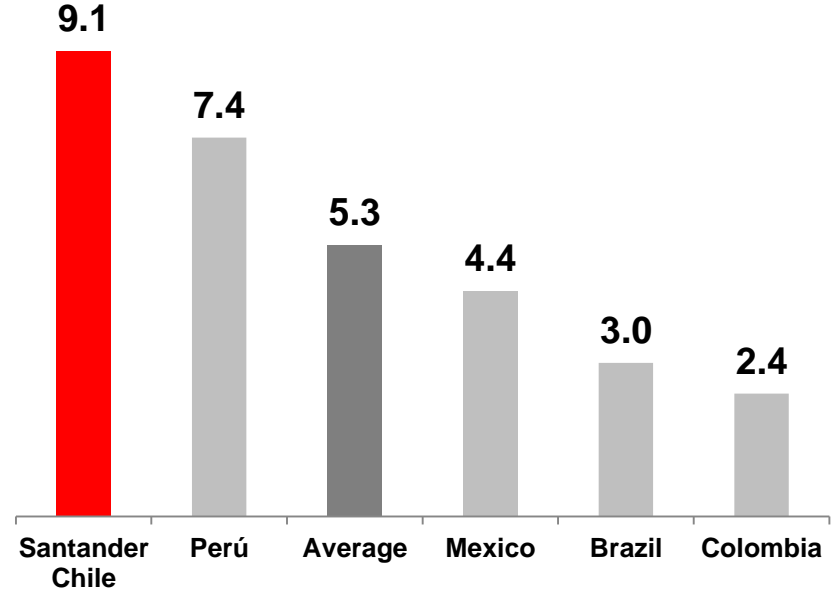
High capital base\*

Core Capital ratios, %



Positive ROE vs Cost of Equity\*\*

ROE minus Cost of Equity, %



One of the highest credit risk ratings in the banking world

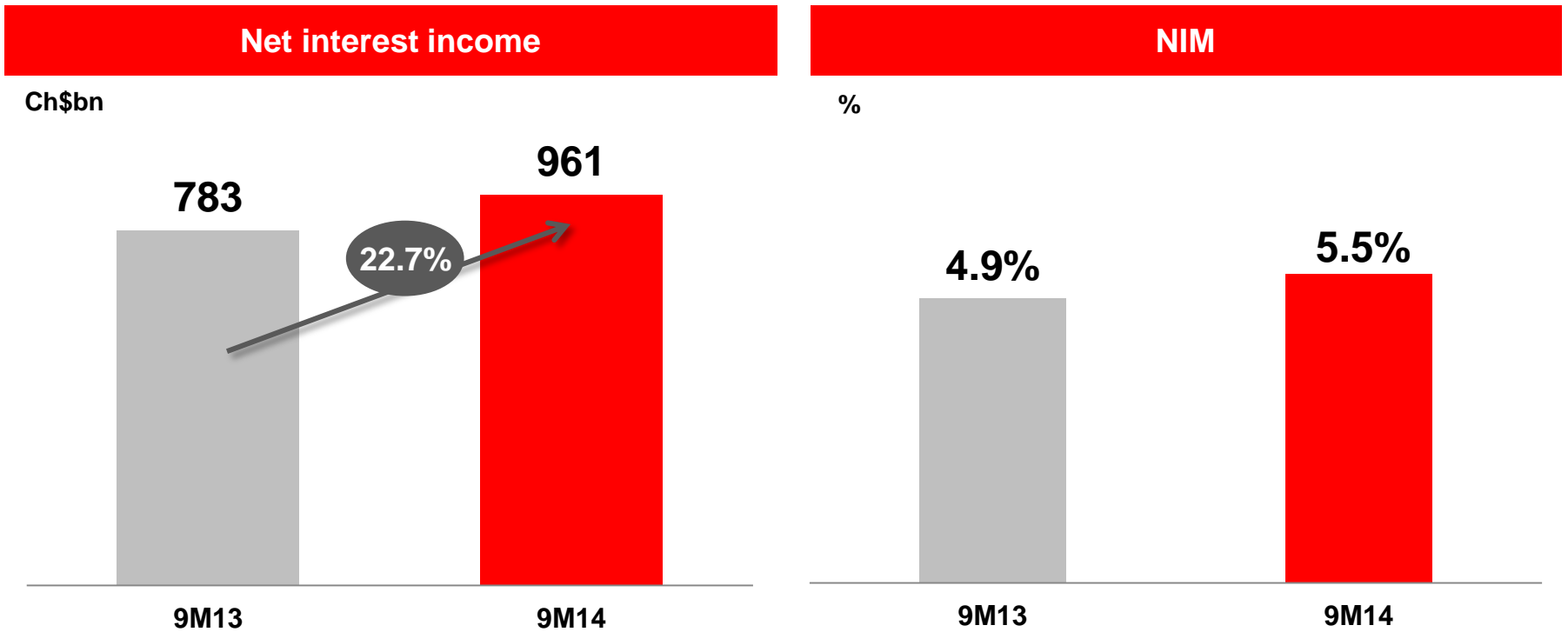
Leader in value creation for shareholders

\* As of July 2014. Source: SBIF. \*\* Source: UBS, except Santander Chile where ROE used is 20%

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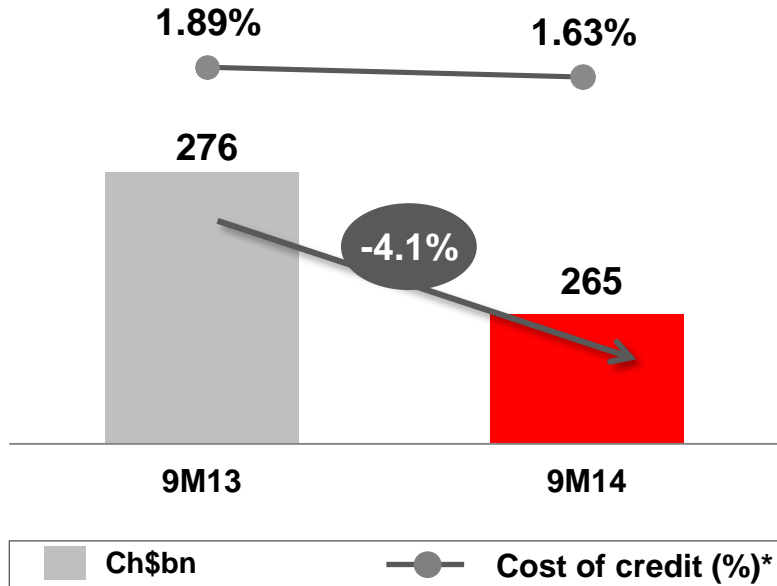
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**NIM trending up due to higher inflation and better funding mix**



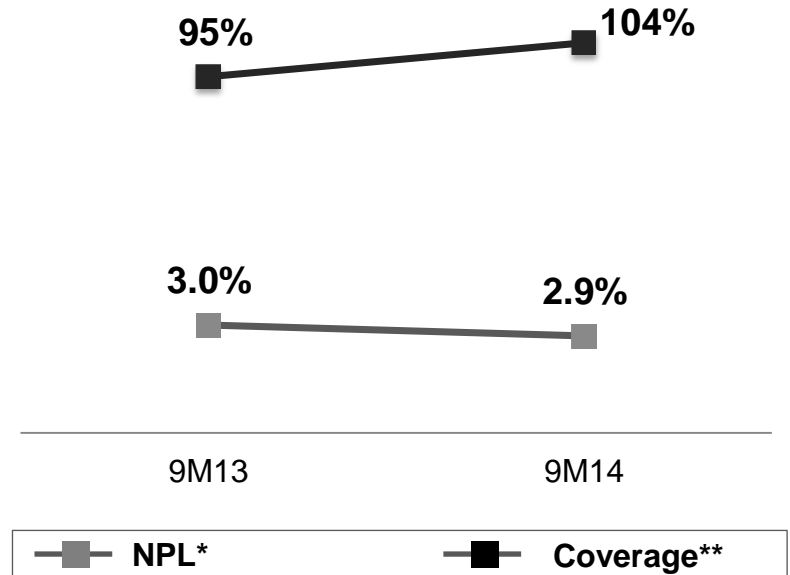
## Sustained improvement of most asset quality metrics

### Provision expense & cost of credit



### NPL and coverage ratio

% of loans



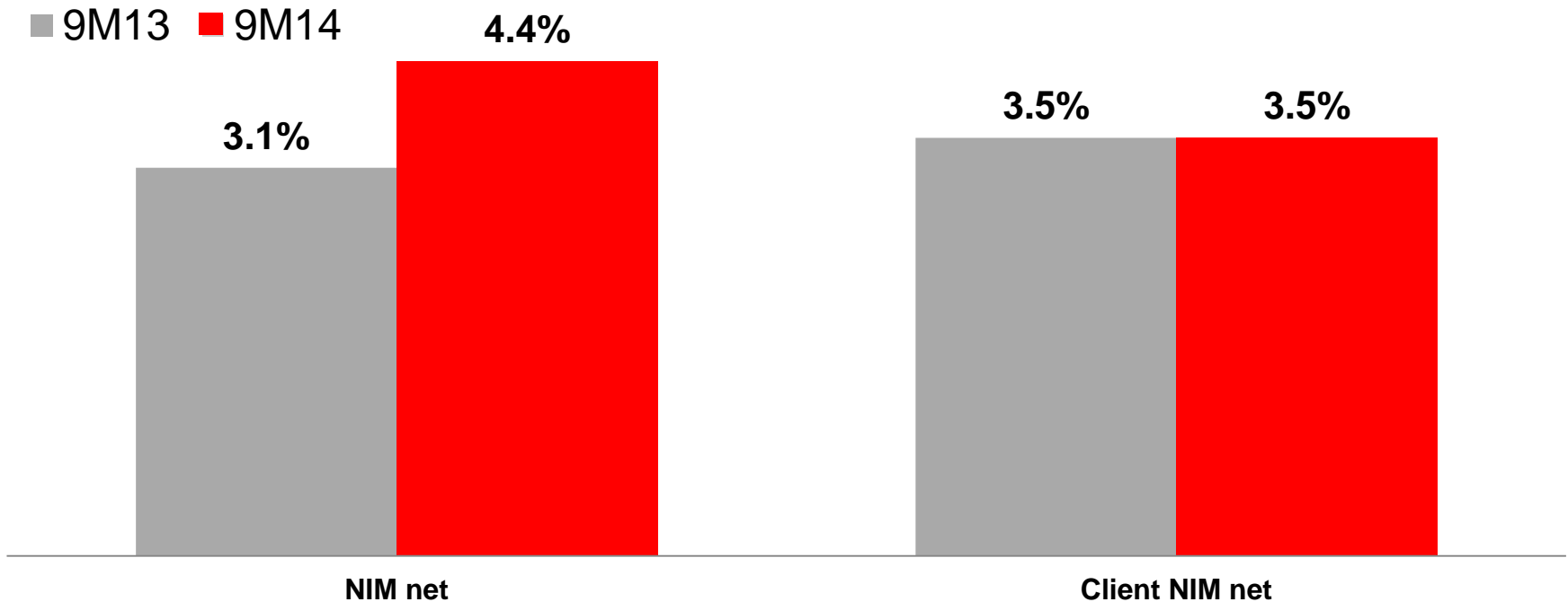
In 3Q14, the Bank improved the Consumer and SME credit models

\* Annualized quarterly provision expense / total loans

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

## NIM, net of provisions is rising

NIM and Client NIM, net of provisions



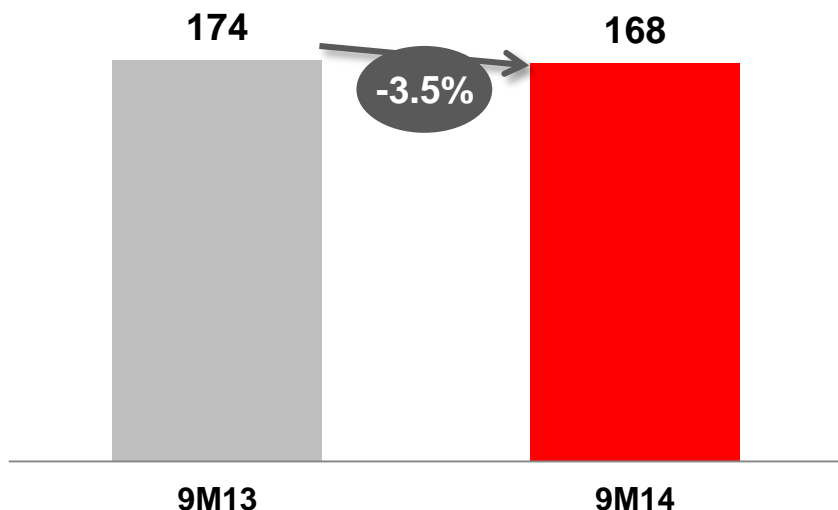
The Bank's focus is to maximize spreads net of provisions, gaining market share in segments with higher risk-adjusted contribution

\* Client NIM: Client net interest income /average loans. Excludes the impact on margins of Financial Management and the UF gap

## Fee income is beginning to stabilize

### Fee income

Ch\$bn



### Fee income by product

Product	9M13	9M14	Var. %
Checking accounts	21	22	2.8%
Lines of credit	5	5	0.4%
Credit, debit & ATM fees	30	32	8.2%
Collection fees	34	27	-19.3%
Asset management	25	23	-10.3%
Guarantees	23	24	4.9%
Insurance brokerage	23	25	6.5%
Fees from brokerage	5	6	32.9%
Other Fees	8	4	-51.6%
<b>Total fees</b>	<b>174</b>	<b>168</b>	<b>-3.5%</b>

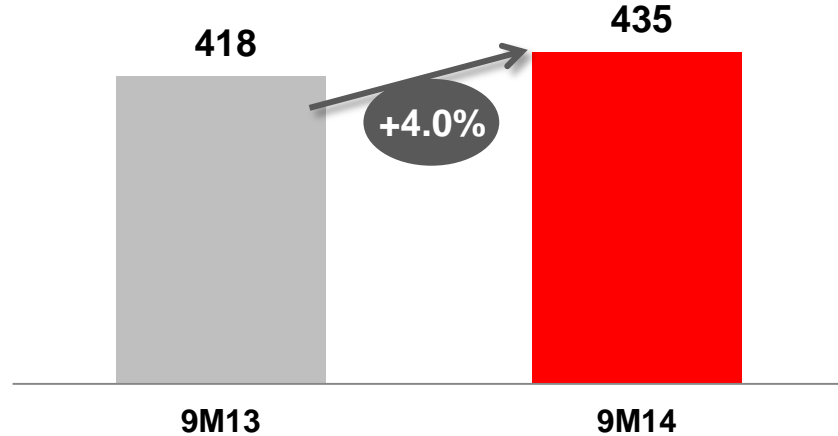
Growth in client base should drive fee income going forward

\* Client NIM: Client net interest income /average loans. Excludes the impact on margins of Financial Management and the UF gap

## Transformation Project enhancing productivity

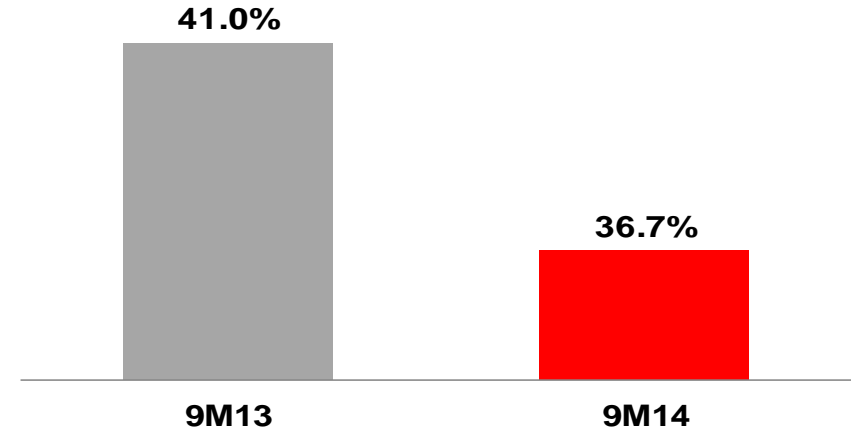
### Operating expenses

Ch\$bn



### Efficiency ratio

%



### Network

	9M'13	9M'14	%
▪ Branches	488	475	-2.7%
--Traditional	272	273	0.4%
--MM Centers	0	3	--%
--Select	44	47	0.8%
--Banefe	77	68	-11.7%
-- Others	95	84	-11.6%
ATMs	1,915	1,692	-11.1%
▪ Employees	11,626	11,493	-1.1%

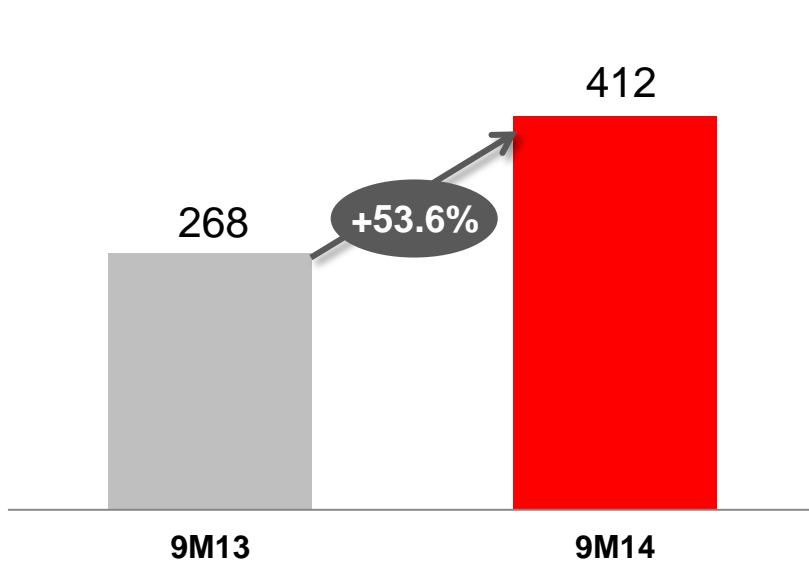
- Productivity continues to rise with stable headcount and branch network and increasing usage of complementary channels
- In 3Q14, the Bank recognized a one-time charge of Ch\$36bn from the accelerated amortization of intangibles. This is not included in the figures above



# Net income up 53.6% YoY

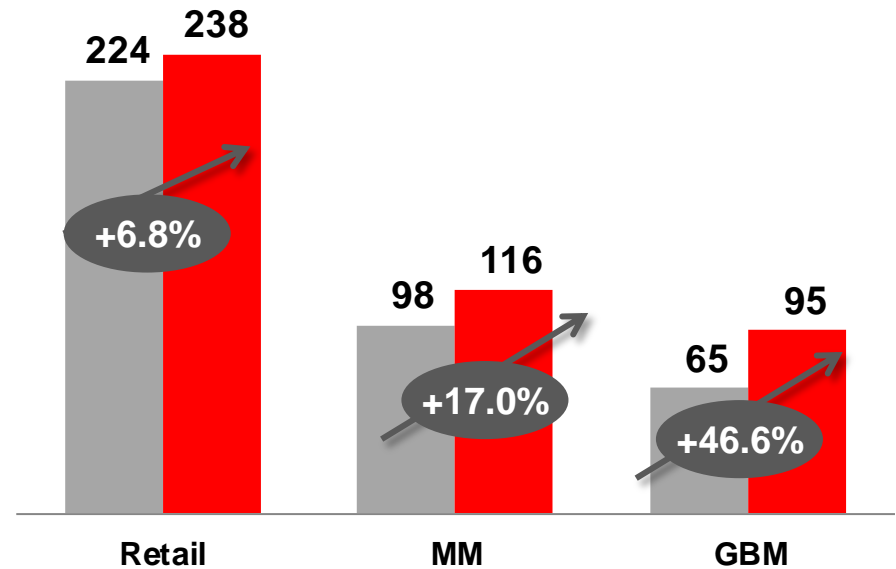
## Net income

Ch\$bn



## Pre-tax income by Business Segments\*

Ch\$bn

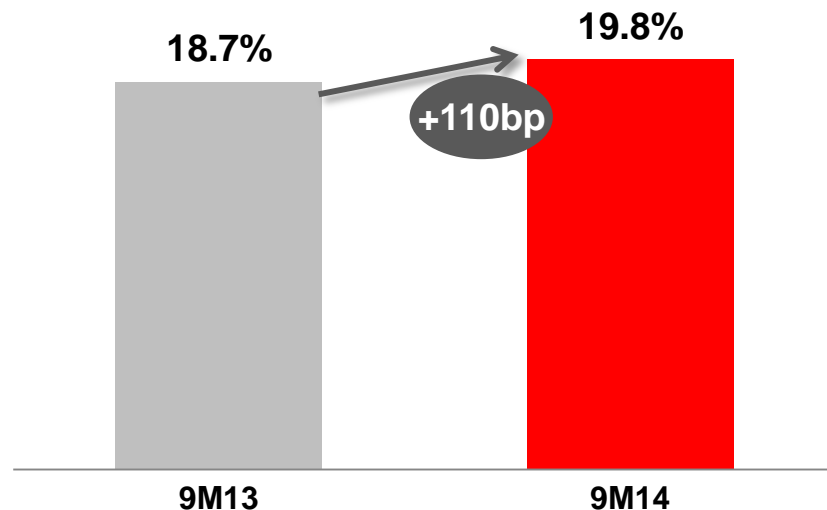
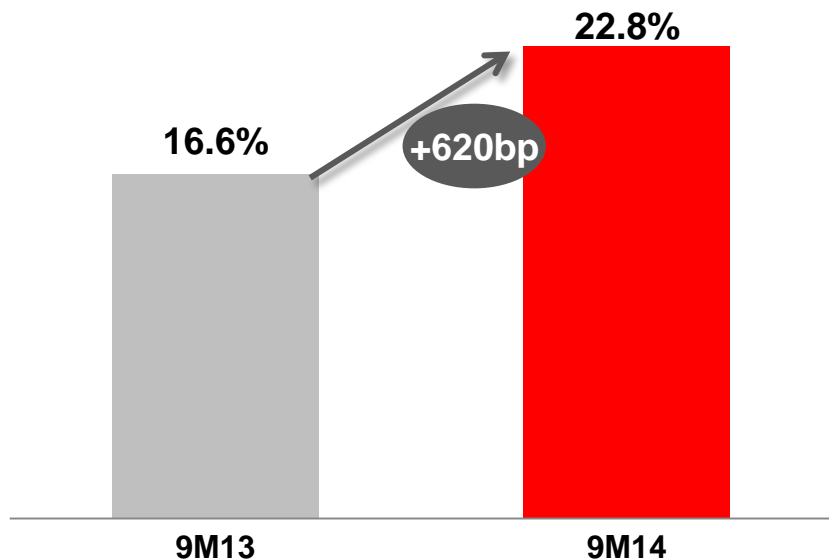


\* Preliminary Figures. Retail: Individuals + SMEs. MM = middle-market

# ROE reaches 22.8% in 9M14

**ROE<sup>1</sup>**

**Normalized ROE ( Annual Inflation = 3%)<sup>2</sup>**



1. Net income annualized divided by average equity

2. Net income calculated by adjusting net interest income and income tax expenses under a 3% annualized inflation scenario.

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- **Chile: despite slight deceleration, economy expected to rebound in 2015**
- **Financial system with stable growth trends**
- **Santander Chile: Clear strategy with positive results:**
  - **Loan growth up 9.6% YoY, especially in segments with higher risk-adjusted contribution**
  - **Improving funding mix: 8.9% YoY growth of demand deposits**
  - **High Core Capital ratio: 10.6%**
  - **NIM, net of provisions, rises to 4.4% (+130 bp YoY) due to higher inflation. Client NIMs rising as spreads increase and the funding mix improves**
  - **Cost of credit decreases to 1.63%**
  - **Transformation Project also enhancing productivity: efficiency ratio at 36.7%**



**Sound outlook for 2015**



**Chile**