

Banco Santander Chile

*Sound growth &
sustained profitability*

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. 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.

Main points

- 1. Santander Chile: Chile's leading retail bank**
- 2. Strong economy, but a changing banking environment**
- 3. Clear strategy to sustain profitability**

1. Santander: Chile's leading retail bank

3

Santander Chile is the country's leading retail bank

Figures as of June 2012¹

Figures			Clients & Network		
	US\$bn	Share			
Assets:	US\$50	19.5%	Clients	3.4mn	~39% ²
Loans:	US\$37	19.5%	Internet clients	723ths.	19.3%
Individuals:	US\$19	23.3%	Checking acct.	729ths	24.8%
Consumer:	US\$6	24.8%	Credit cards	1.9mn	20.4% ³
Mortgage:	US\$10	22.5%	Debit cards	3.0mn	22.2%
SMEs:	US\$5	~25%	Branches:	499	18.7%
Deposits:	US\$29	17.6%	Employees:	11,621	16.1% ⁴
Equity:	US\$4	19.7%			
Net income:	US\$447mn	27.7%			

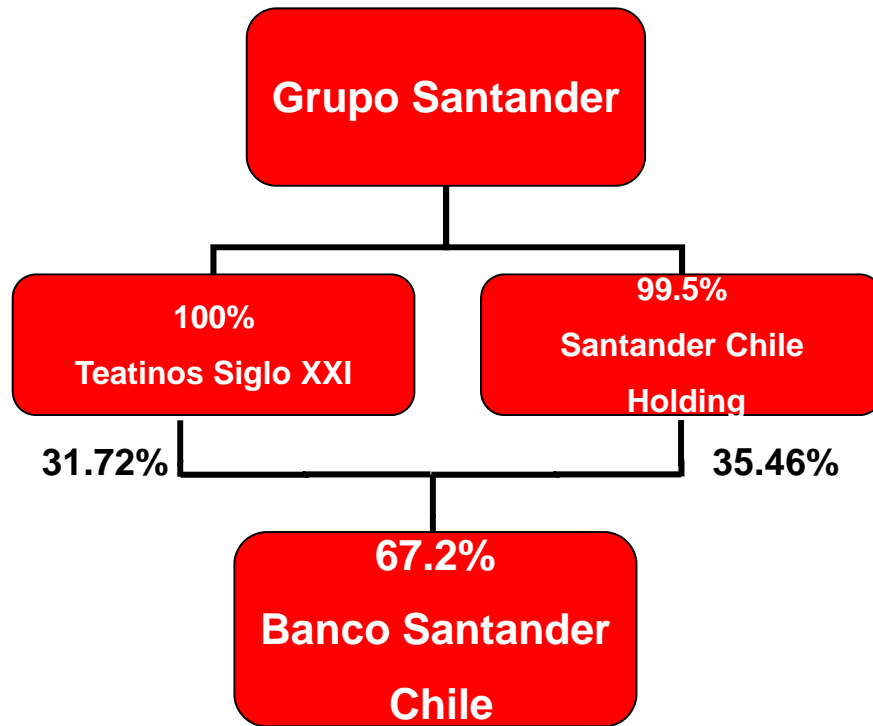
1. Or latest available figures using the period-end exchange rate. 2. Over total workforce. Source INE 3. Market share is over total monetary transactions using a credit card and includes department stores. 4. Employee market share is over employees at branches and head offices, excludes subsidiaries Source: Superintendency of Banks of Chile

Chile

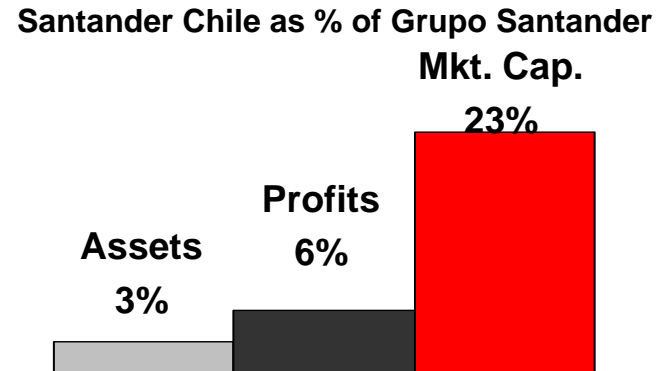


1. Santander: Chile's leading retail bank

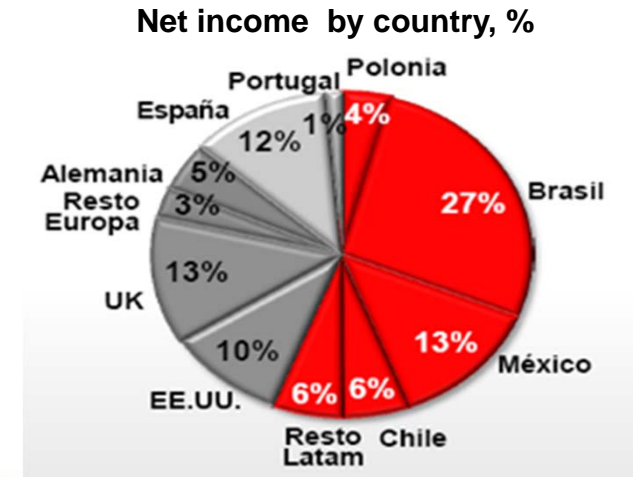
Grupo Santander controls 2/3 of Santander Chile



Santander Chile in context



Grupo Santander in context



Chile



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 entities
- Main relation is via share ownership

Legal limits

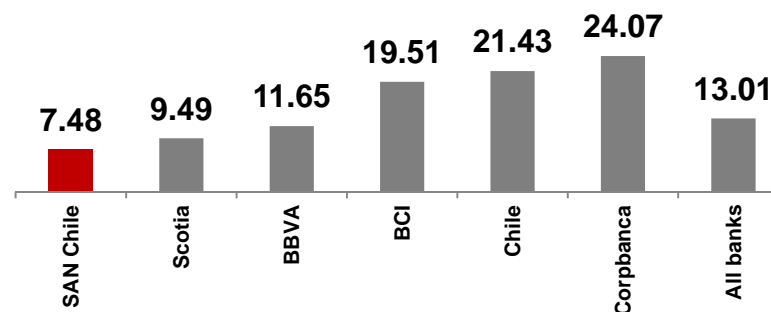
- Related company lending: Limited to 5% of total equity (unsecured) or 25% (w/ collateral);
- Deposits in related party entities abroad: limited to 25% of equity. Deposits in a single foreign bank: Limited to 5% of equity (New regulation under discussion)
- Too big to fail regulations.
- Dividends paid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

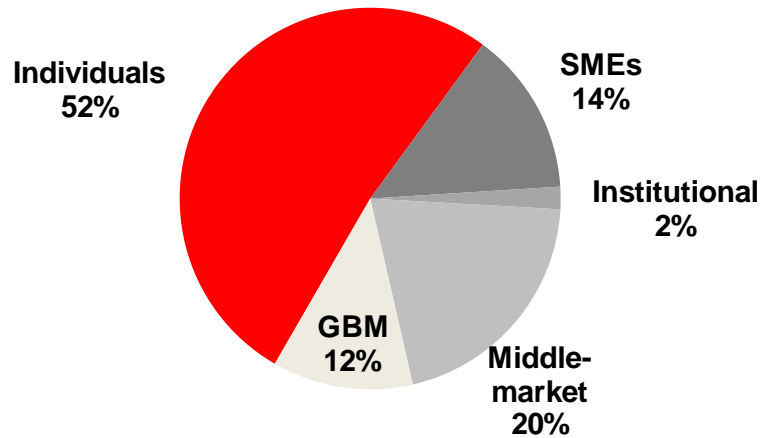


1. Santander: Chile's leading retail bank

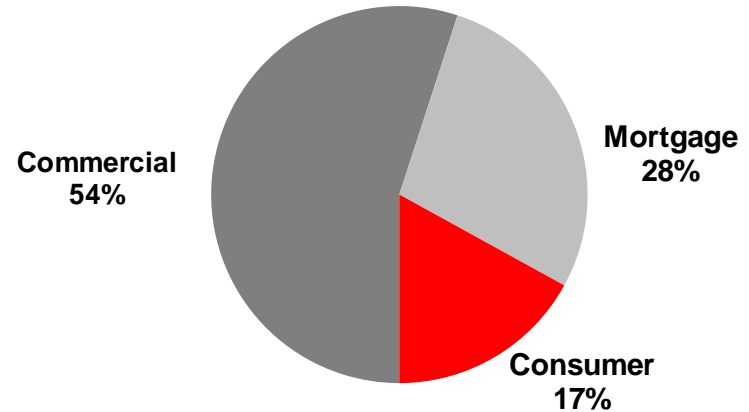
A diversified loan book

Figures as of June 2012

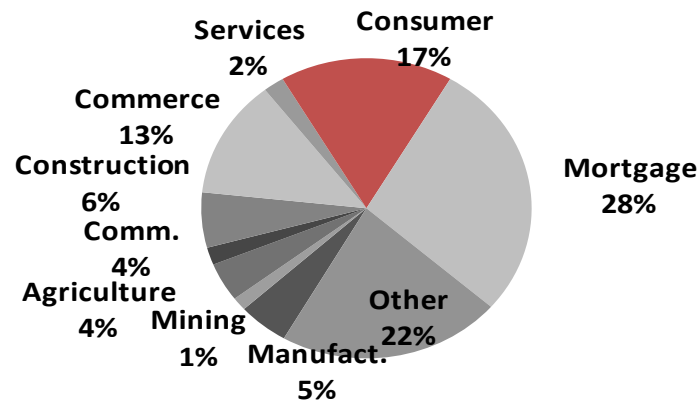
Loans by business segment



Loans by product



Loans by economic sector



Loans = US\$37bn

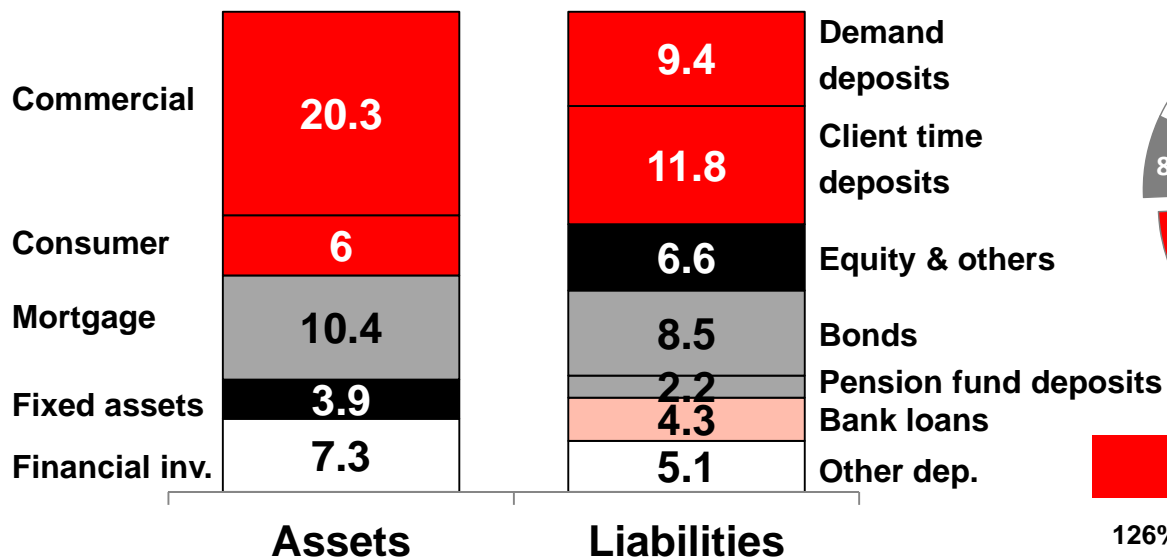
Chile



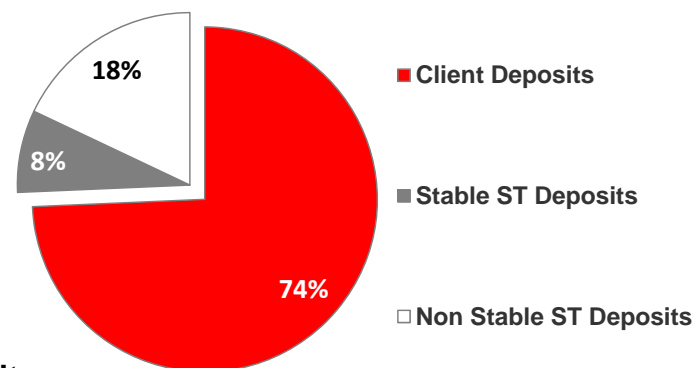
1. Santander: Chile's leading retail bank

Sound balance sheet structure

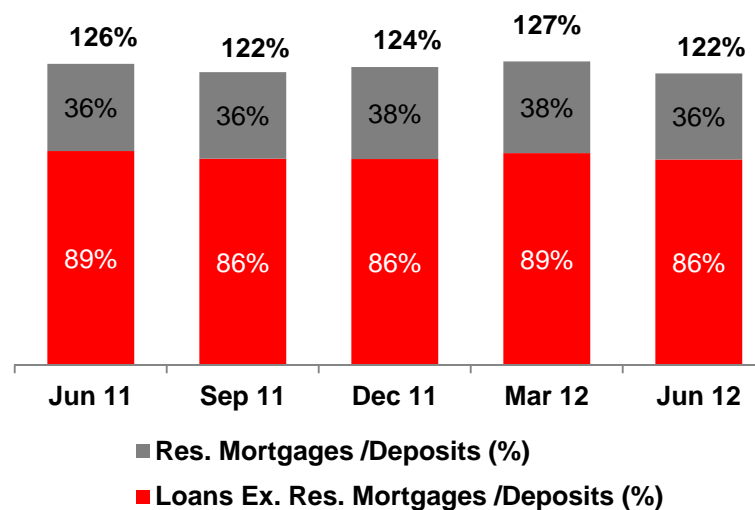
USD billion as of June 2012



Total Deposits: USD 29 billion



Loan to Deposits Ratio



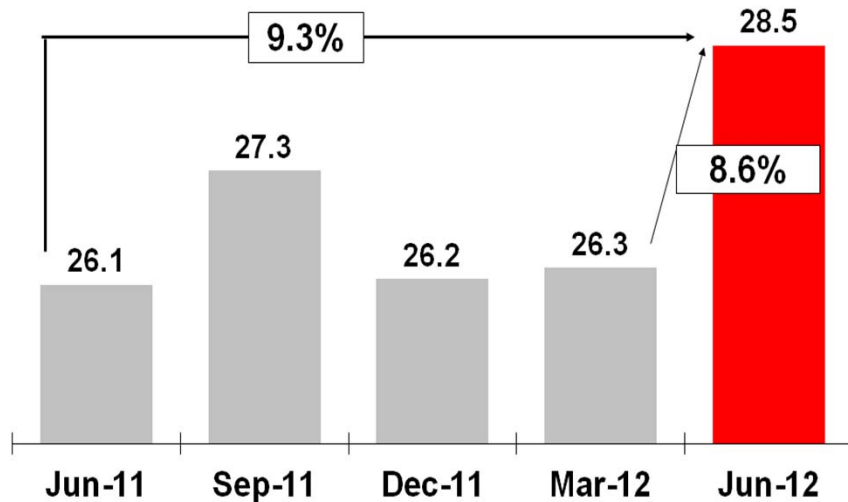
Client deposits growing 18% YoY and ample liquidity buffer

1. Santander: Chile's leading retail bank

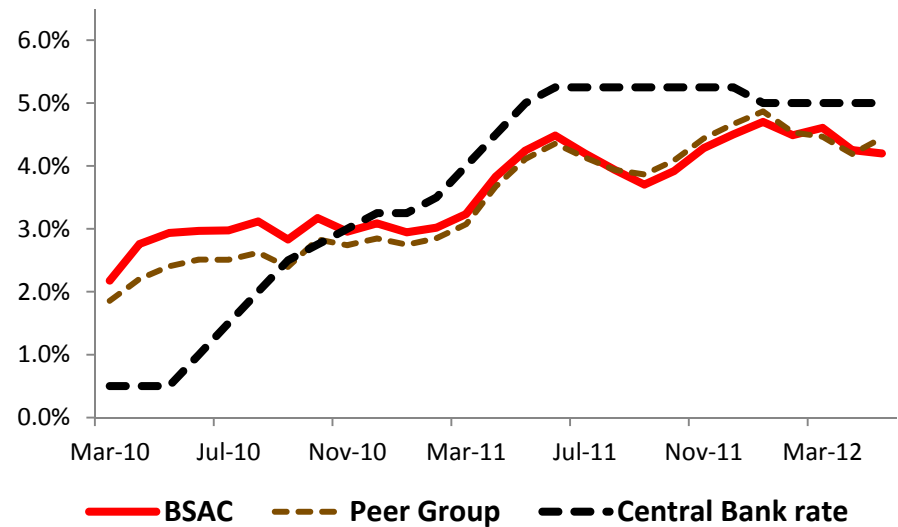
Positive evolution of deposits and cost of funds

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

Deposits (US\$bn)



Cost of funds¹ (%)



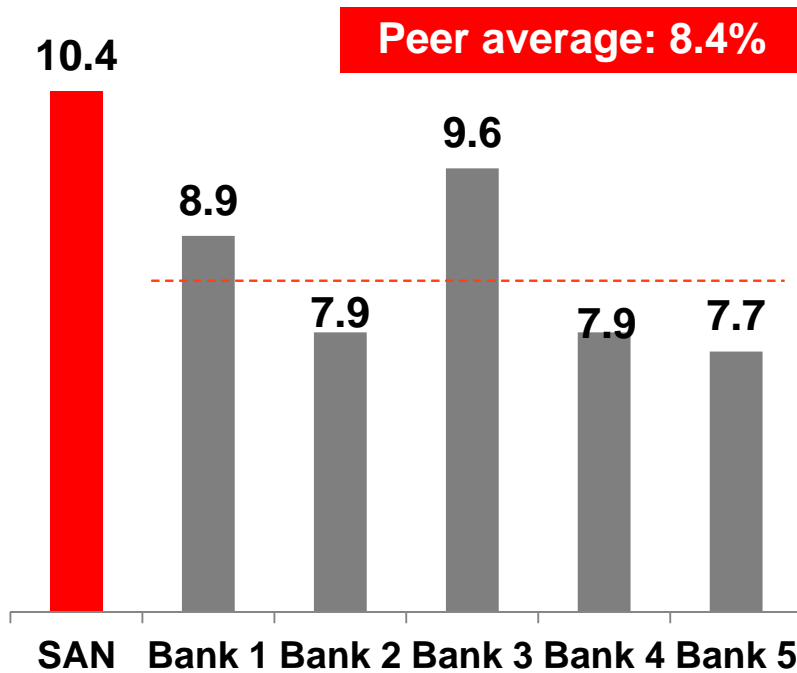
¹ Cost of funds = interest expense annualized divided by liabilities

1. Santander: Chile's leading retail bank

High capital base and high return on equity

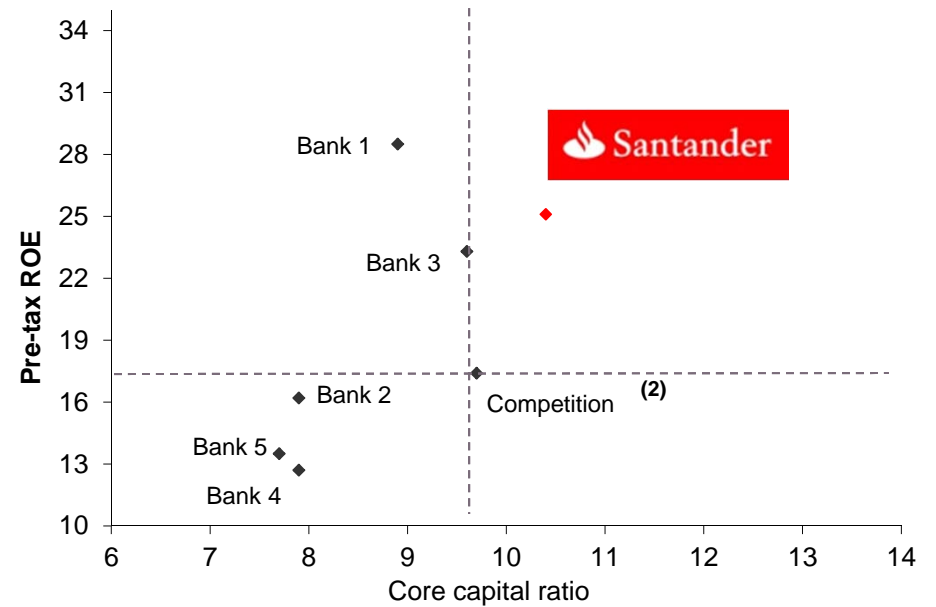
High Core Capital, %

Core Capital Ratio⁽¹⁾, %



Best risk-return ratio in Chile

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



(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.

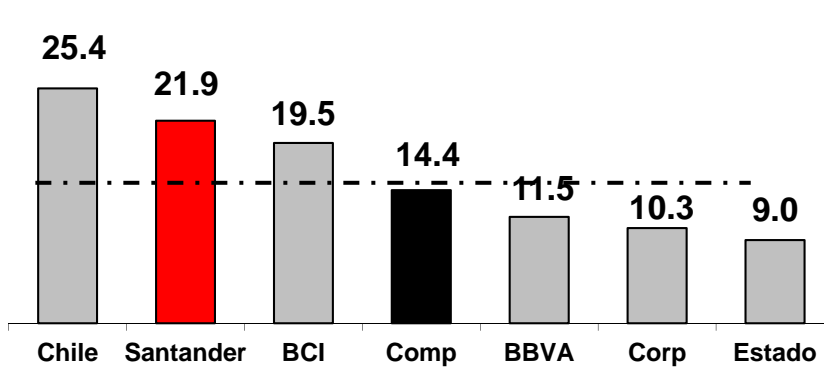
Source: Superintendency of Banks of Chile

1. Santander: Chile's leading retail bank

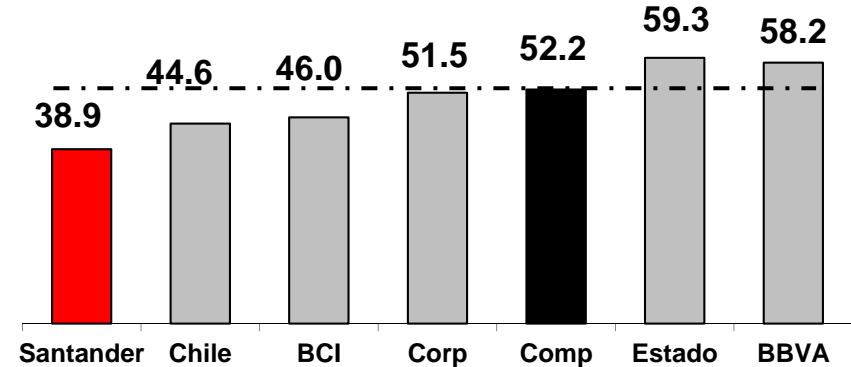
Stronger financial indicators compared to competition

Figures as of June 2012

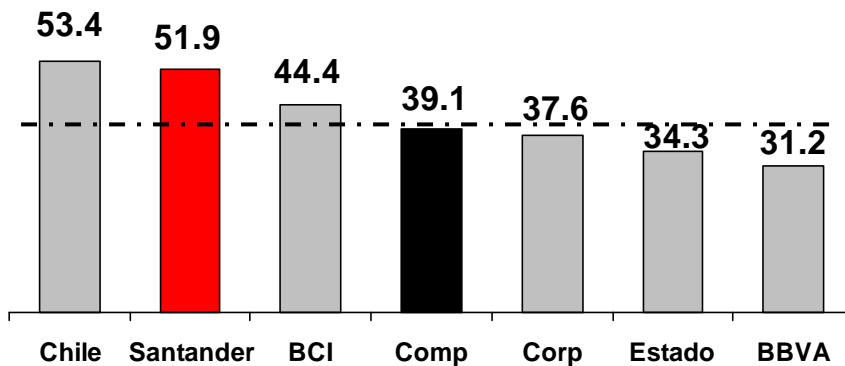
Return on period-end equity (%)



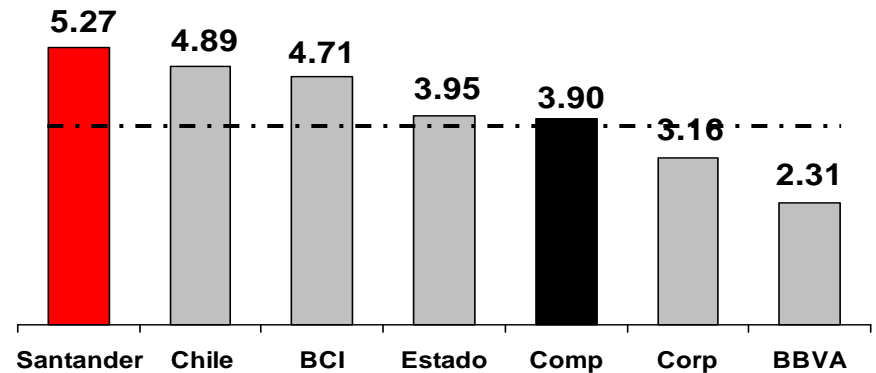
Cost / Income (%)



Fees / costs (%)



NIM



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

Main points

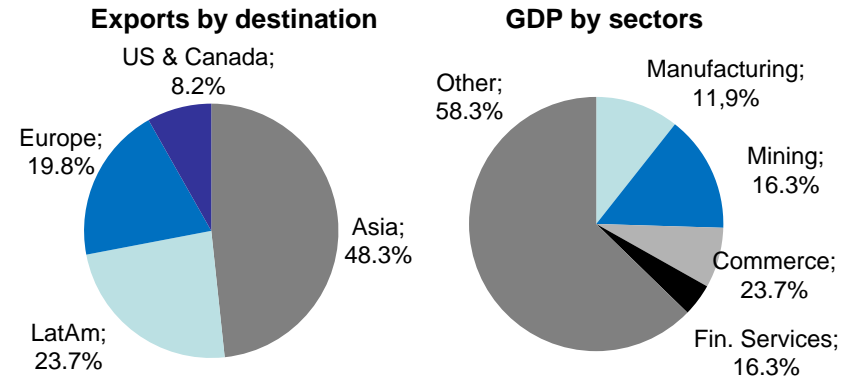
1. **Santander Chile: Chile's leading retail bank**
2. **Strong economy, but a changing banking environment**
3. **Clear strategy to sustain profitability**

Chile: a strong and diversified economy

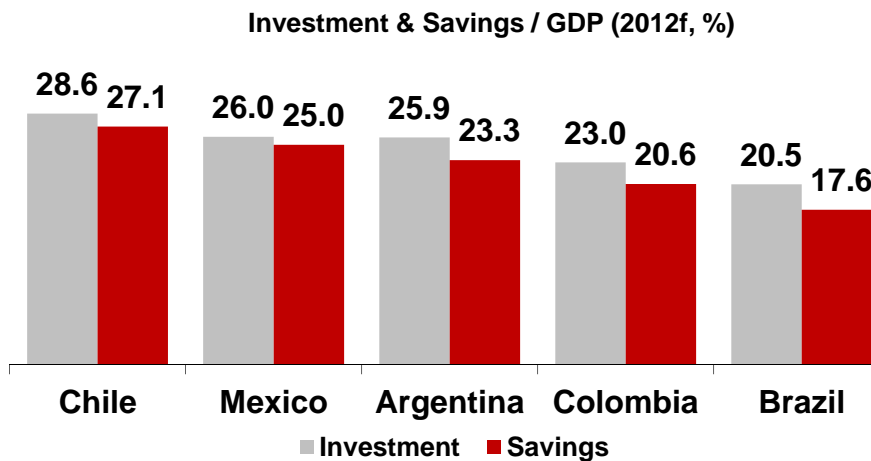
Chile's key economic highlights⁽¹⁾

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

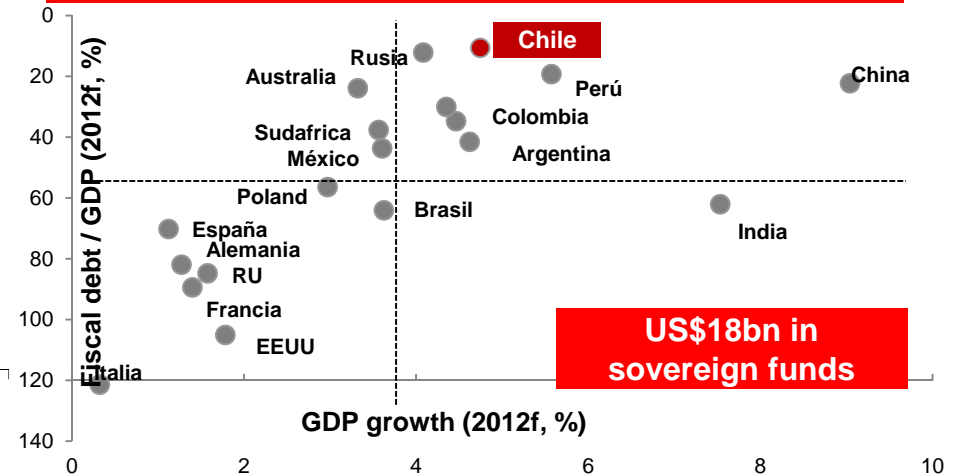
A diversified economy⁽¹⁾



High investment & savings rates⁽²⁾



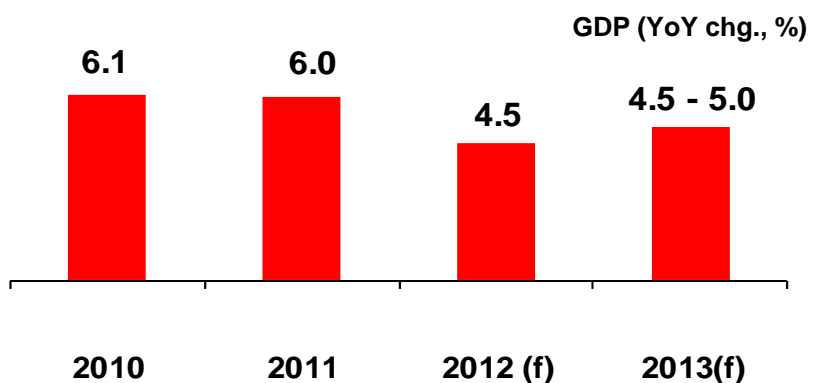
Solid fiscal position⁽³⁾



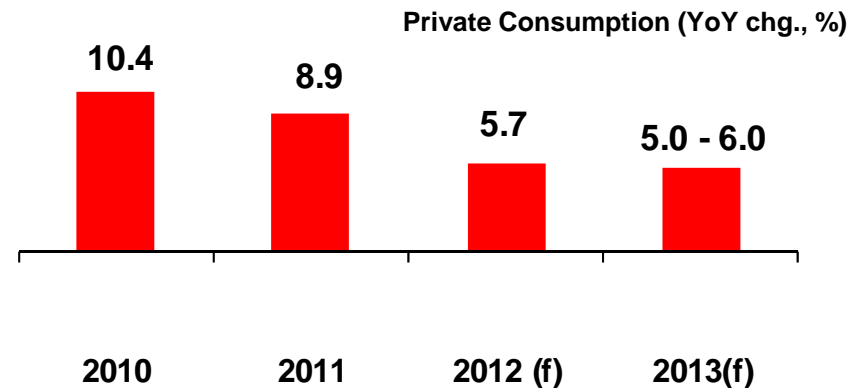
(1) Figures for 2011 or latest available data. Source: Central Bank of Chile. (2) Source: IMF. (3) Source: CIA World Factbook

Our outlook for 2012-13 is positive

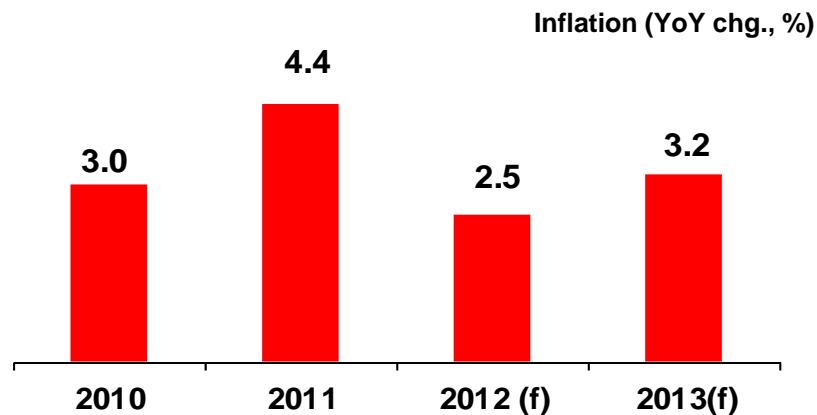
Solid GDP growth...



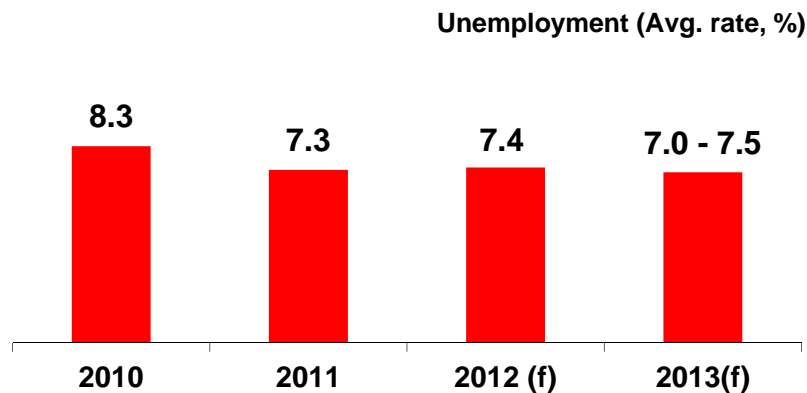
... fueled by Private Consumption



Lower inflation...



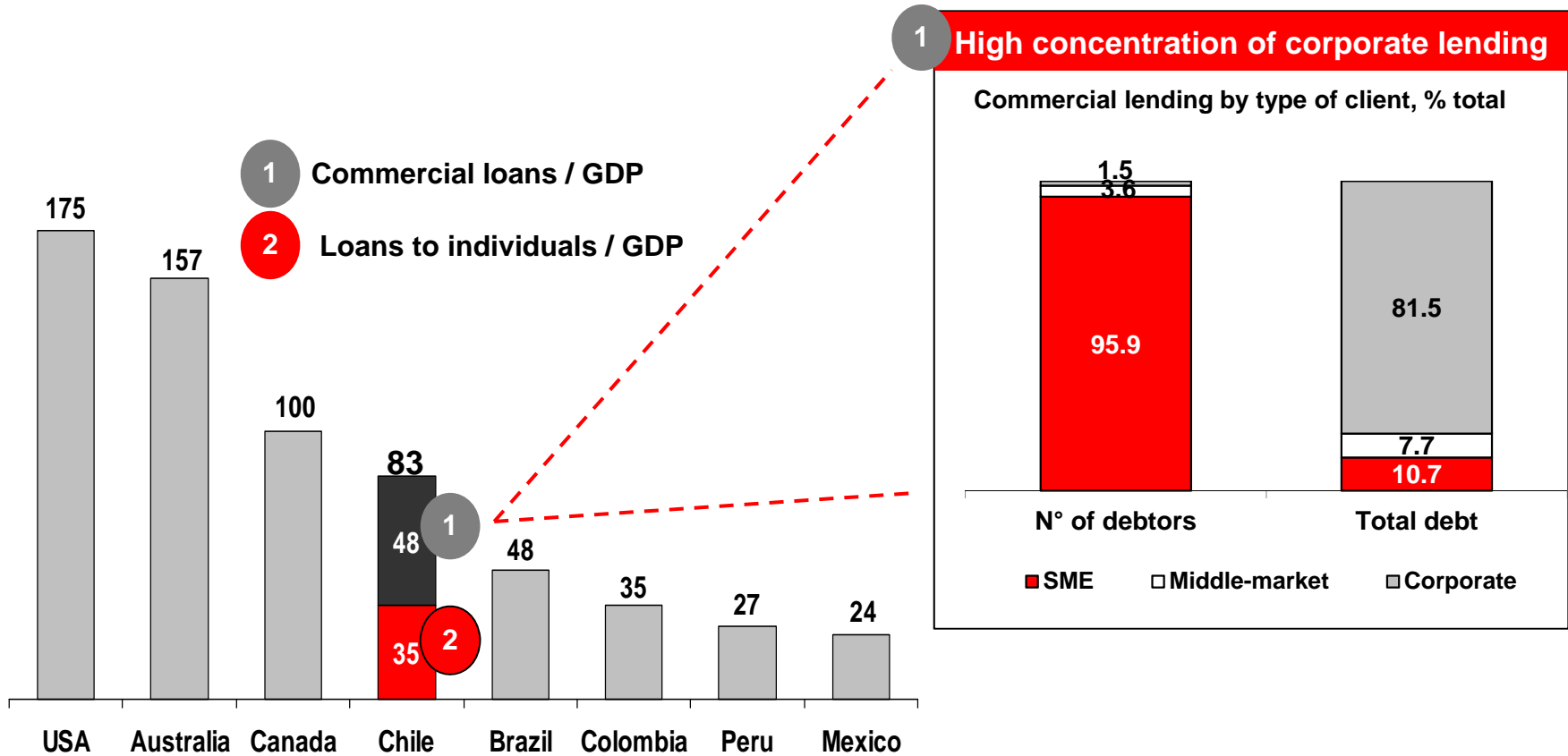
... and stable unemployment



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

A market with good growth potential in SMEs...

Loans / GDP as of Dec. 2011*, %



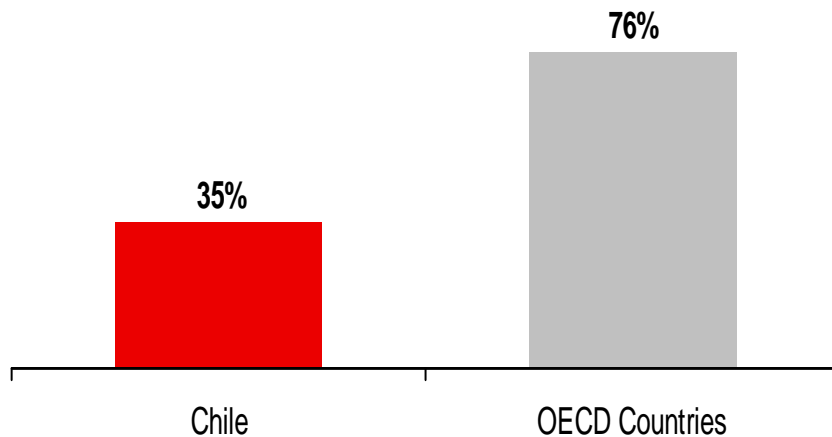
* Or latest data available. Source: Barclays Capital, Deutsche Bank, and Superintendency of Banks of Chile

2

2. ... and individuals

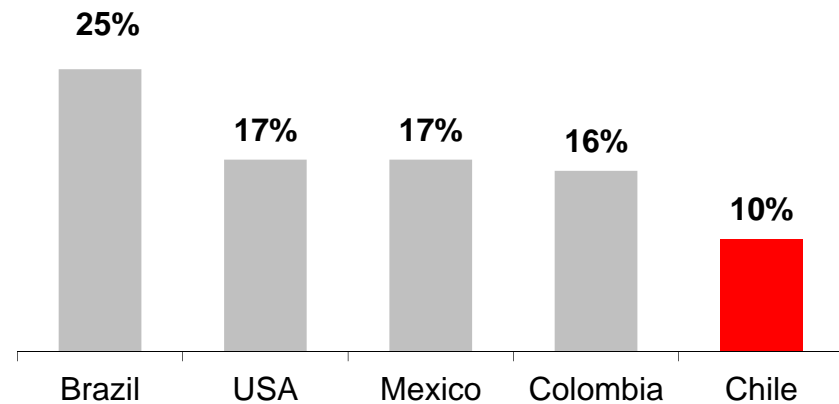
Relatively low leverage...

Household debt / GDP ⁽¹⁾



...leads to lower servicing efforts

LT debt servicing cost ^{(2),(3)}



Lower rates / longer terms reduce financial burden in Chile

(1) Data as of 2008, except Chile: 2011. Includes: Poland, Italy, France, Germany, Sweden, USA, Australia, Denmark, Korea, & Taiwan. Source: Chile CB, OECD, McKinsey and IMF.

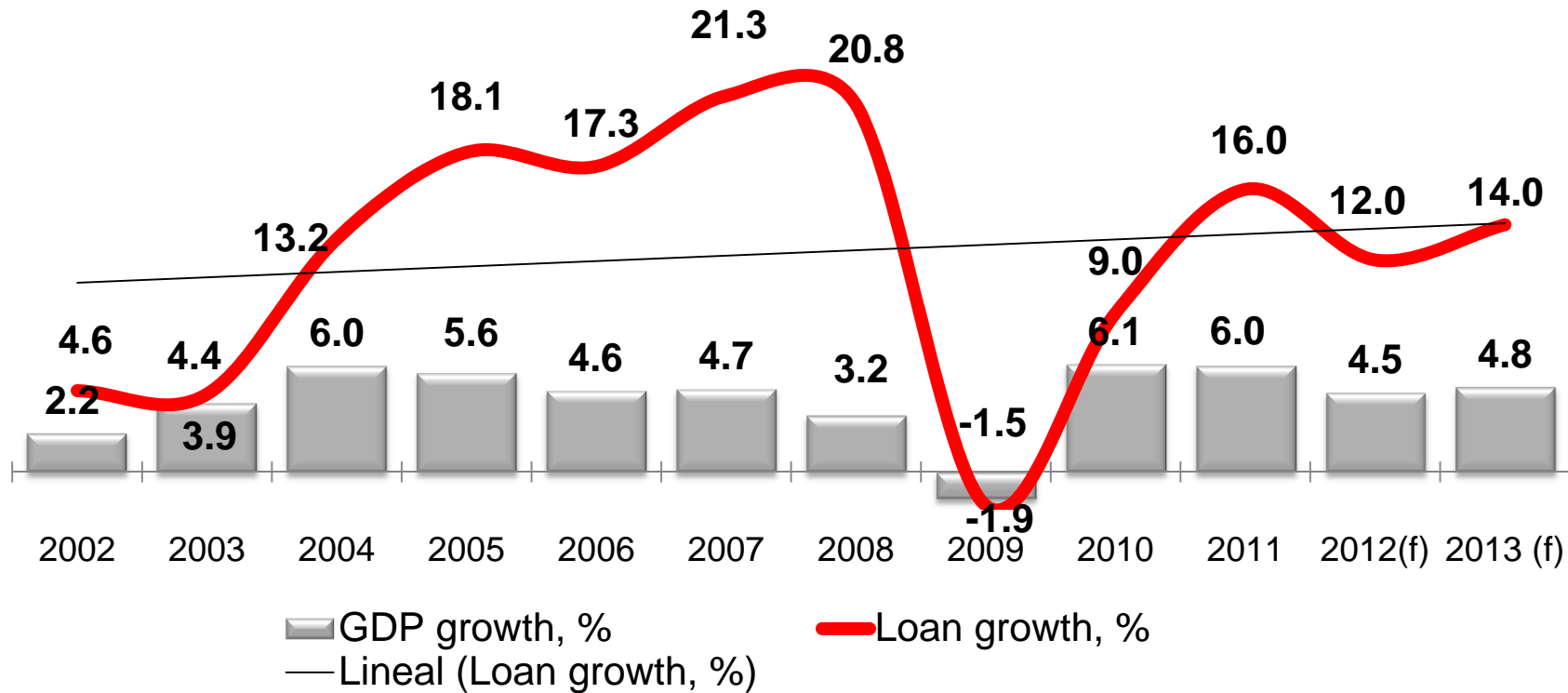
(2) As of Dec-10, except Chile which is as of Dec. 11.

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

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

Attractive industry drivers sustaining loan growth

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)

New forces are redefining the banking environment

Changing...



I. Competition



II. Regulation

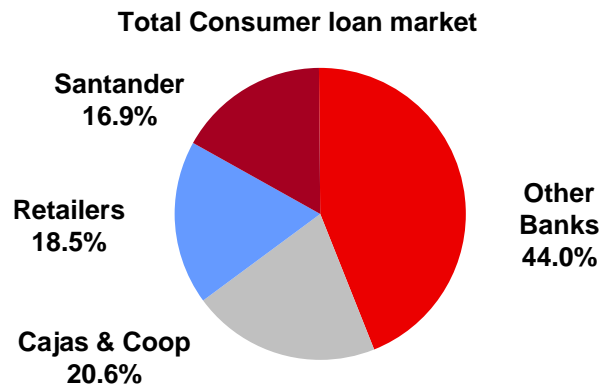


III. Consumer attitudes

I. Competition intensifying from banks and non-banks




Consumer loan market



Traditional competitors are constantly innovating and non-banks are making inroads into our lending and transactional businesses

II. More regulations & greater supervision

- New provisioning requirements
- New consumer protection agency for financial services
- Auctioning of low-cost mortgage insurance provider
- Lowering of interest rate caps
- Ley Dicom
- Expanding the positive credit bureau
- Opening payroll loan market
- Tax reform
- BIS 2-3



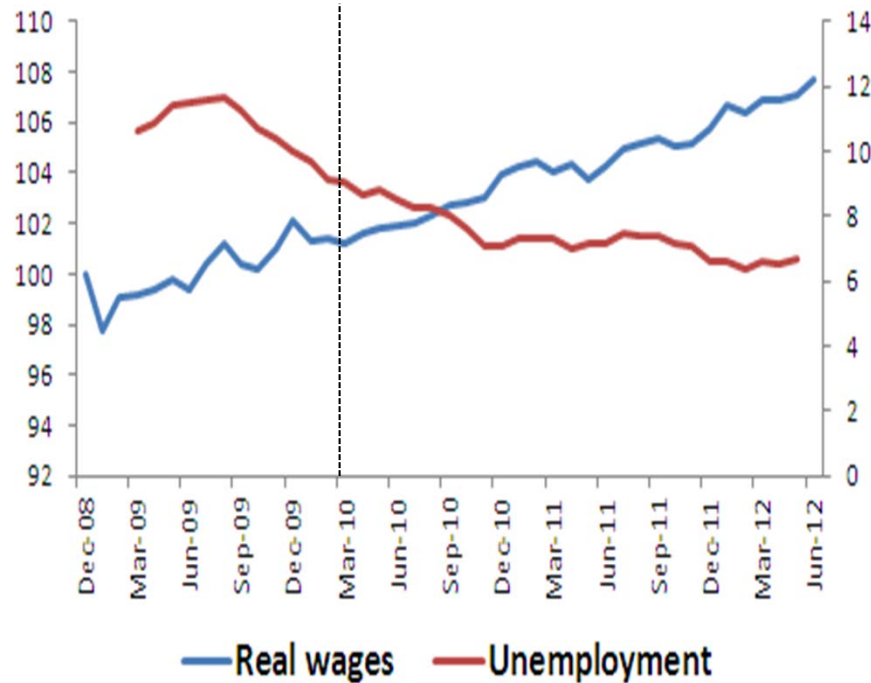
+ Provisions
- Margins
- Fees
+ Taxes
+ Capital

More regulations, but a more level playing field

III. The Chilean consumer is changing

Real wages & unemployment rate (%)

Real wages (Base 100 = 12/2008) & unemployment (%)

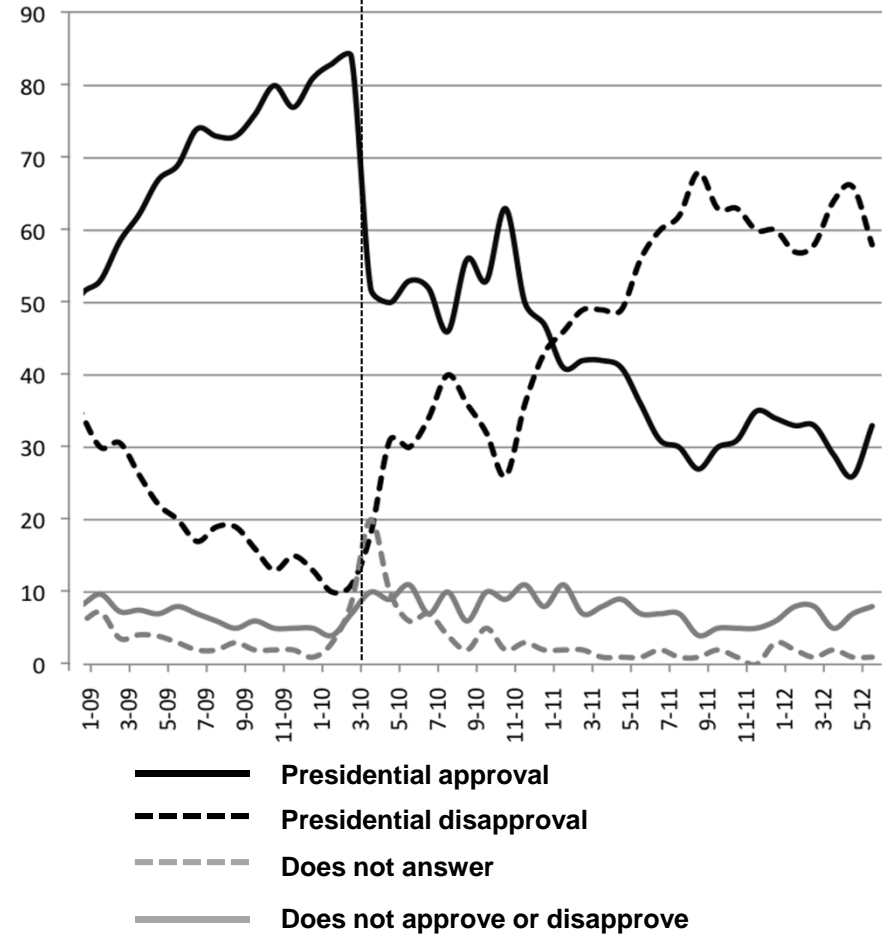


Lower unemployment, higher wages and greater dissatisfaction

Source: Central Bank of Chile, INE and Adimark (from www.wiki.tresquintos.com)

Presidential approval (%)

Presidential approval ratings (%) 2009 - 2012



III. The Chilean consumer is changing

- ✓ Recent studies show a change in internal perceptions from a *stressed out nation* to an *unjust one*
- ✓ Social networking have given greater audiences for people's grievances
- ✓ Confidence in institutions is falling
- ✓ Apathy towards politicians is at an all time low



The banking sector is a the center of the discussion.

Más de lo mismo is not enough

Main points

1. **Santander Chile: Chile's leading retail bank**
2. **Strong economy, but a changing banking environment**
3. **Clear strategy to sustain profitability**

3 objectives to sustain performance

Santander Chile: Strategic drivers

I. Deepening our focus on retail banking while improving client relationship management ...

II. ...expanding efficiently...

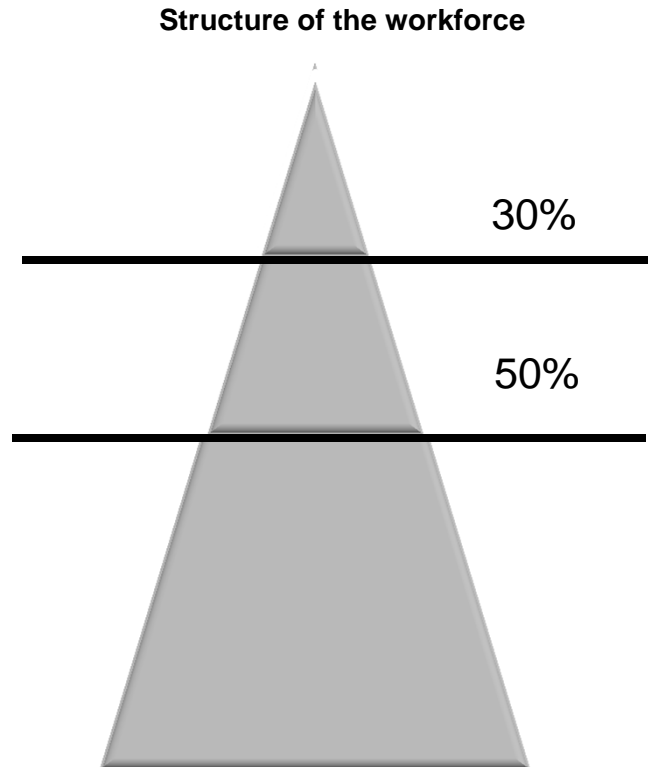
III. ... and managing risks conservatively



Solid growth
& sustainable
ROEs

Re-thinking our retail strategy...

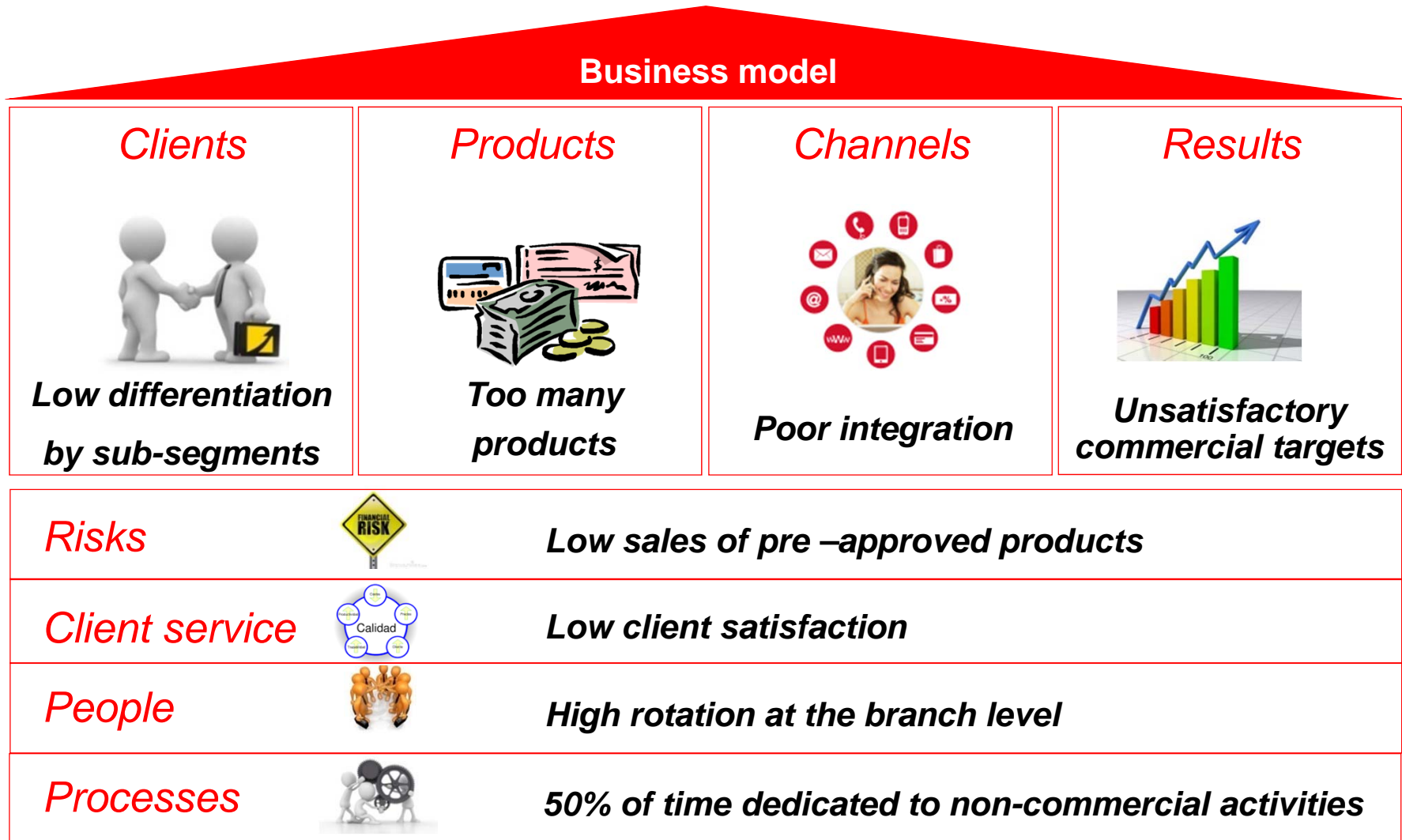
Target market in individuals



- 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 Transforming our client service model in order to revamp profitability and adapt to a changing market
- In SMEs the focus will be on increased lending, transactional services and simple treasury products

Objective is to grow in a healthy and sustainable manner with our clients

... as opportunities for improvement exist in many areas



Implementing a profound Transformation in retail banking

From...

...To

Very little product differentiation by business segment



Clients as the focal point of our strategy with an attention model custom-made for each segment

“Many channels”



Multi-channel with a strong increase in alternative channels and self-service

Branches with too many administrative tasks



Branches focused on value added interactions

Account executive at the center of client relations



The Bank at the center of client relations driven by our new CRM

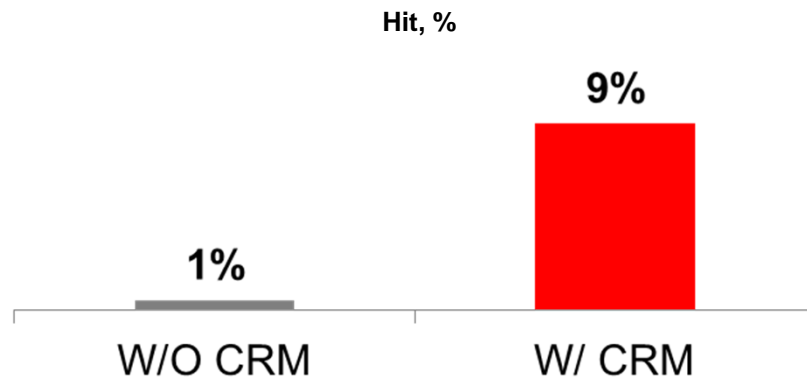
Centralized processing



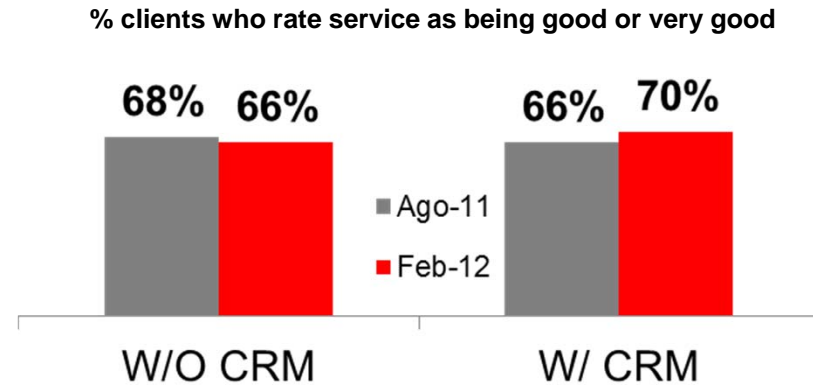
Front-end processes in all channels

Preliminary results are encouraging*

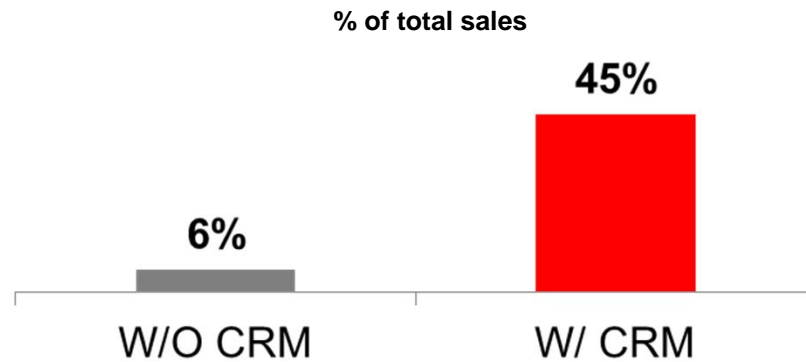
Higher sale productivity...



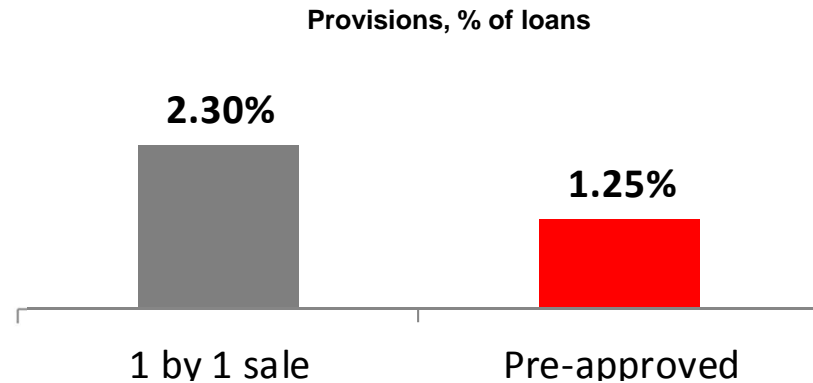
... and improved account officer satisfaction



More pre-approved sales...



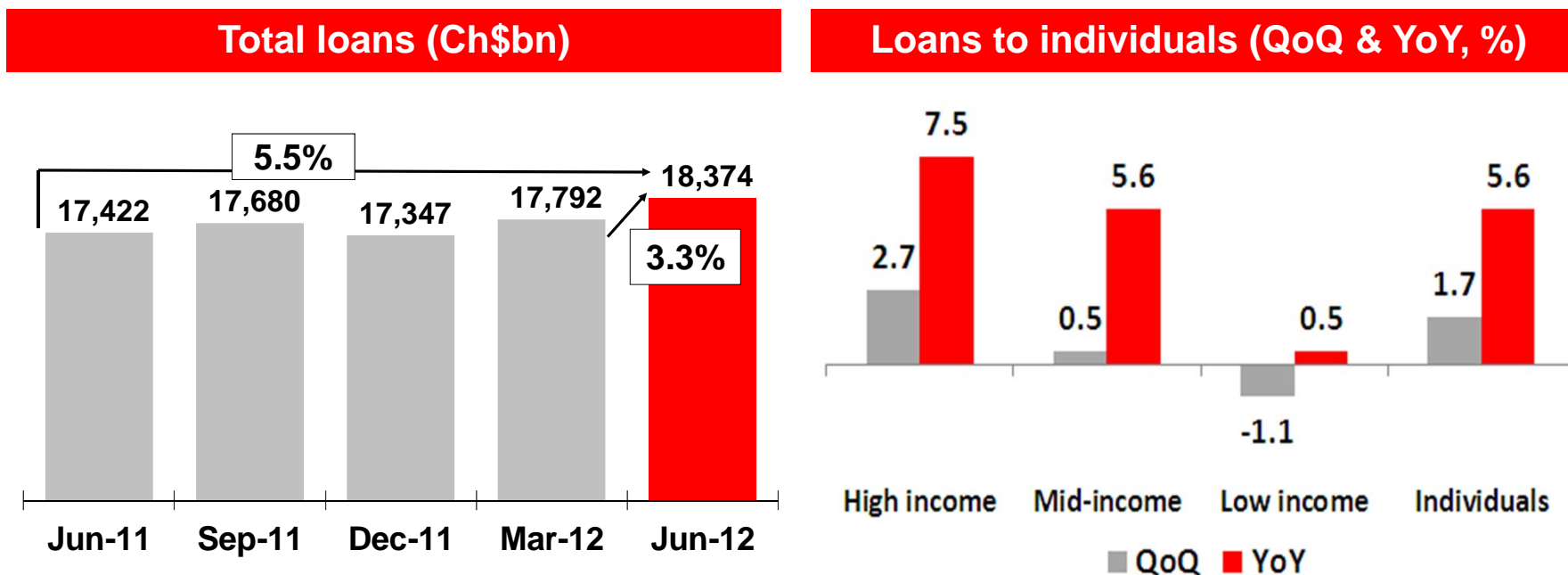
... and better asset quality of sale



* Based on initial trials of new CRM at select branches

Loan growth rebounding...

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



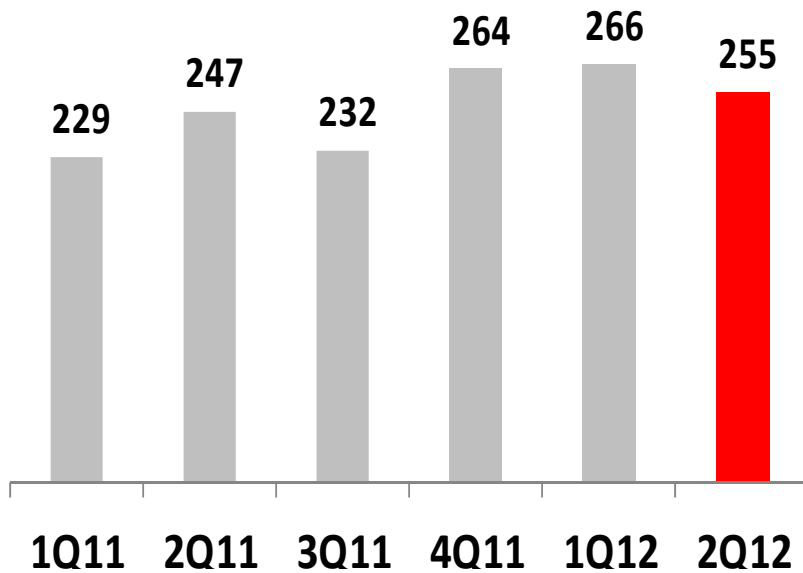
Selective loan growth strategy in 2012

4. Santander-Chile: I. Deepening focus on retail banking

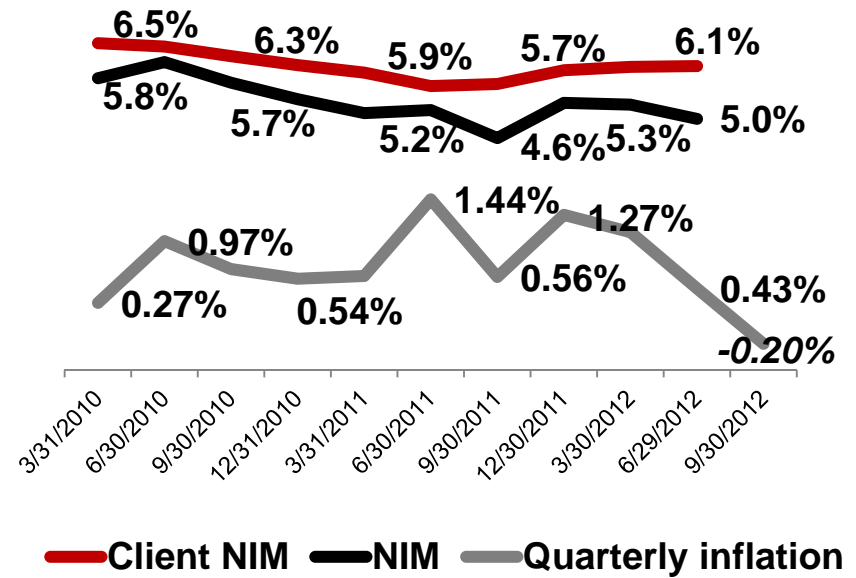
...as well as client margins

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

Net Interest Income (Ch\$bn)



Quarterly NIM vs Inflation (%)*

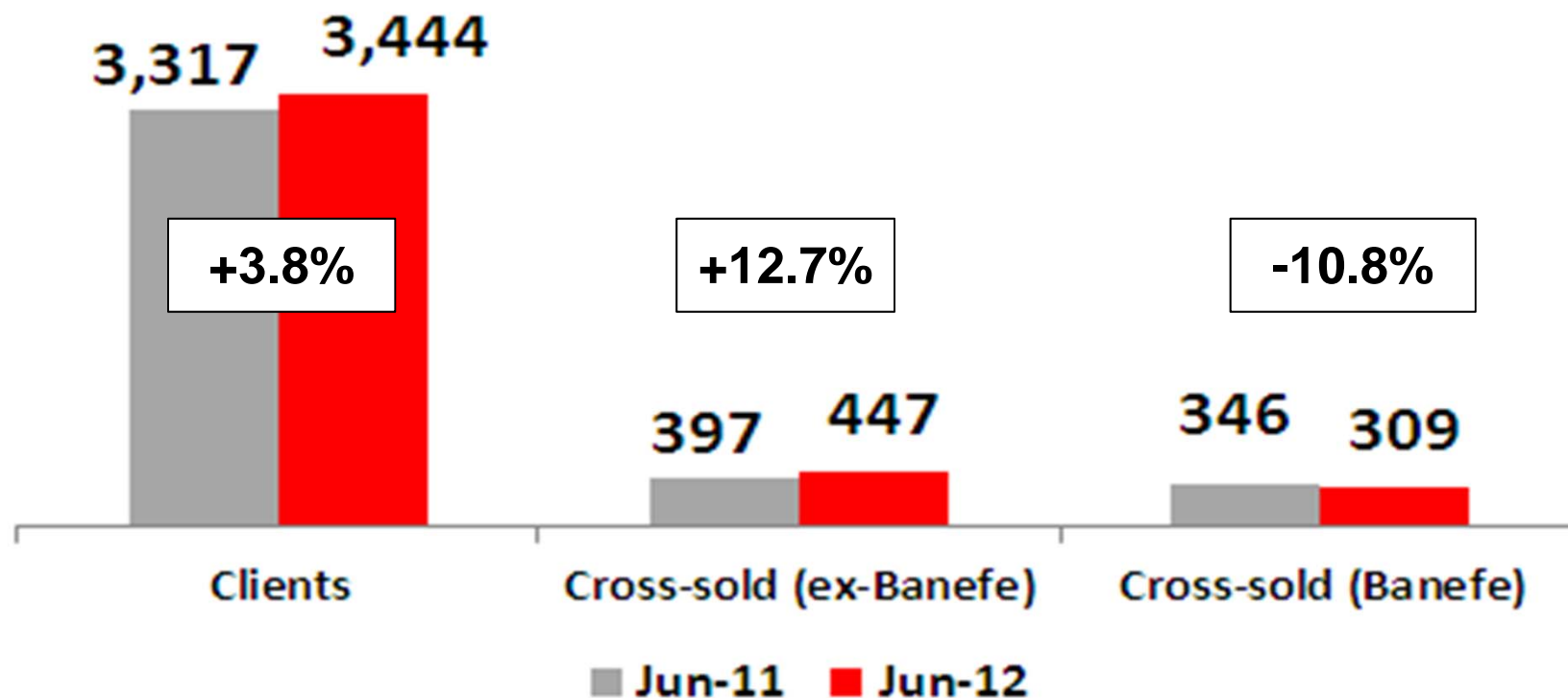


Recent drop in NIM should be short-lived as inflation rebounds

* 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

Focus on cross-selling

Bank clients & products, thousands; annual growth, %

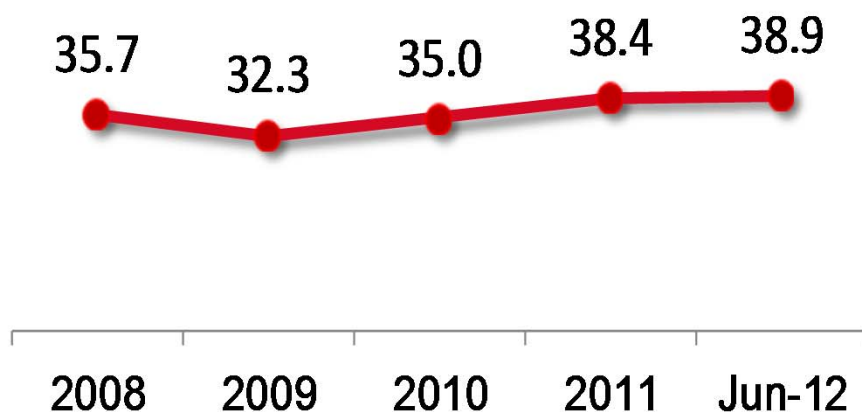


Good growth of cross-selling in middle/high income offset by conservative stance in Banefe

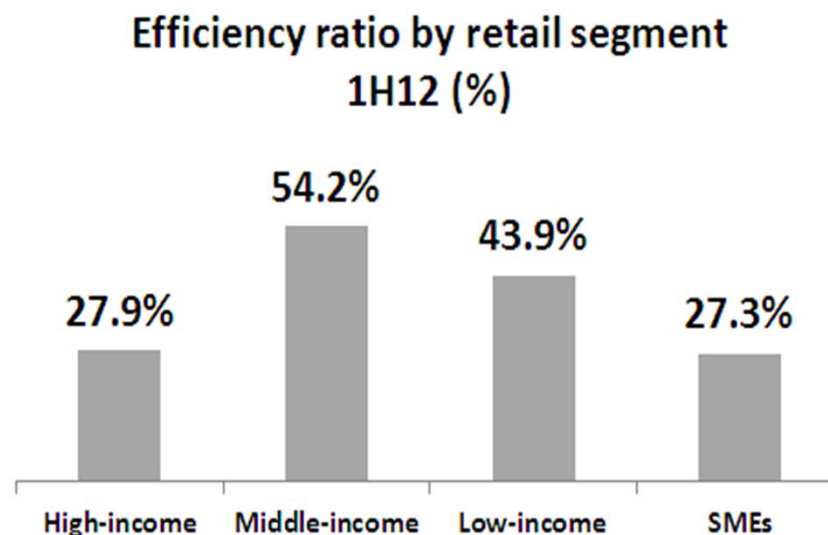
* Cross-sold: For clients in Banefe cross-sold clients are clients with at least two products, one of which is a loan product plus direct deposit. In the Bank a cross-sold clients uses at least 4 products

Improving efficiency through productivity gains

Efficiency (%)

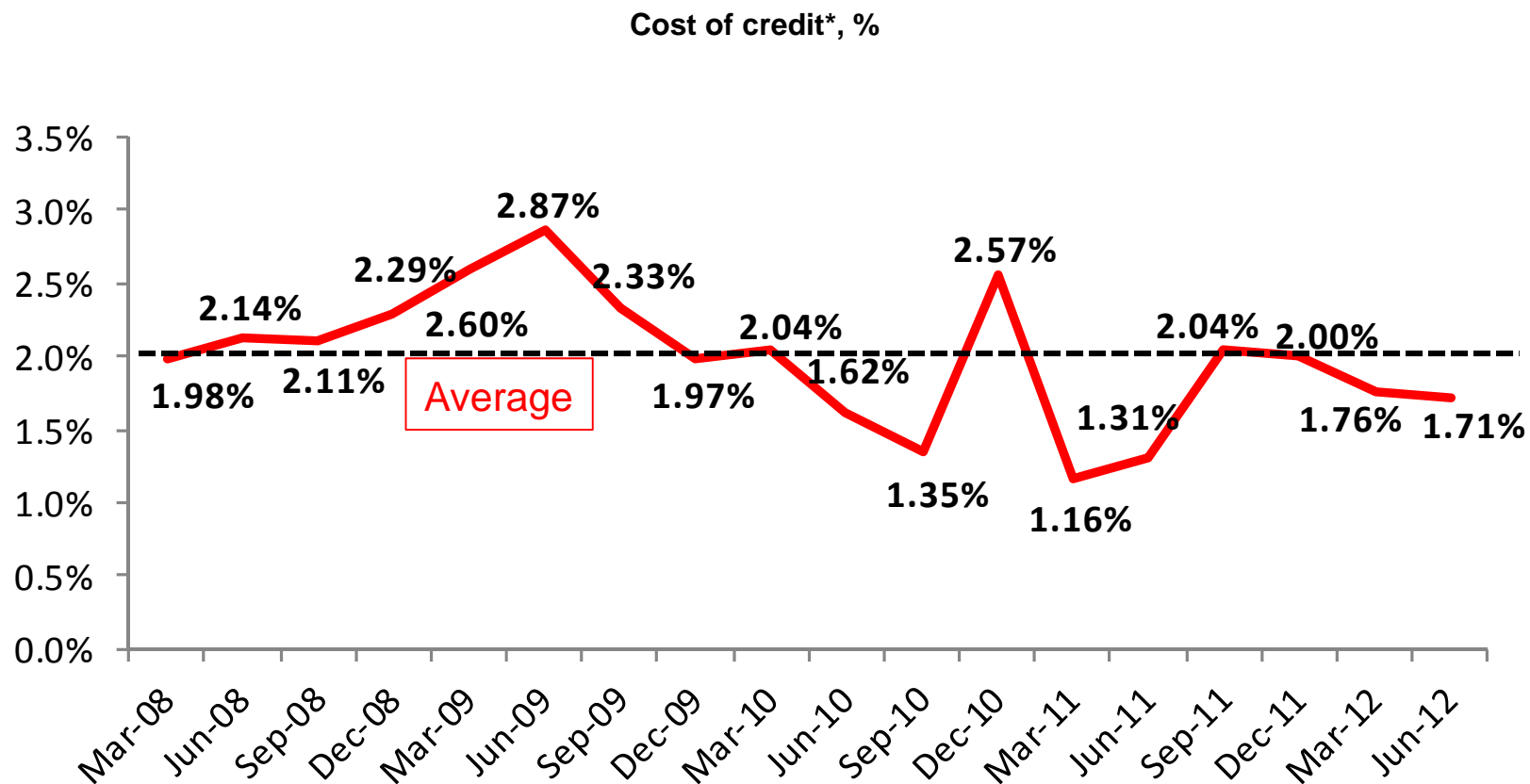


Improving productivity



Transformation project should lead to greater efficiencies in retail banking

Cost of credit approaching historical levels



Sophisticated provisioning models implemented in all segments

* Annualized quarterly provision expense / total loans

Chile



In conclusion...

- 1. Santander Chile: Chile's leading retail bank**
- 2. Strong economy, but a changing banking environment**
- 3. Clear strategy to sustain profitability**



Chile