

# Banco Santander Chile

September 2012

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 and is presented in Chilean Banking GAAP.** 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

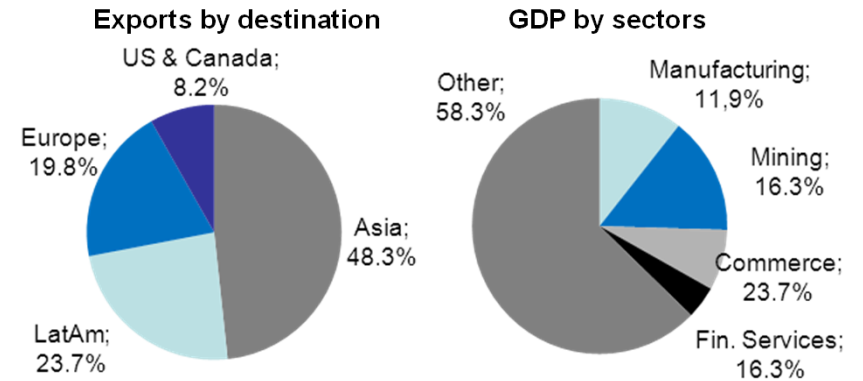
- 1. Sound macroeconomic outlook and a healthy financial system**
- 2. Santander Chile: Chile's leading bank**

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

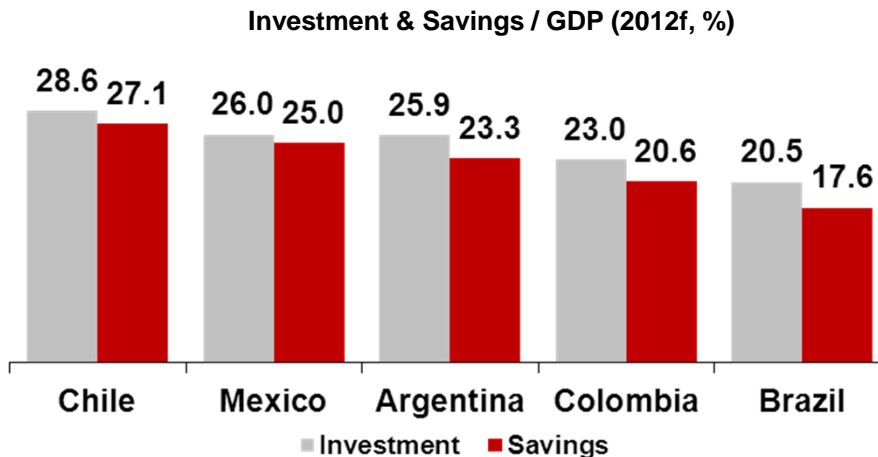
**Chile's key economic highlights<sup>(1)</sup>**

Population:	17.2mm
GDP:	US\$248bn
GDP Per Capita (PPP):	US\$17,221
Exports / GDP:	32.7%
Savings / GDP:	27%
Net Public Debt / GDP:	- 9.2%
Current Ratings:	A+/A+/Aa3

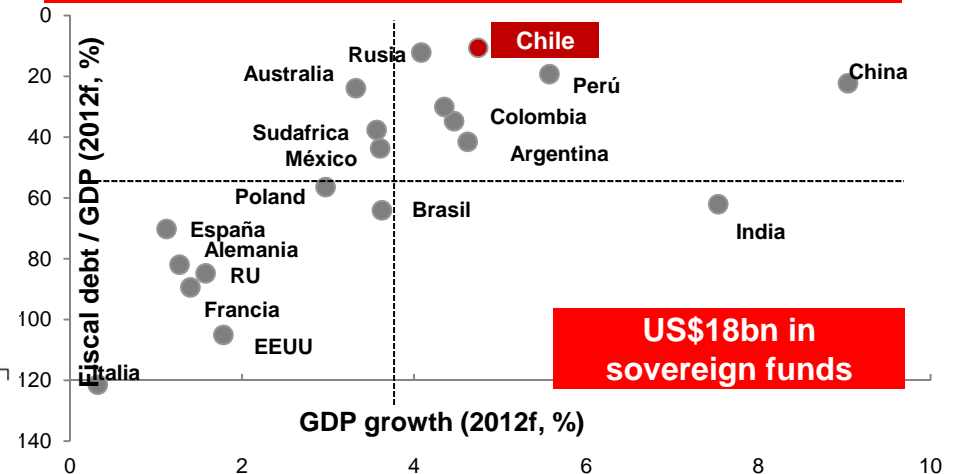
**A diversified economy<sup>(1)</sup>**



**High investment & savings rates<sup>(2)</sup>**



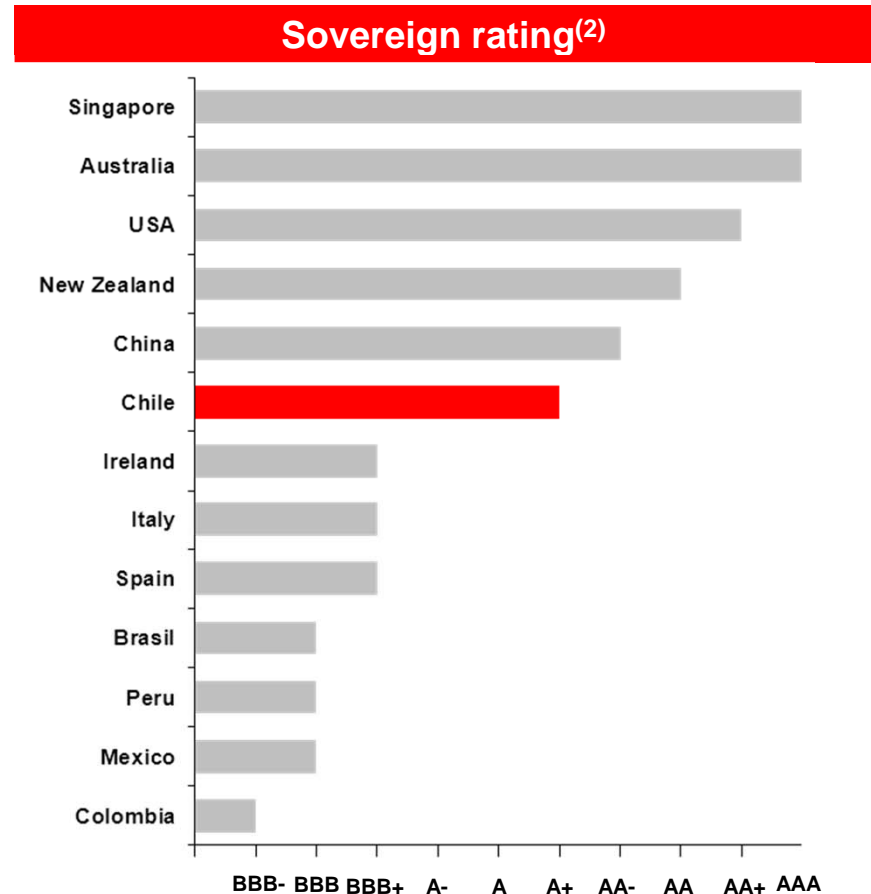
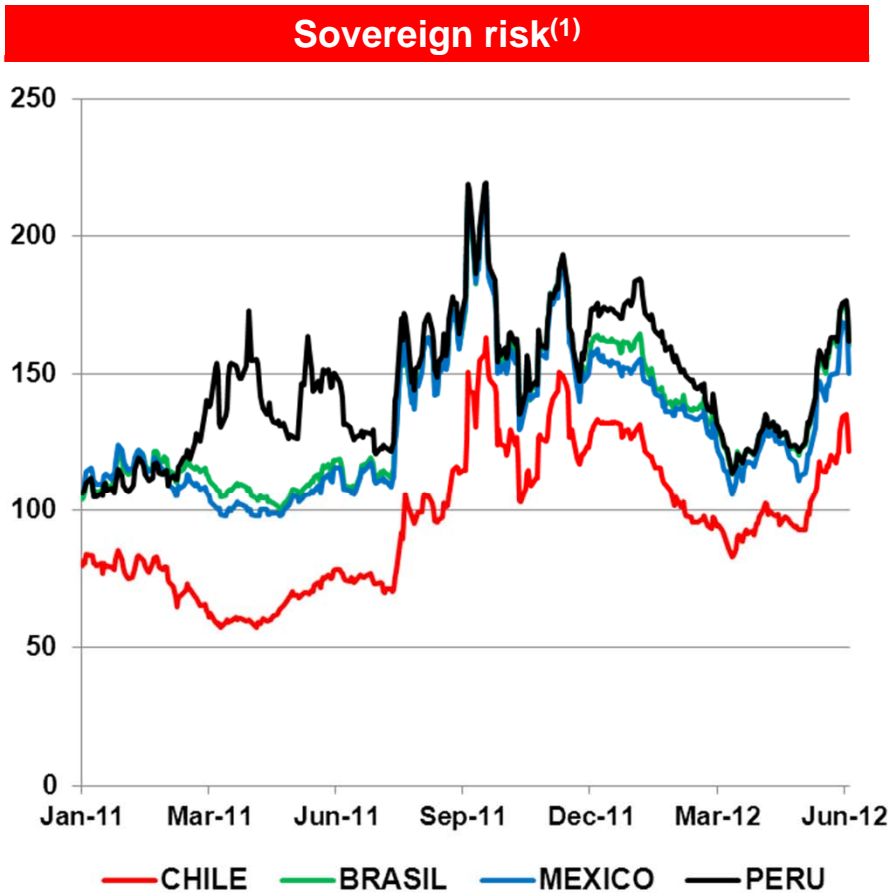
**Solid fiscal position<sup>(3)</sup>**



(1) Figures for 2011 or latest available data. Source: Central Bank of Chile. (2) Source: IMF. (3) Source: CIA World Factbook

# 1. Chile: Sound macroeconomic outlook

... on the back of a relatively low-risk environment

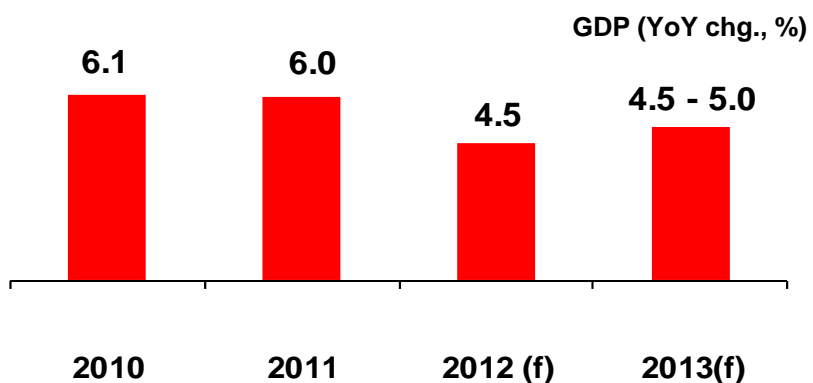


A sound institutional framework and business environment

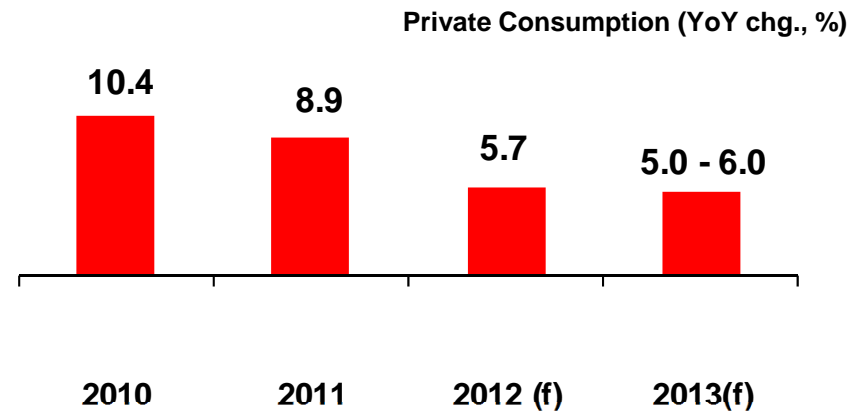
(1) CDS Spreads. Source: Bloomberg. (2) Source: Moody's via Bloomberg

## Our outlook for 2012-13 is positive

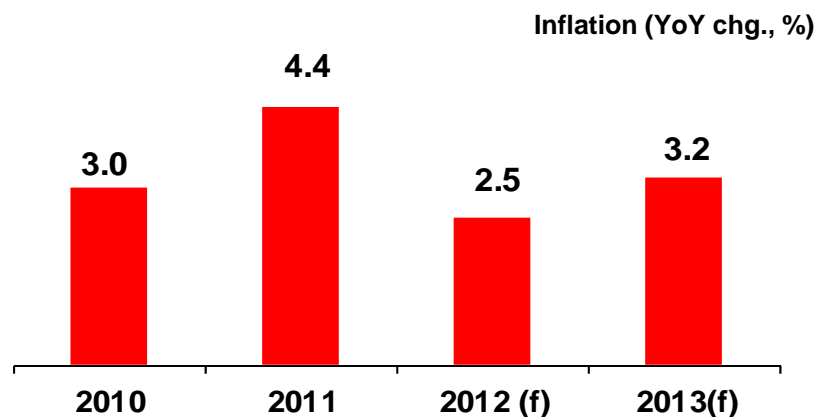
### Solid GDP growth...



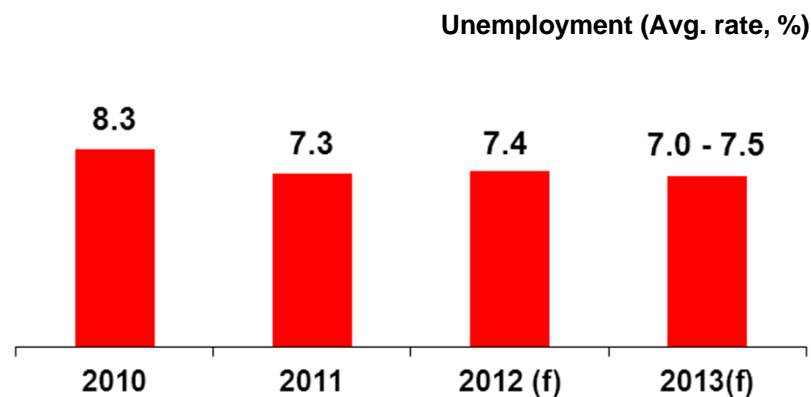
### ... fueled by Private Consumption



### Lower inflation...



### ... and stable unemployment

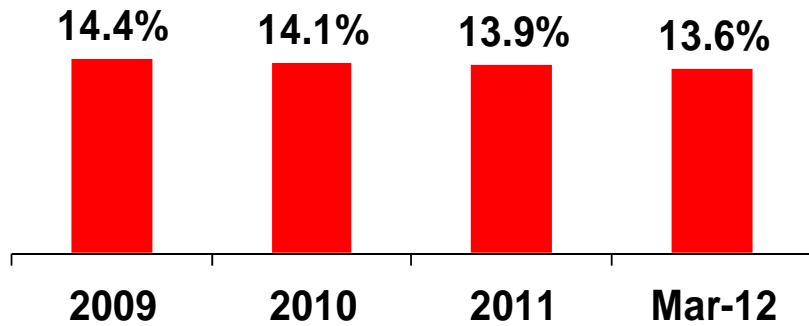


Source: Central Bank of Chile. (f): Santander Chile's forecasts

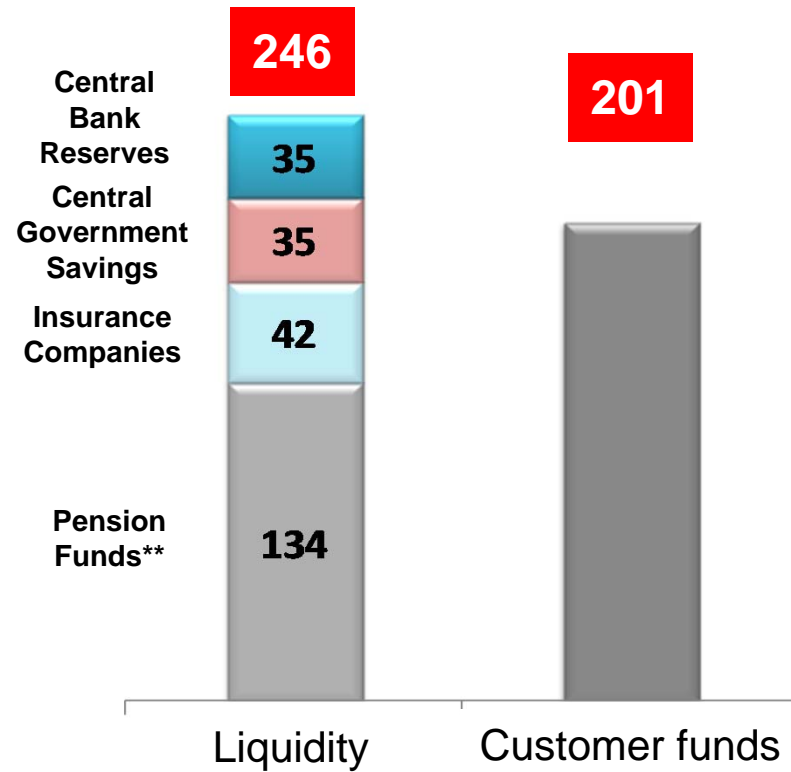
# 1. Chile: Sound macroeconomic outlook and a healthy financial system

## A profitable and solid financial system

**BIS ratio (%)**

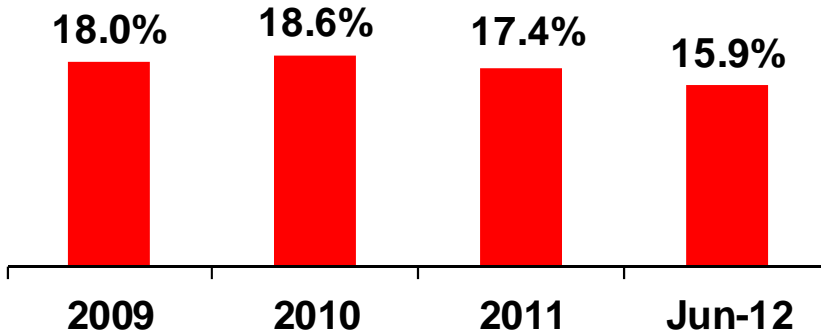


**Potential Liquidity (US\$ bn)**



**Attractive and stable profitability**

Banking system ROE, %



(1) Pension funds excludes deposits in Banks.

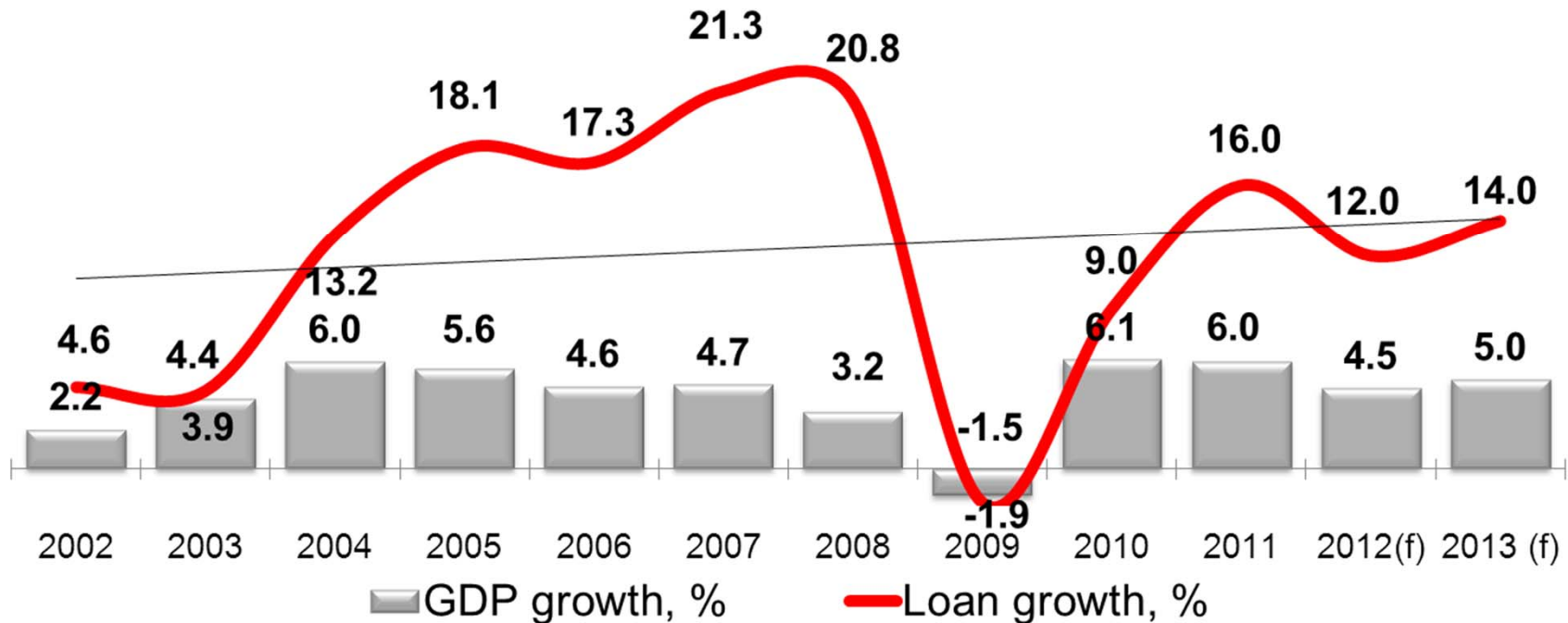
(2) Regulatory capital / Risk-weighted assets.

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

# 1. Chile: Sound macroeconomic outlook and a healthy financial system

## Solid expansion of loans expected in 2012-2013

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



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



# Agenda

1. **Sound macroeconomic outlook and a healthy financial system**

2. **Santander Chile: Chile's leading bank**

### 3. Santander: Chile's leading banking franchise

## Santander Chile has the country's leading banking franchise

Figures as of June 2012<sup>1</sup>

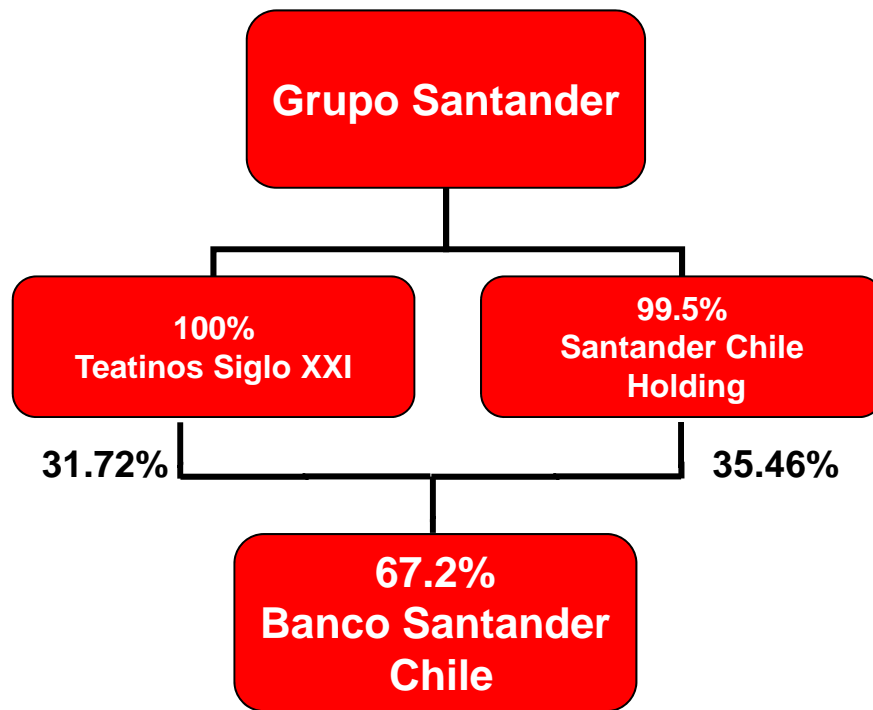
Figures			Clients & Network		
	US\$bn	Share			
Assets:	US\$50	19.5%	Clients	3.4mn	~39% <sup>2</sup>
Loans:	US\$37	19.5%	Internet clients	723ths.	19.3%
Individuals:	US\$19	23.3%	Checking acct.	729ths	24.8%
SMEs:	US\$5	~25%	Credit cards	1.9mn	20.4% <sup>3</sup>
Deposits:	US\$29	17.6%	Debit cards	3.0mn	22.2%
Equity:	US\$4	19.7%	Branches:	499	18.7%
Net income:	US\$447mn	27.7%	Employees:	11,621	16.1% <sup>4</sup>

1. Or latest available figures using the period-end exchange rate. 2. Over total workforce. Source INE 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

Chile

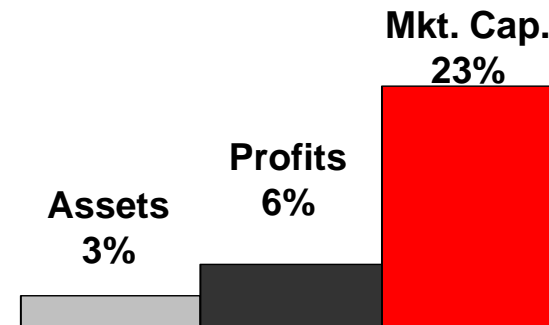


## Grupo Santander controls 2/3 of Santander Chile



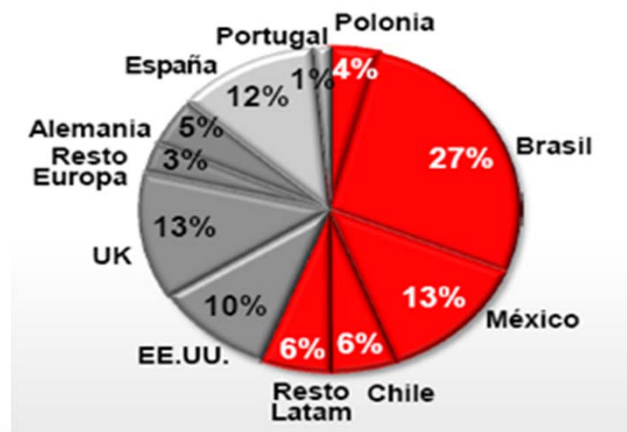
### Santander Chile in context

Santander Chile as % of Grupo Santander



### Grupo Santander in context

Net income by country, %



### 3. Santander: Chile's leading banking franchise

## Solid governance standards

#### Relationship with SAN Group

- Network of independent subsidiaries
- Each subsidiary is independent in terms of capital and liquidity
- Each unit finances its operations independent. No structural cross-financing among units
- Main relation is via share ownership

#### Legal limits

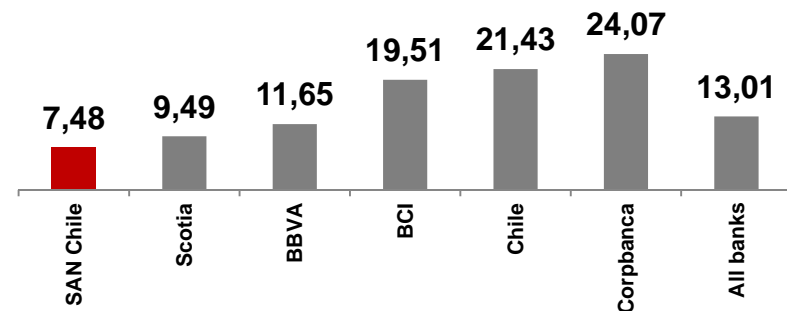
- Related company lending: Limited to 5% of total equity (unsecured) or 25% (w/ collateral);
- Deposits in related party entities abroad: limited to 25% of equity. Deposits in a single foreign bank: Limited to 5% of equity (New regulation under discussion)
- Too big to fail regulations.
- Dividends paid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

#### Corporate Governance Standards

- 8 out of 11 board members are independent
- Active participation of Board members in main committees
  - ✓ Executive Credit Committee
  - ✓ ALCO
  - ✓ Audit Committee

#### Related party lending

Related party lending (% of equity) 12/2011

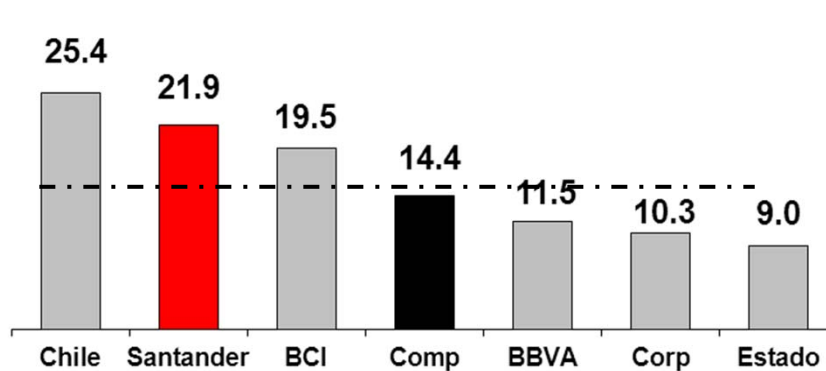


### 3. Santander: Chile's leading banking franchise

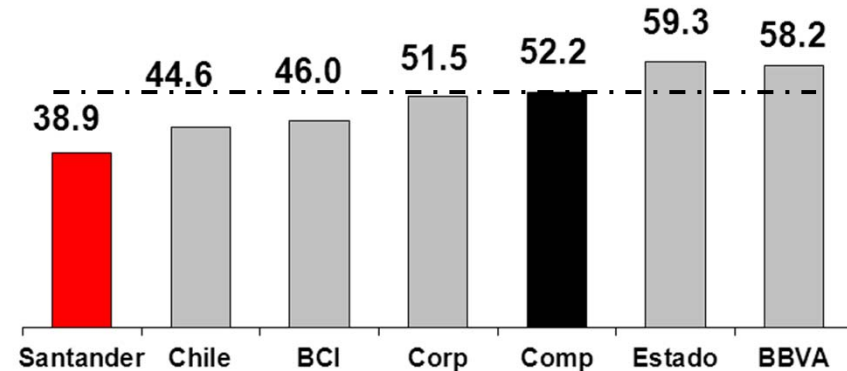
## Strong financial ratios compared to competition

Figures as of June 2012

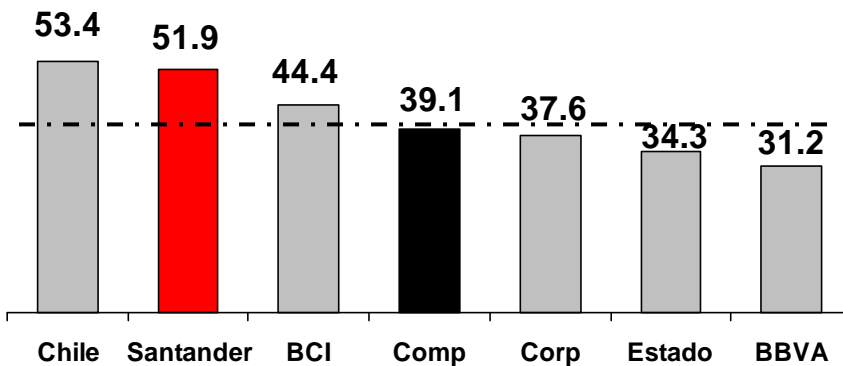
#### Return on period-end equity (%)



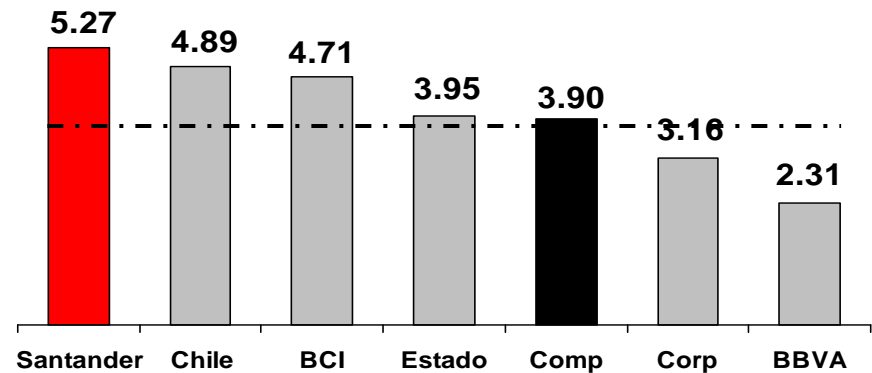
#### Cost / Income (%)



#### Fees / costs (%)



#### NIM



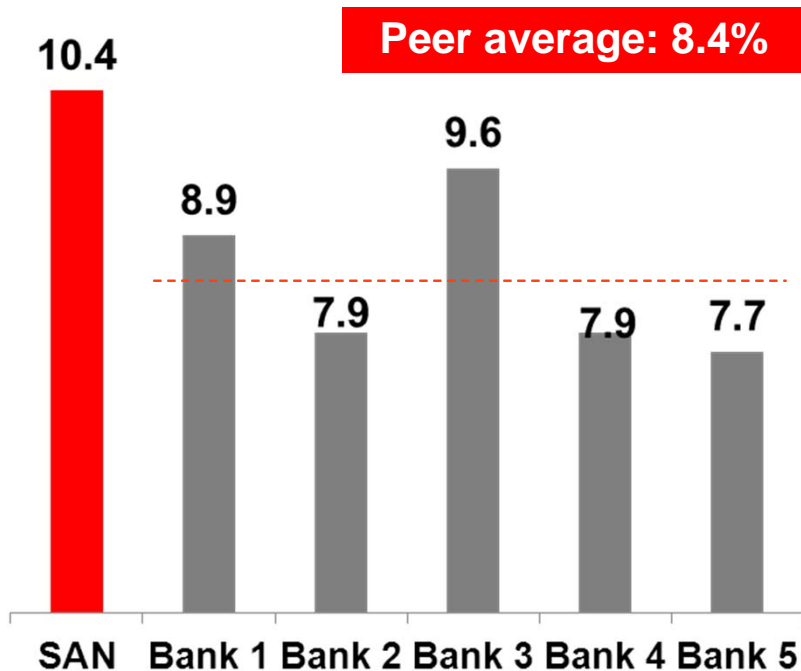
Comp = Competition: All banks excluding Santander. Source: Superintendency of Banks of Chile. NIM as of May 2012

## 2. Santander: Chile's leading bank

### High capital base results with a balanced risk-return relation

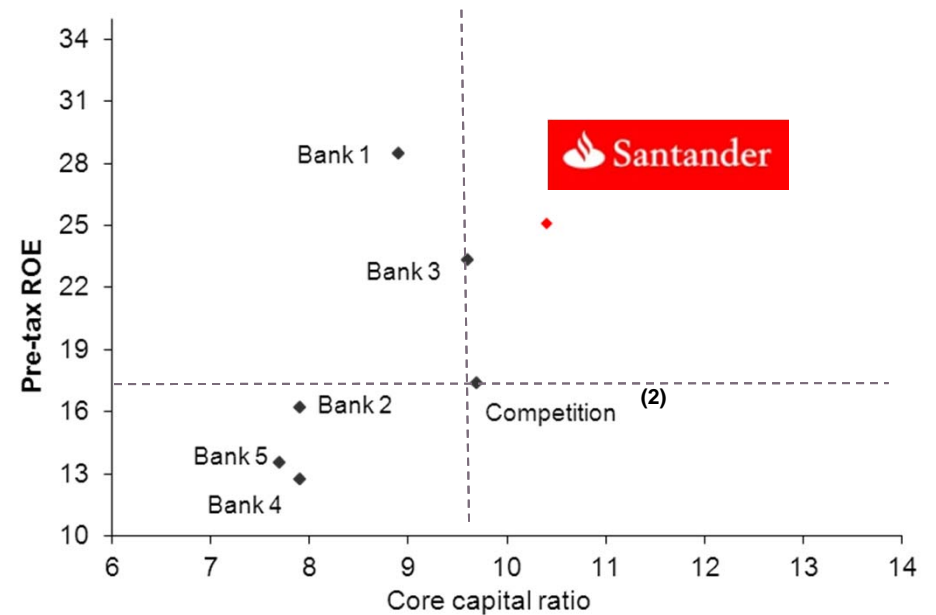
#### High Core Capital, %

Core Capital Ratio<sup>(1)</sup>, %



#### Best risk-return ratio in Chile

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



(1) Capital / Risk-weighted assets as of April 12 except Santander Chile as of June 2012. Pre-tax ROE as of June 2012

(2) Competition calculated as the average of selected companies ex-Santander Chile.

Source: Superintendency of Banks of Chile

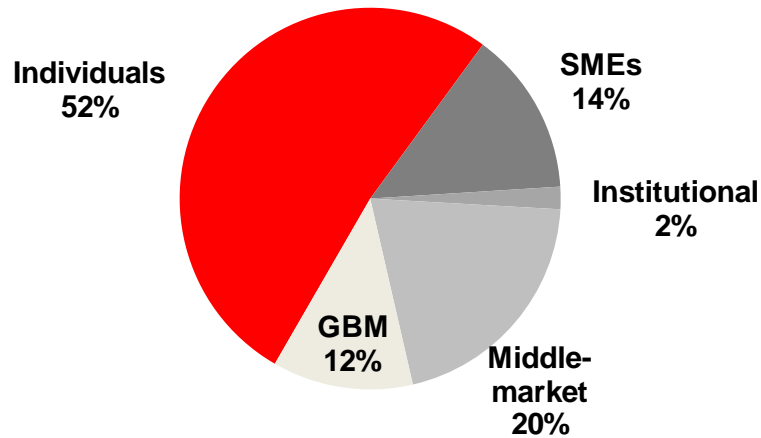
Chile



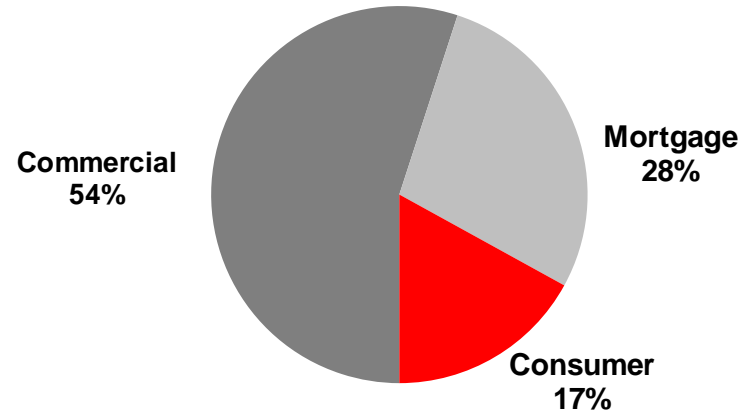
## A diversified loan book

Figures as of June 2012

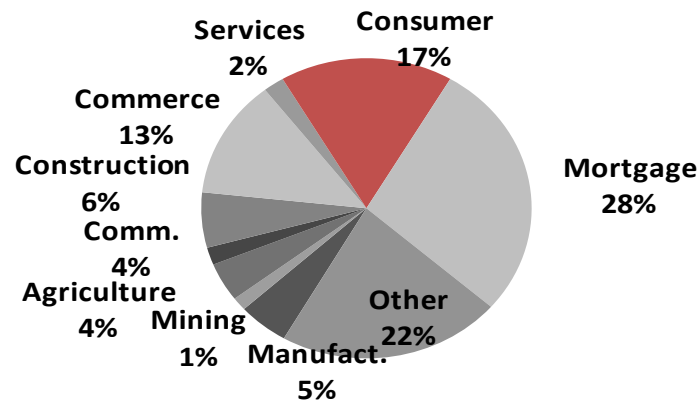
### Loans by business segment



### Loans by product



### Loans by economic sector

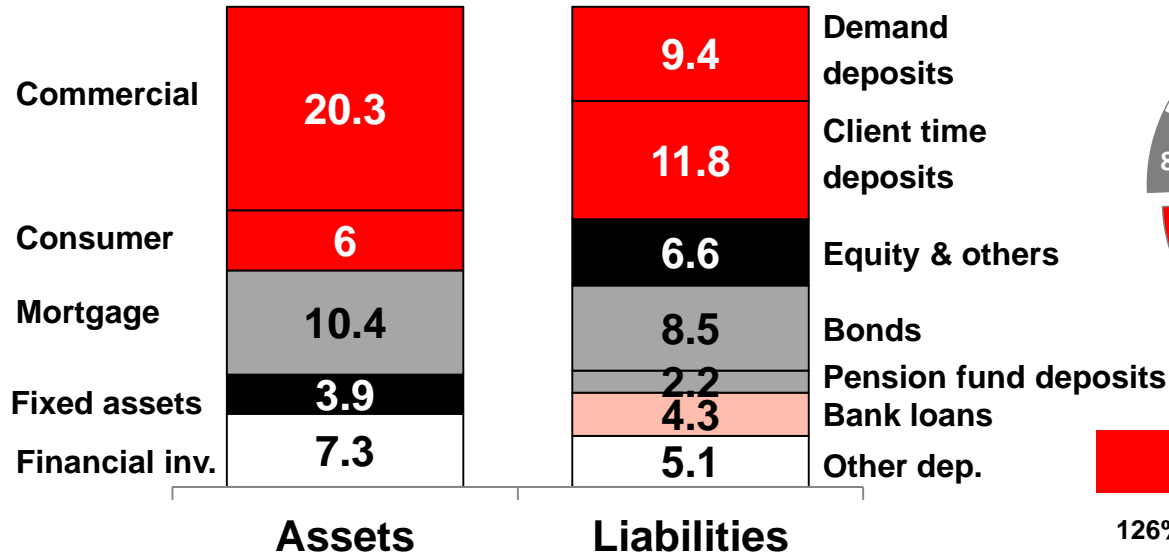


Loans = US\$37bn

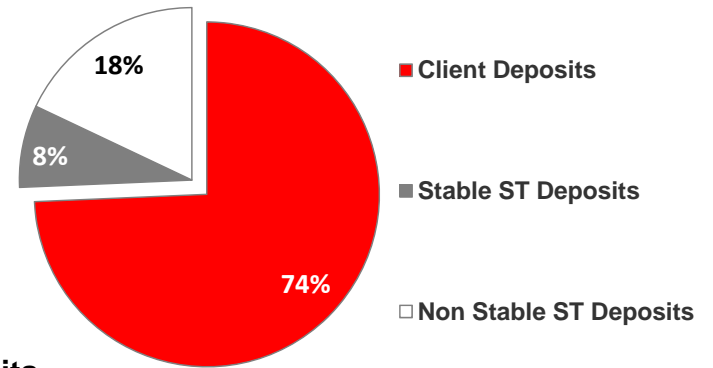
## 2. Santander: Chile's leading bank

### Sound balance sheet structure

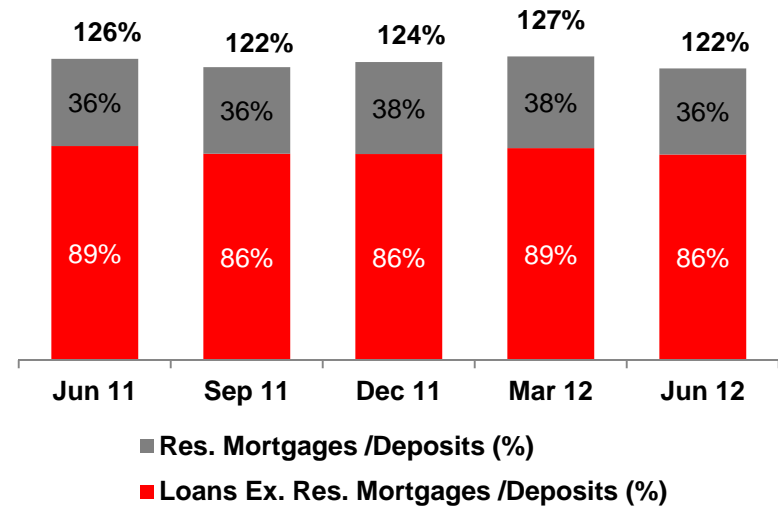
USD billion as of June 2012



Total Deposits: USD 29 billion



### Loan to Deposits Ratio



Ample liquidity buffer

Chile

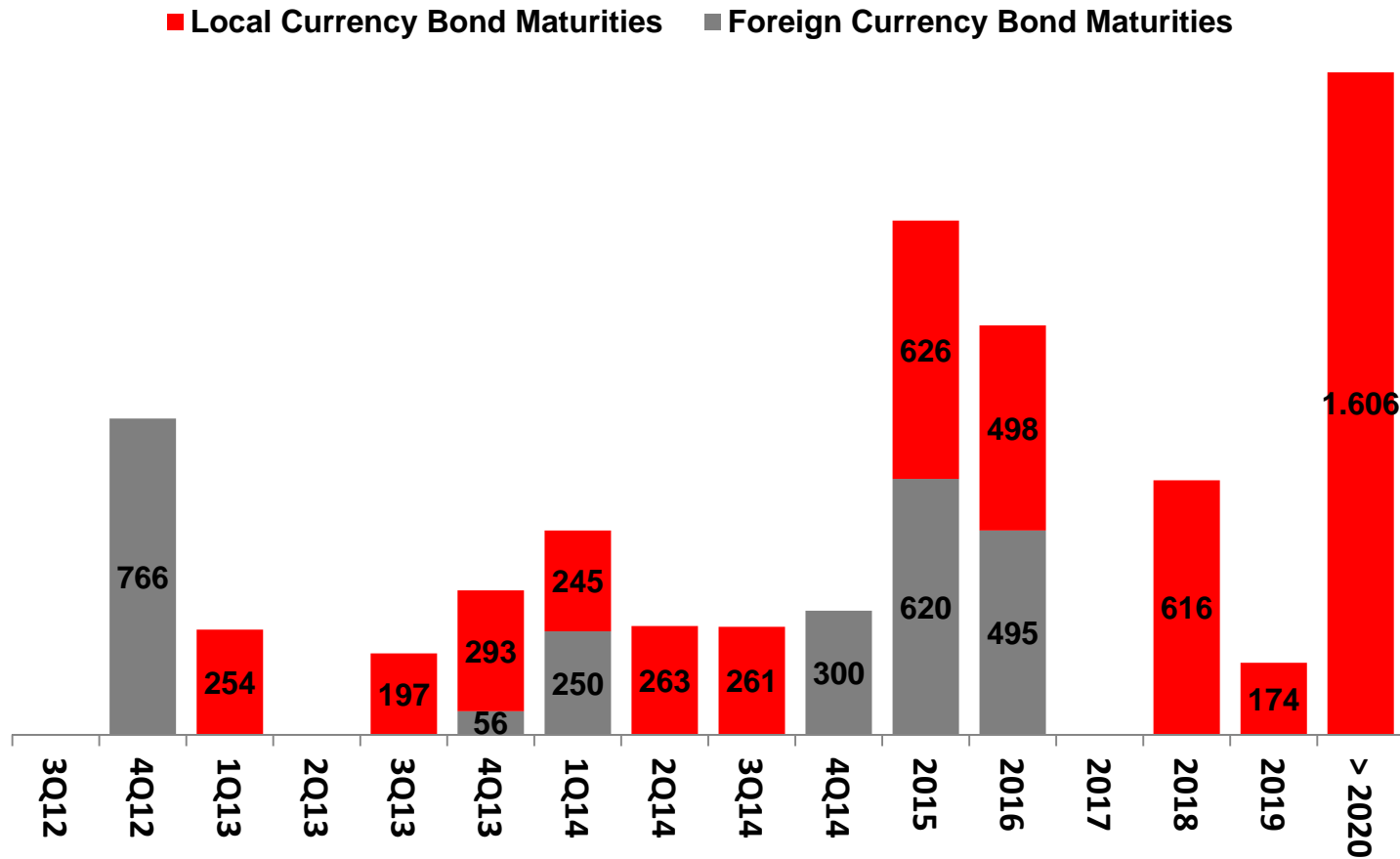




## 2. Santander: Chile's leading bank

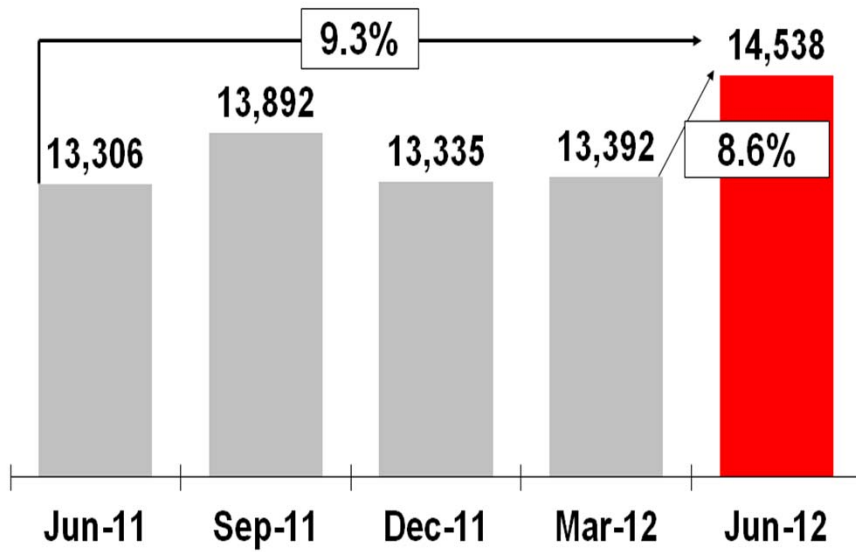
### Conservative Bond Maturity Profile

USD MM as of July 2012

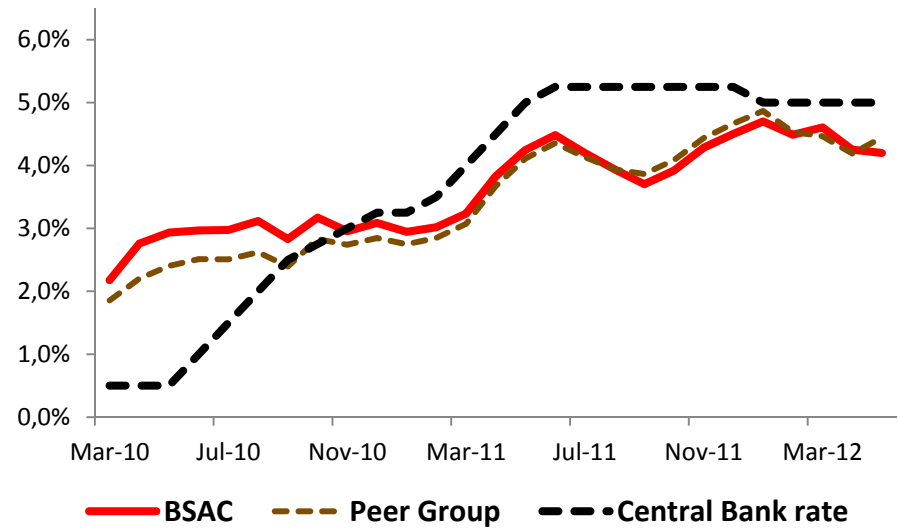


Positive evolution of deposits and cost of funds

Deposits (Ch\$bn)



Cost of funds<sup>1</sup> (%)



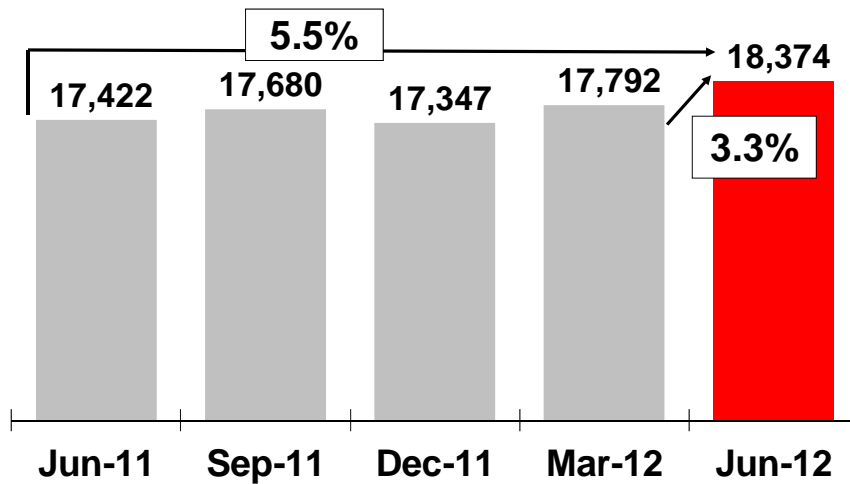
Client deposits are growing 18% YoY

<sup>1</sup> Cost of funds = interest expense annualized divided by liabilities

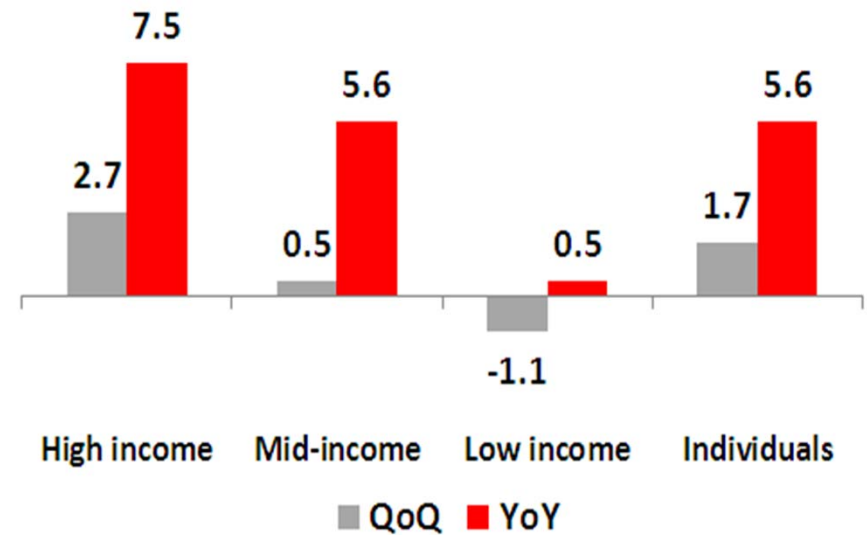
## Loan growth rebounding

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

### Total loans (Ch\$bn)



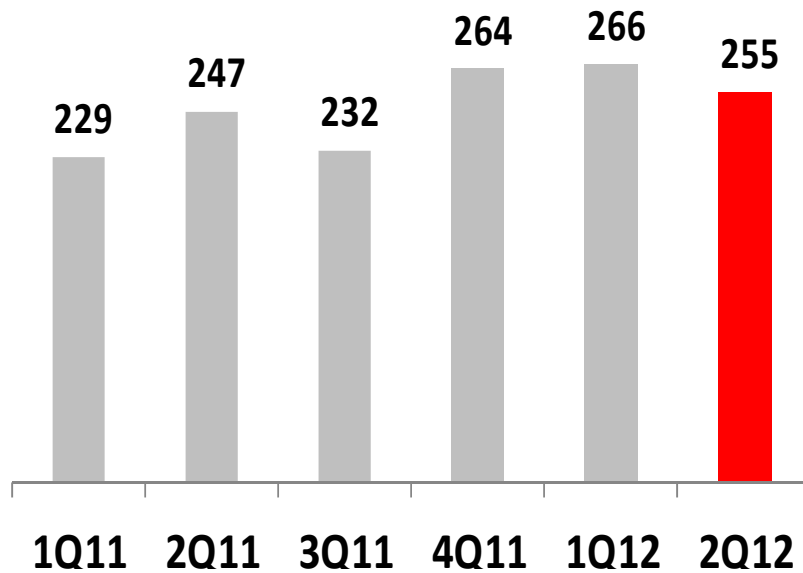
### Loans to individuals (QoQ & YoY, %)



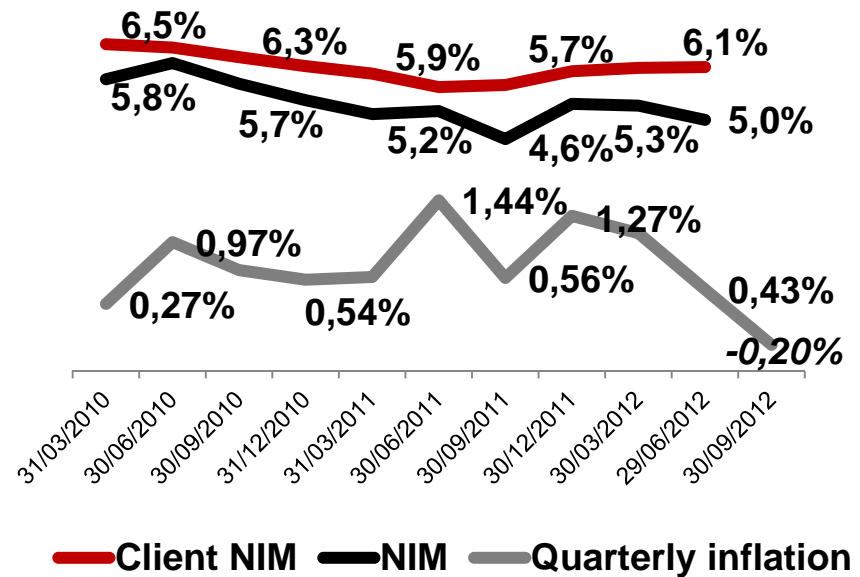
**The rise in client margins has been partially offset by lower inflation**

Net interest income, Ch\$ billion; Net interest margin\*, %

**Net Interest Income (Ch\$bn)**



**Quarterly NIM vs Inflation (%)\***

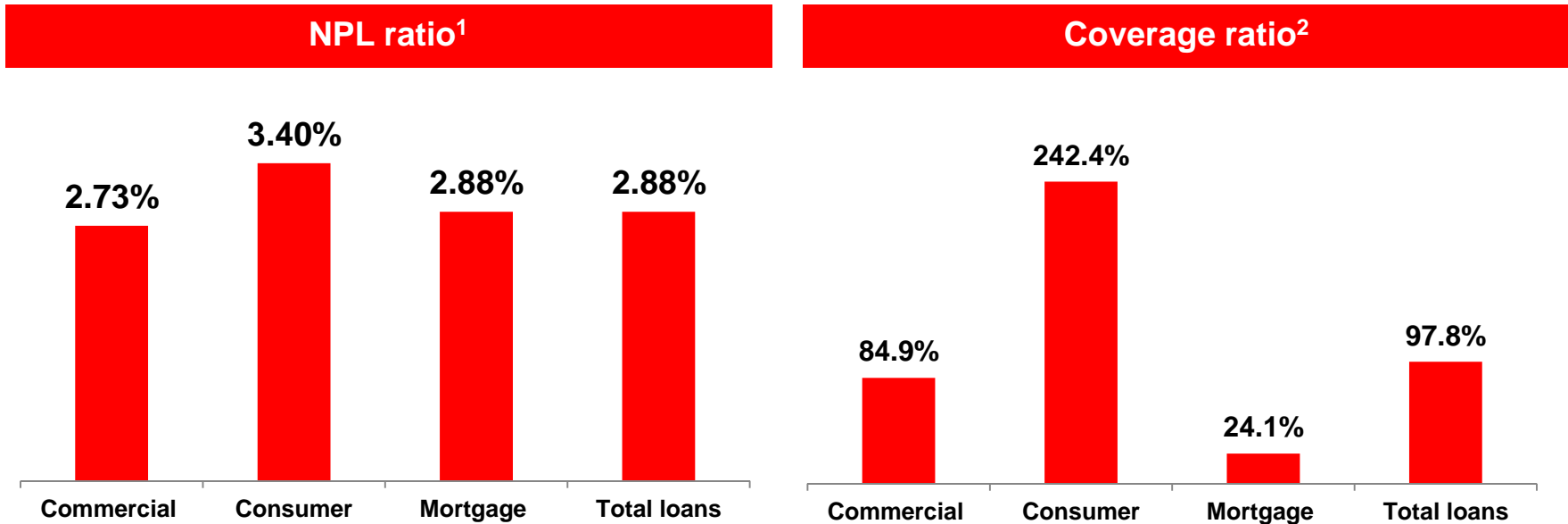


**Recent drop in NIM should be short-lived as inflation rebounds**

\* NIM= Net interest income annualized divided by interest earning assets. Client NIM = net interest income from client activities divided by average loans. Inflation measured as the quarterly variation of the Unidad de Fomento an inflation indexed currency. Source: Central Bank of Chile

## Healthy asset quality

Asset quality indicators (%)



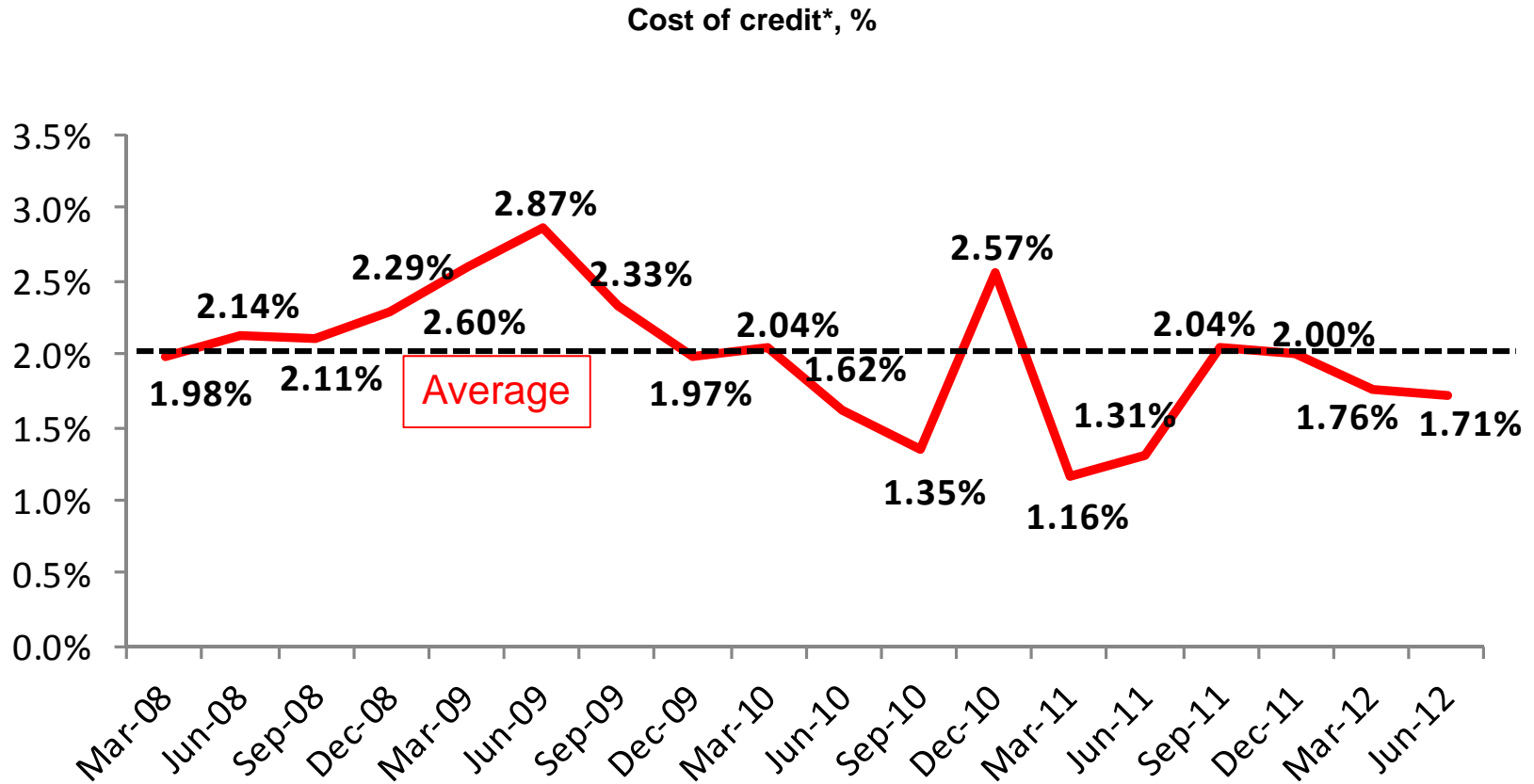
LTV of residential mortgage portfolio ~ 75%

1. NPL: Non-performing loans, full balance of loans with one installment 90 days or more overdue. 2. Coverage ratio = Loan loss reserves over non-performing loans. 3..

## 2. Santander: Chile's leading bank

21

### Cost of credit approaching historical levels



Sophisticated provisioning models implemented in all segments

\* Annualized quarterly provision expense / total loans

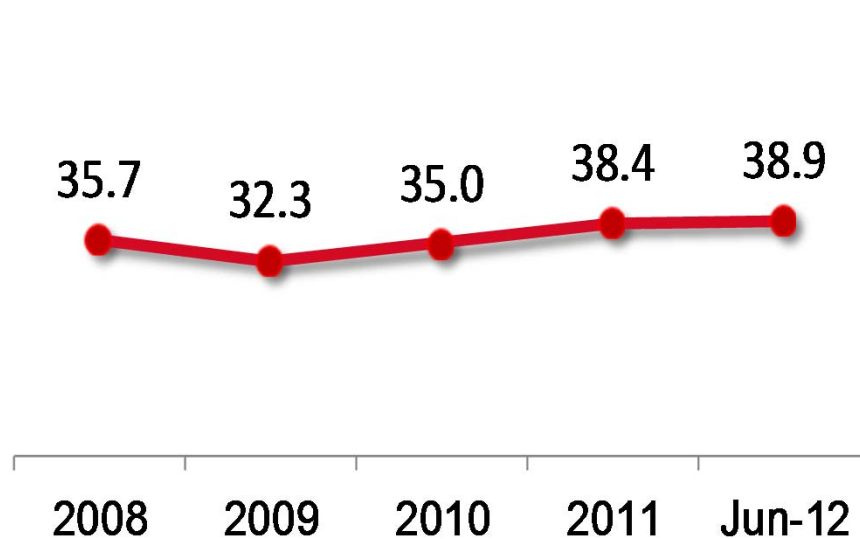
Chile



## 2. Santander: Chile's leading bank

### Improving efficiency through productivity gains

Efficiency (%)



Improving productivity

- New CRM
- Upgrade core systems
- Automated approval process in all channels
- Multichannel distribution model with a greater emphasis on remote channels and post-sale efforts
- Lighter and more agile branches
- Self-service models: giving client more tools to self-serve his needs

The Bank is completely overhauling its front office and CRM IT platforms

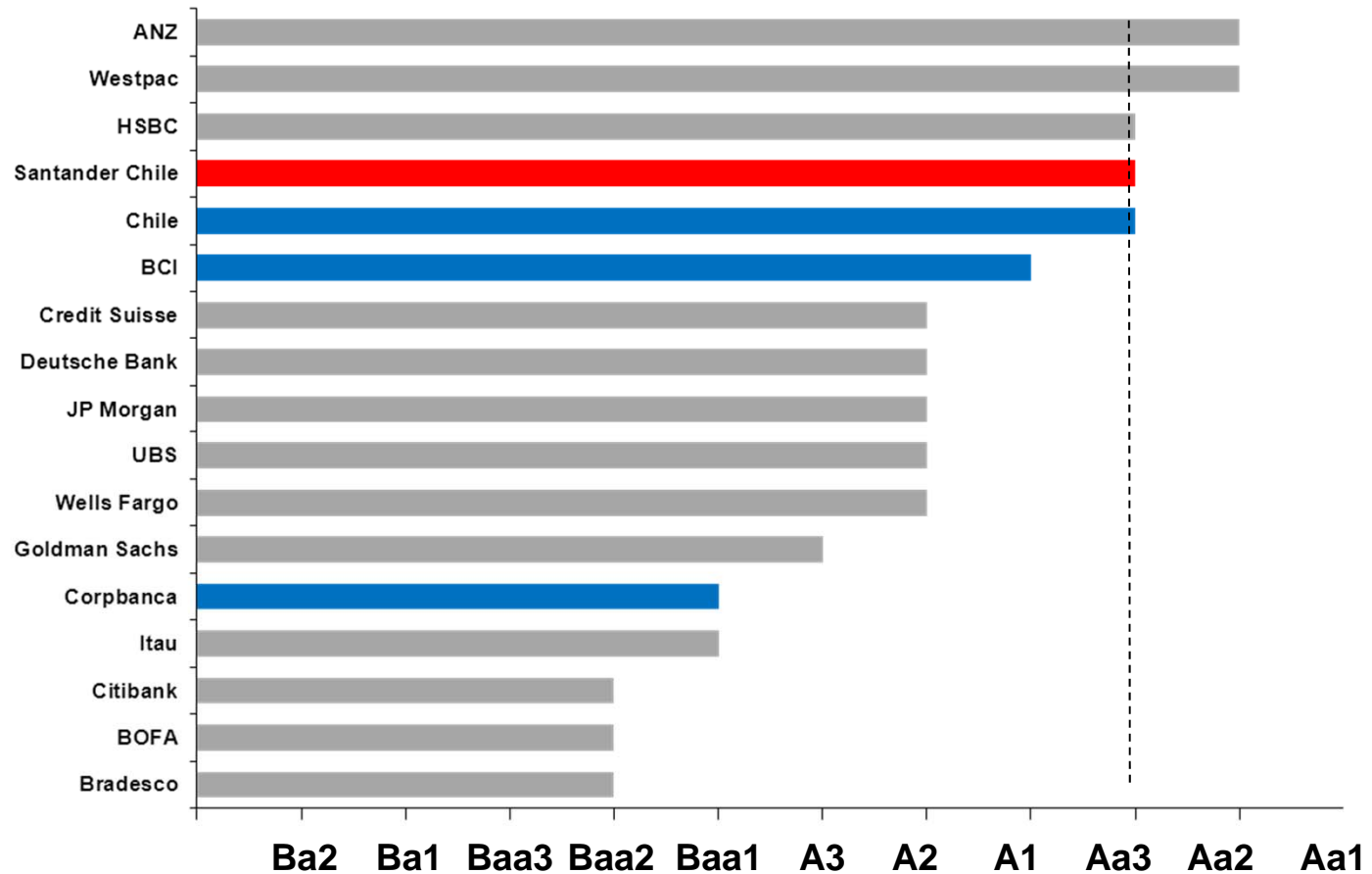
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## 2. Santander: Chile's leading bank

### Highest credit ratings in the region

#### Risk Rating: Moody's scale



Chile







Chile