



London 29<sup>th</sup> & 30<sup>th</sup> September 2011

# INVESTOR DAY

DELIVERING PROFITABLE GROWTH



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**Chile**

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# Main points

**1**

**Santander Chile: largest banking franchise in Chile with best financial indicators and solid balance sheet**

**2**

**Chile's economy has strong fundamentals and should show stable growth, fueling expansion of financial sector**

**3**

**Santander Chile: clear strategy to sustain solid levels of profitability and efficiency**

**4**

**Outlook 2011 – 2013 and conclusions**

**1 Business evolution**

2 Business environment

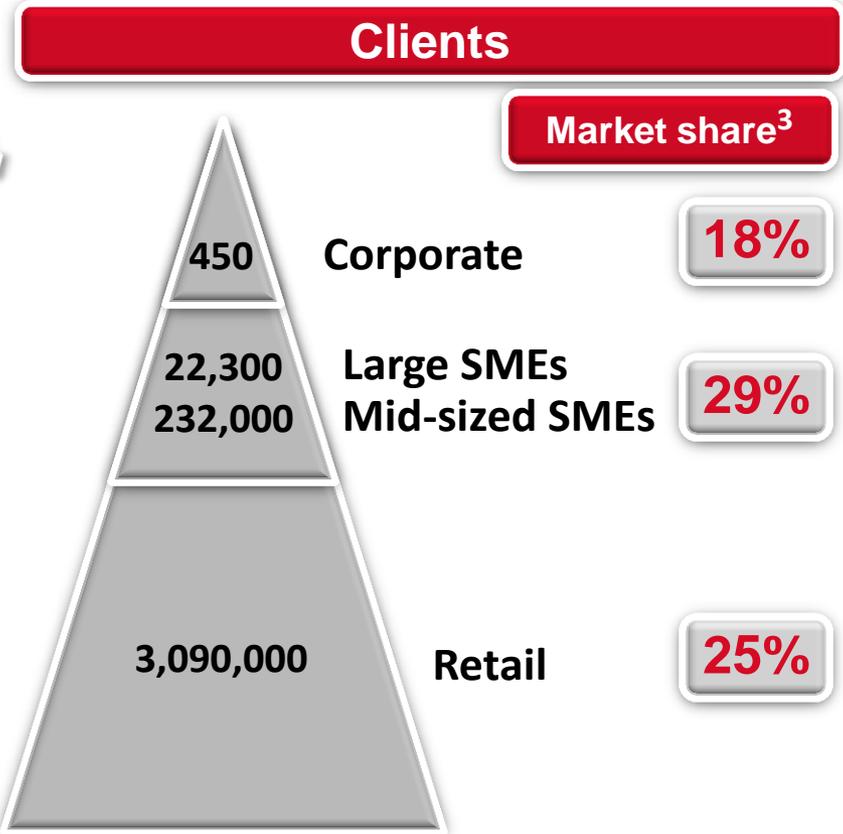
3 Strategy

4 Outlook 2011 / 2013

# Santander: the largest banking franchise in Chile

## Leading position in the market

Figures	US\$bn	Rank	Share
Assets:	US\$56.2	1	20.8%
Loans:	US\$36.9	1	21.5%
Deposits:	US\$27.2	1	19.1%
Net income:	US\$1.2 <sup>1</sup>	1	27.9%
Branches:	487	1	18.8%
ATMs:	1,946	1	24.9%
Employees:	11,500	3	16.3% <sup>2</sup>



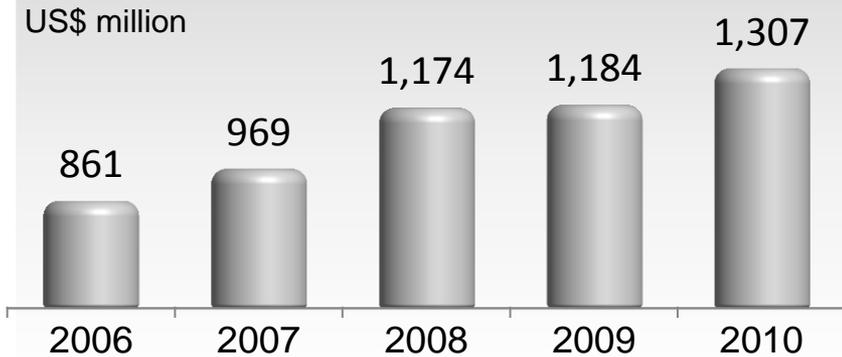
Figures as of 6/30/11 or latest available figures using the period-end exchange rate. 1. As of June 2011 annualized.

2. On an unconsolidated basis. 3. Market share for Corporate and SMEs is based on N of debtors and market share in Retail is based on checking accounts. Source: Superintendency of Banks of Chile as of June 2011 or latest available figures

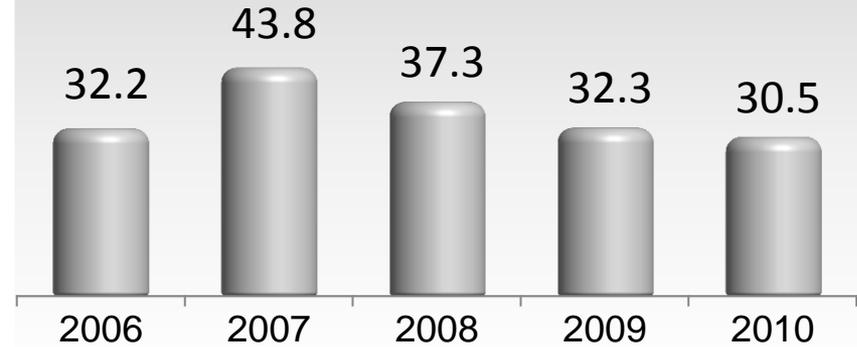
# Solid performance in last 5 years...

**Strong profitability due to well established commercial banking business and high efficiency**

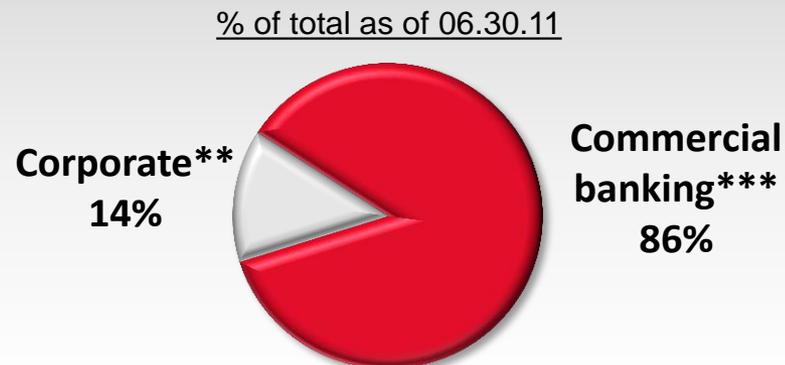
## Net op. income - provisions\*



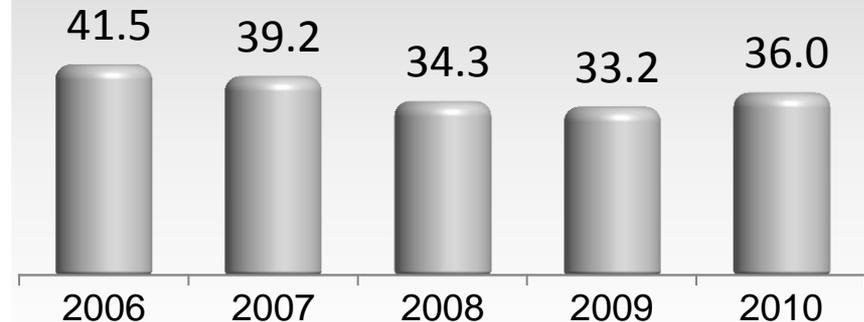
## ROE (%)



## Net op. income - provisions\*



## Cost / Income (%)



\* Net interest income + fees + gains in financial transactions - costs - net loan loss provisions. \*\* Includes Other Corporate areas.  
 \*\*\* SMEs + retail banking

... with the best financial indicators

## Leader in profitability and efficiency

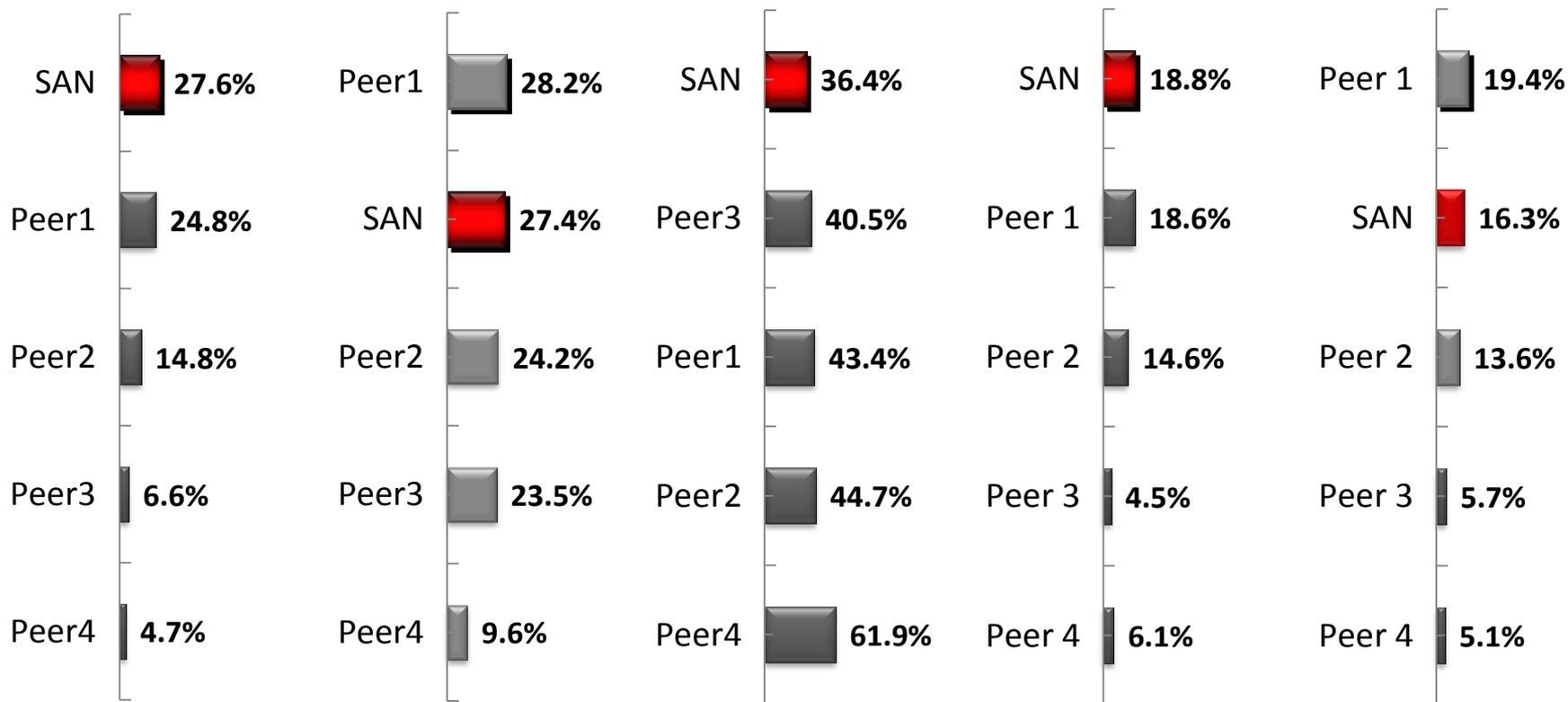
Net income

ROE

Efficiency

Branches

Employees

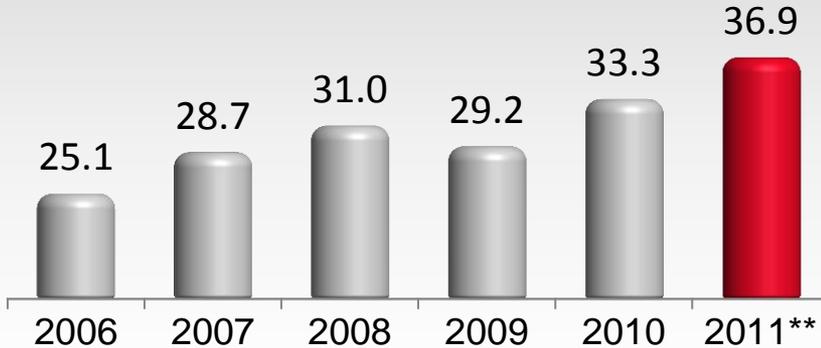


Figures as of 6/30/11 or latest available figures. Figures are in Chilean GAAP and, therefore, differ from the figures presented by Grupo Santander for Santander Chile. Source: Superintendency of Banks of Chile

# ... and a solid balance sheet

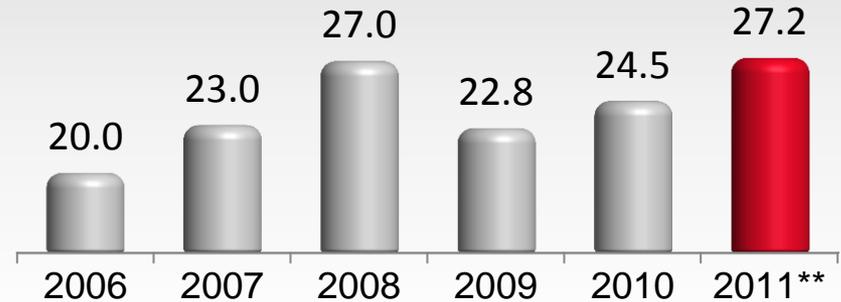
## Loans (US\$bn)

Constant exchange rates as of 06.30.11



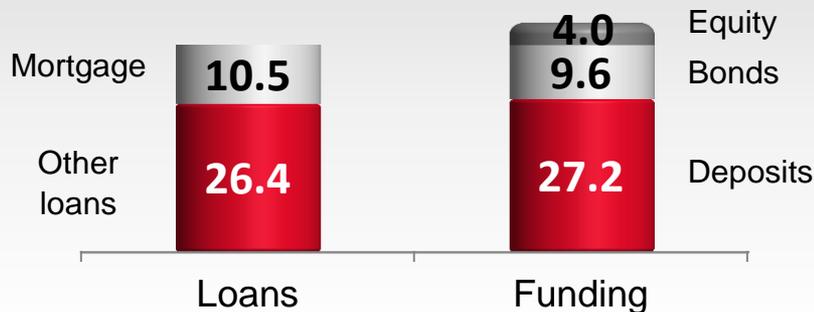
## Deposits\* (US\$bn)

Constant exchange rates as of 06.30.11



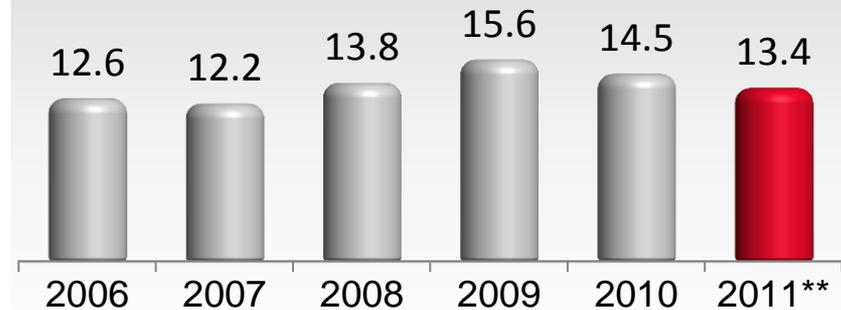
## Loan and funding structure

US\$bn as of 06.30.11



## BIS ratio (%)

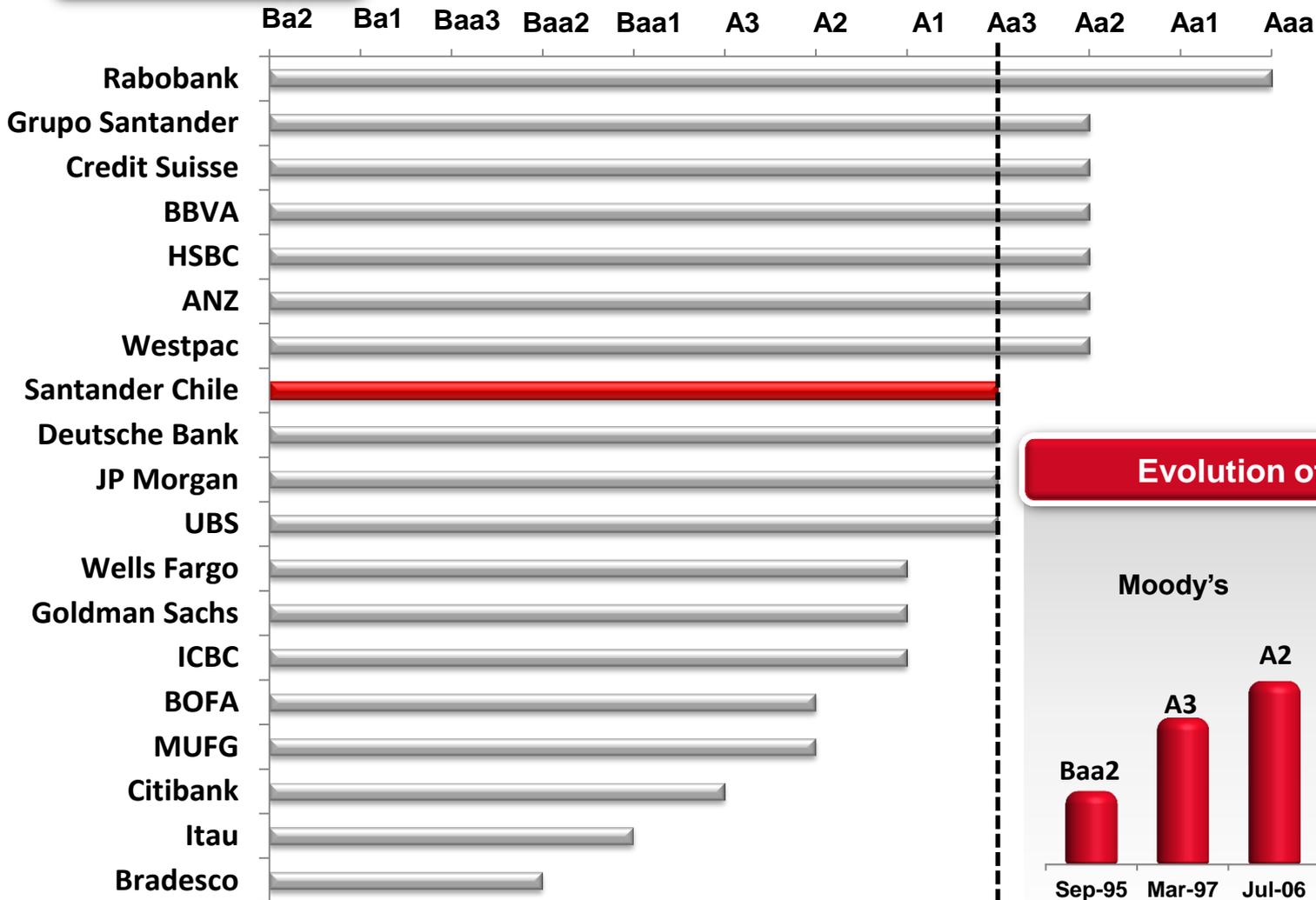
Regulatory Capital / Risk-weighted Assets



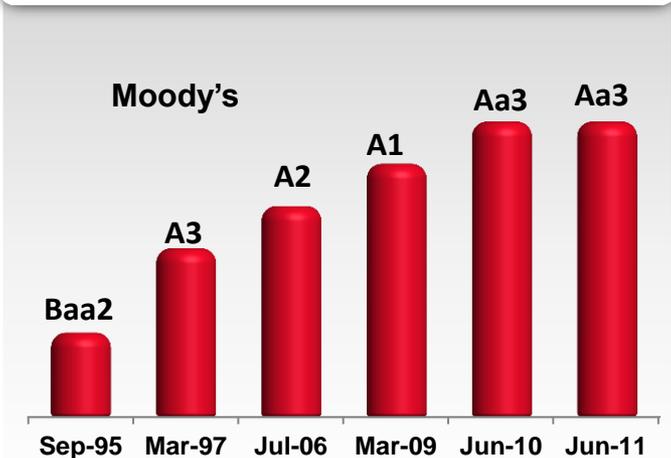
\* Sight Deposits + Time Deposits. \*\* As of June

# Santander Chile: the highest rated company in Latam

## Risk rating



## Evolution of risk rating



Source: Moody's via Bloomberg

# Summary performance & franchise Santander Chile

**Chile's strongest franchise** ✓

**Best financial indicators** ✓

**Solid balance sheet** ✓

**Consistently  
delivering solid  
results** ✓

**Santander: well prepared for the future**

1 Business evolution

2 Business environment

3 Strategy

4 Outlook 2011 / 2013

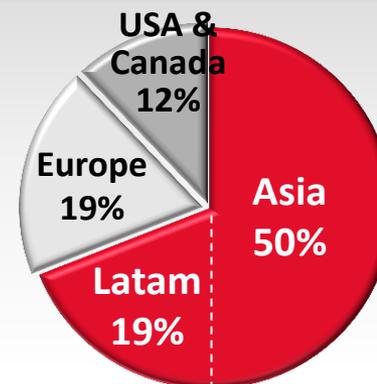
# Chile: strong fundamentals

Chile has solid institutions and a diversified economy

## General figures

- **GDP:** US\$260bn
- **GDP per capita (PPP):** US\$15,400
- **Exports/GDP:** 35%
- **Savings / GDP:** 24%
- **Net public debt\*:** -8%
- **Investment grade:** since 1992
- **Current ratings:** AA- / Aa3

## Exports by destination



## GDP by sectors



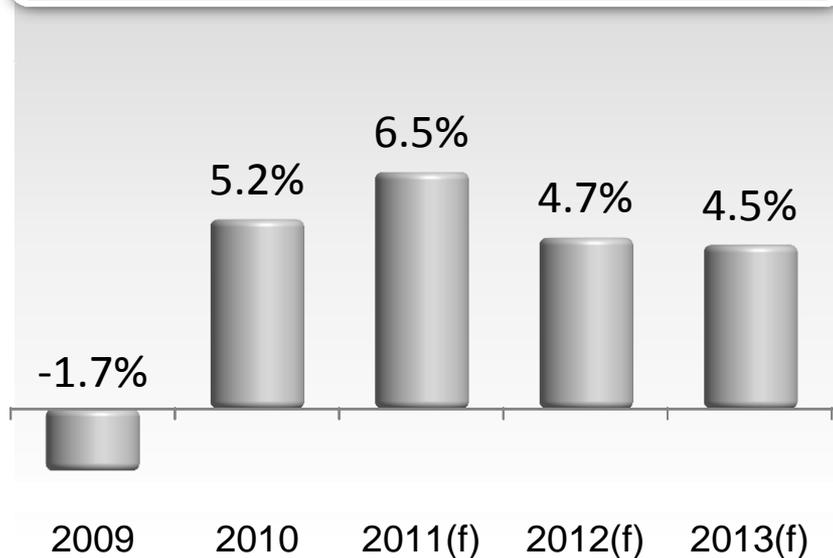
Figures for 2010. \* Gross debt – financial assets held by government. Does not include Central Bank's reserves.

Source: Banco Central de Chile

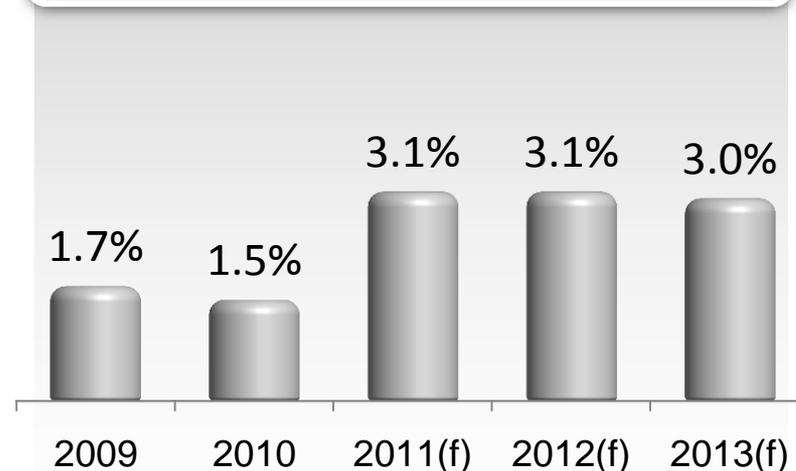
# Chile: strong fundamentals

Despite a weaker external outlook, Chile's economy is expected to show stable growth, in a non-inflationary environment

## GDP (YoY growth, %)



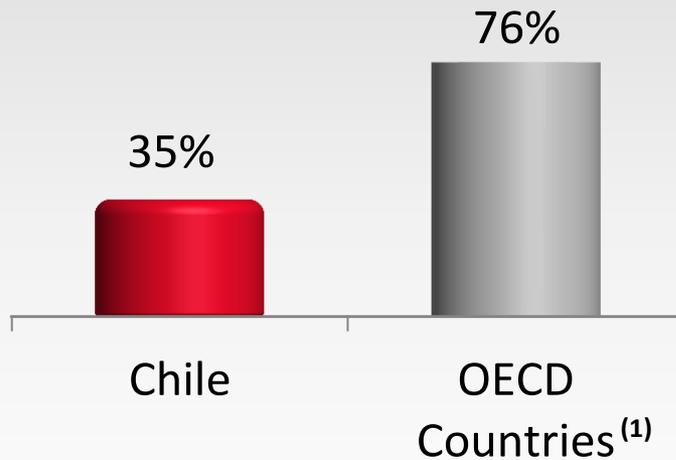
## Inflation (YoY change\*, %)



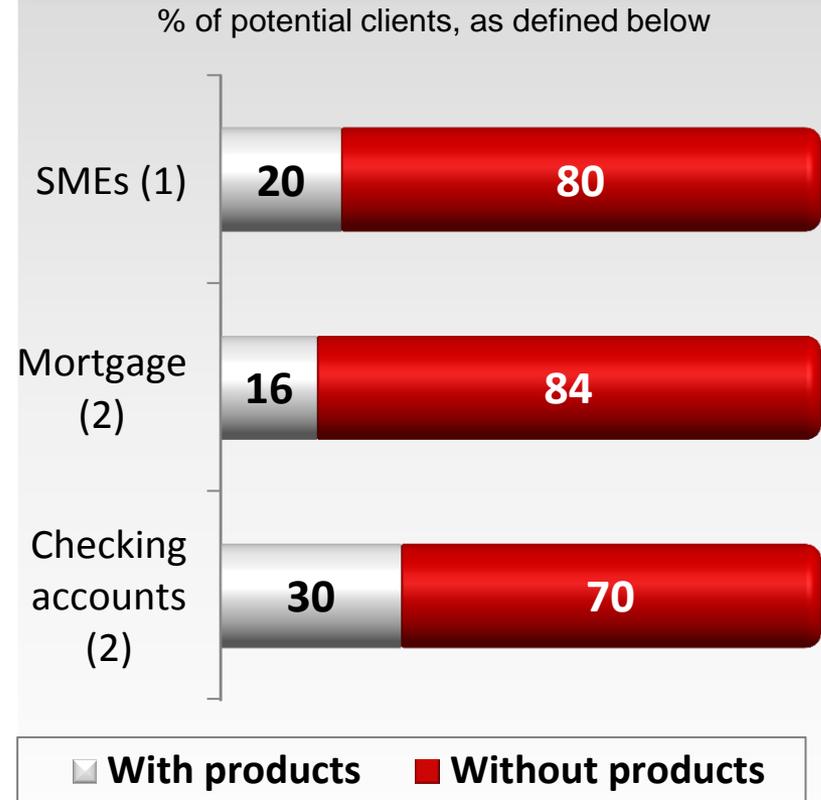
\* Year average CPI growth. Source: International Monetary Fund, September 2011

# A financial market with ample room to grow

## Household debt / GDP



## Clients with banking products



(1) Data as of 2008 , except Chile: 2010. Includes: Poland, Italy, France, Germany, Sweden, USA, Australia, Denmark, Korea, & Taiwan. Source: Central Bank of Chile, OECD, McKinsey and IMF

(1) Based on total SME universe ( 1.0 million) as estimated by the Ministry of Finance. (2) As a proportion of Chile's total labor force (8.0 million) as of Dec. 2010. Source: National Institute of Statistics, Superintendency of Banks and Ministry of Finance of Chile

# Stable GDP fueling expansion of banking sector: 3 main drivers of bank penetration

## 1. New clients

- Higher income levels will increase the amount of bankable clients
- GDP growth will increase the number of bankable SMEs

## 2. More cross-selling

- Current clients demanding more financial products
- Clients preferring banks vs non-bank lenders

## 3. Greater product usage

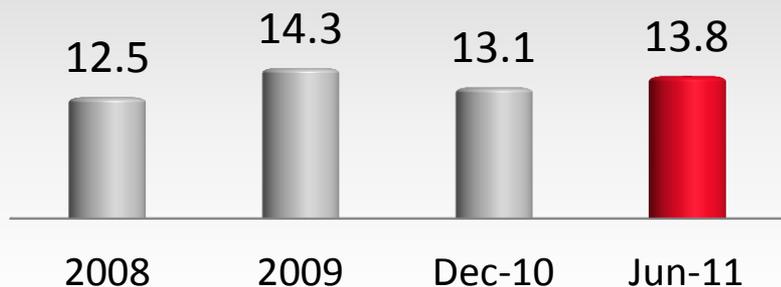
## Sector loan growth

Loan vs GDP growth  
(Average 2002-2010)

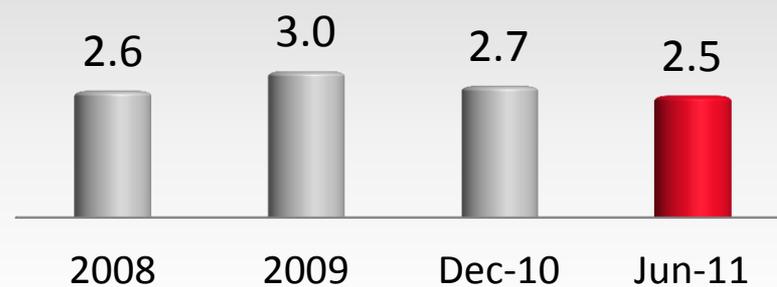
1.8x  
GDP

# Growing with a solid base

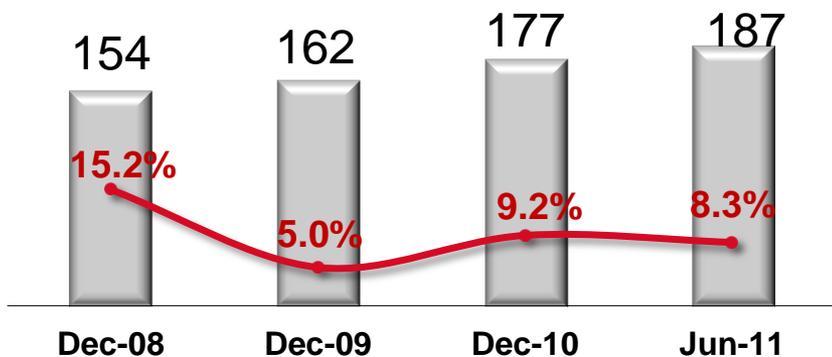
## Financial system BIS ratio (%)



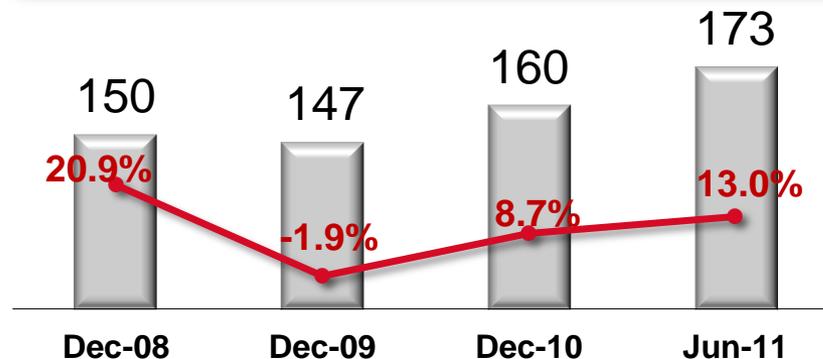
## Financial system asset quality<sup>1</sup> (%)



## Customer funds<sup>2</sup>



## Loans



Volume in US\$ Bn<sup>3</sup>
 YoY growth, %

**Growth will offset negative effects of regulatory changes**

# Summary business environment

**Chile: strong fundamentals** ✓

**Low risk/growth environment** ✓

**Expanding financial system** ✓

**Good growth potential** ✓

**A solid  
operating  
environment** ✓

**1** Business evolution

**2** Business environment

**3** Strategy

**4** Outlook 2011 / 2013

# Santander Chile: strategy 2011-2013

**I. Deepening our focus on commercial banking...**

**II. ... while improving client relationship management**

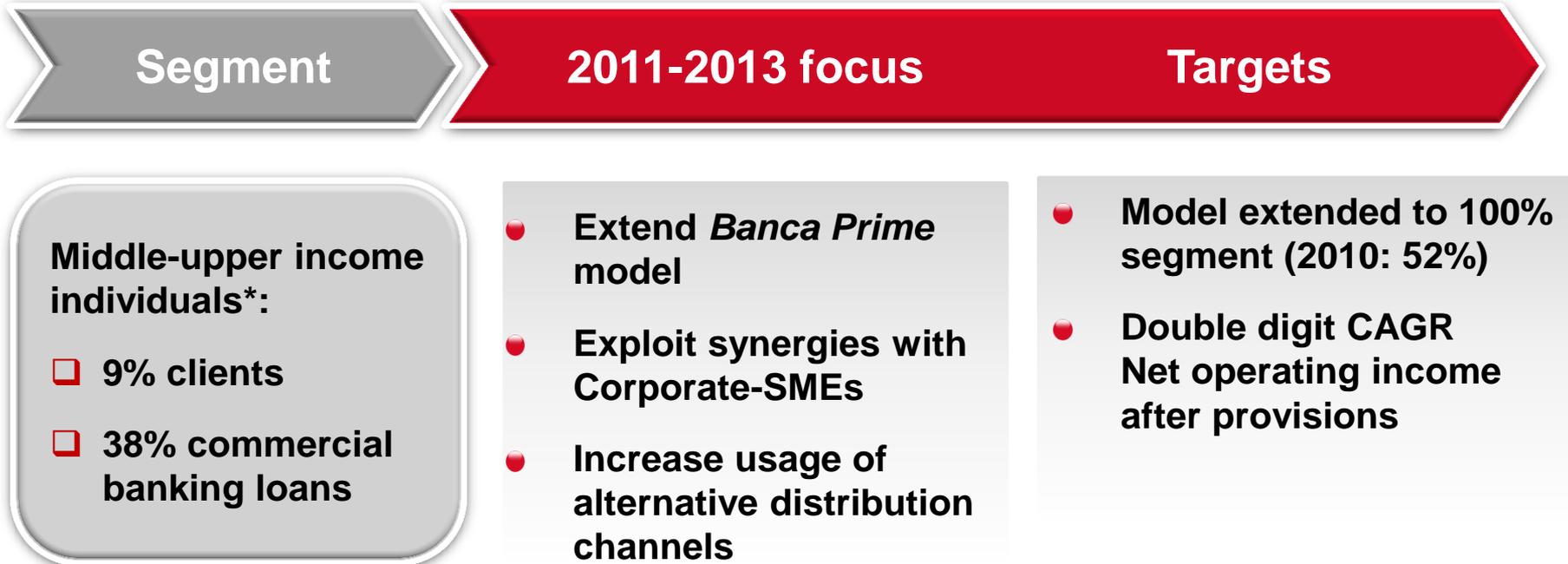
**III. Expanding efficiently...**

**IV. ... while managing risks conservatively**

**Solid growth  
& sustainable  
ROEs**



# I. Deepening our focus on commercial banking: Middle-upper income individuals



\* Figures as % of Commercial Banking

# I. Deepening our focus on commercial banking: Mass market



\* Figures as % of Commercial Banking

# I. Deepening our focus on commercial banking: SMEs

Segment	2011-2013 focus	Targets
<b>Mid-sized SMEs*:</b> <ul style="list-style-type: none"><li>❑ 7% clients</li><li>❑ 16% commercial banking loans</li></ul>	<ul style="list-style-type: none"><li>● Leader in state-guaranteed loans</li><li>● Support internationalization of SMEs</li><li>● Deepen transactional relations with customers</li><li>● For larger: focus in value added products</li></ul>	<ul style="list-style-type: none"><li>● Double digit CAGR of cross-sold clients</li><li>● Double digit CAGR of Net op. income after provisions</li></ul>
<b>Large SMEs*:</b> <ul style="list-style-type: none"><li>❑ 1% clients</li><li>❑ 26% commercial banking loans</li></ul>		

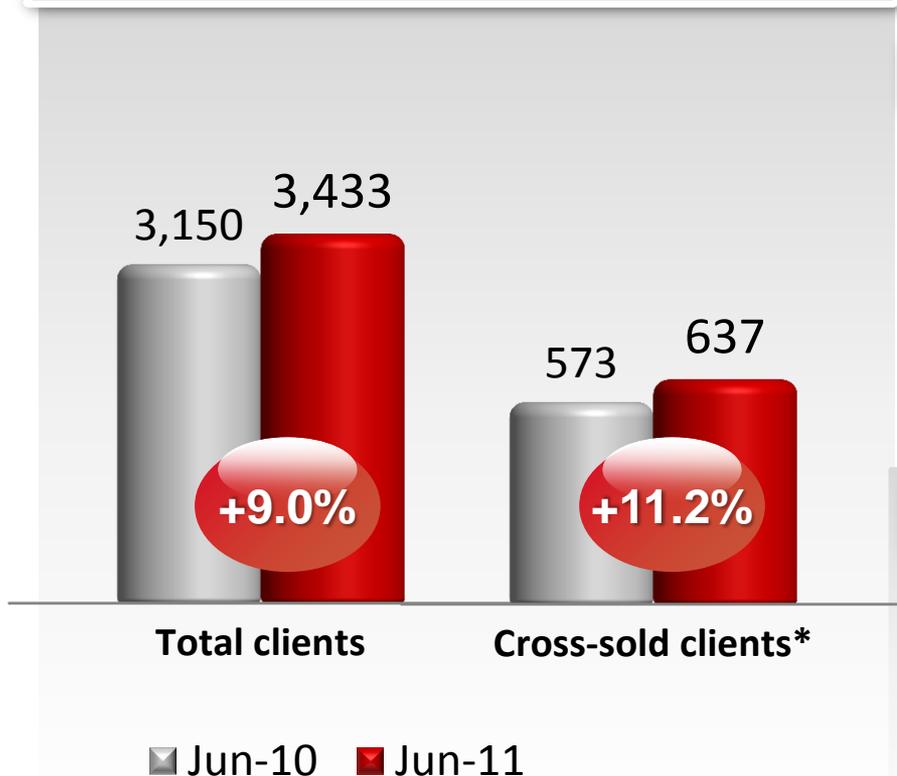
\* Figures as % of Commercial Banking

## II. Improving our client relationship management

Alliances as driver to grow on client base  
CRM / market intelligence as driver for further cross-selling

Client base (Ths.)

2011-2013



### Focus:

- N° 1 priority : client service
- Fully exploit alliances
- Upgrade of value offer / service models
- New CRM

### Targets:

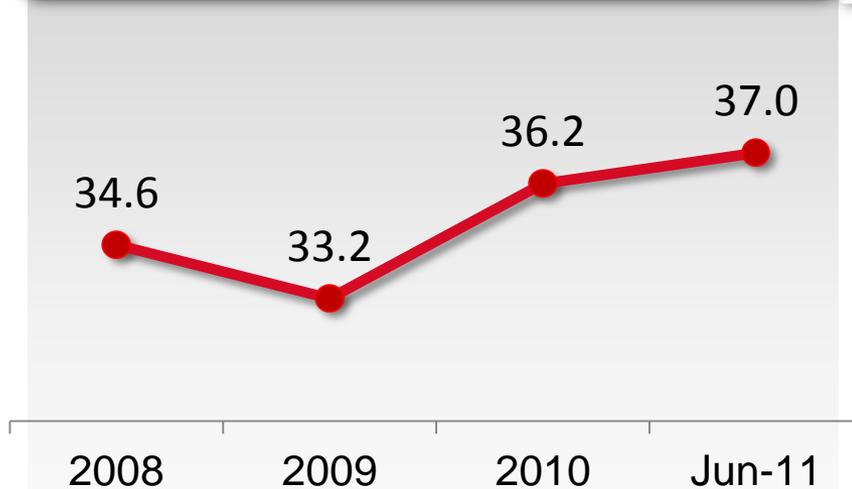
- Top 2 in service among peers
- 20% growth in number of clients
- 15% CAGR in cross-sold clients

\* Cross-sold: for clients in Banefe (mass market unit) are those with at least two products, one of which is a loan product plus direct deposit. In the Bank, is a client that uses at least 4 products regularly

# III. Expanding efficiently

## Efficiently expanding commercial banking activities

### Evolution of efficiency (%)



### 2011-2013

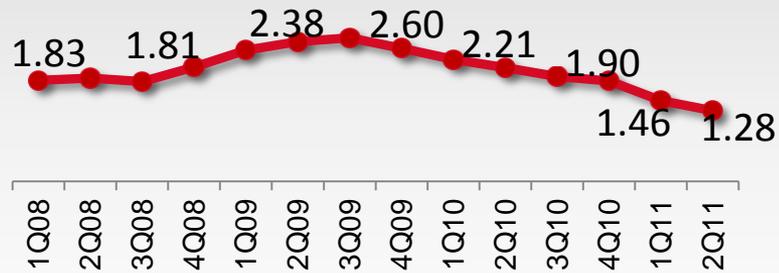
#### Improved efficiency:

- Simplify / streamline product offer
- Increased use of remote channels
- Upgrade core systems
- Top of the line processes
- Target: Cost/Income: ~ 35-37%

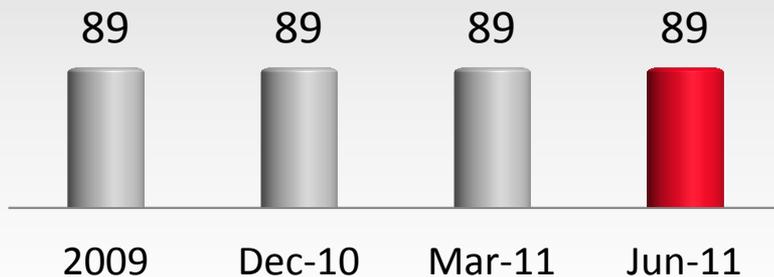
# IV. Conservative management of risks

Target is to maintain risk premium

## Evolution of risk premium<sup>1</sup> (%)



## Evolution of coverage (%)



## 2011-2013

### Conservative risk management:

- Improved credit models for individuals and SMEs
- Increase feedback of growth opportunities to commercial teams

# Index

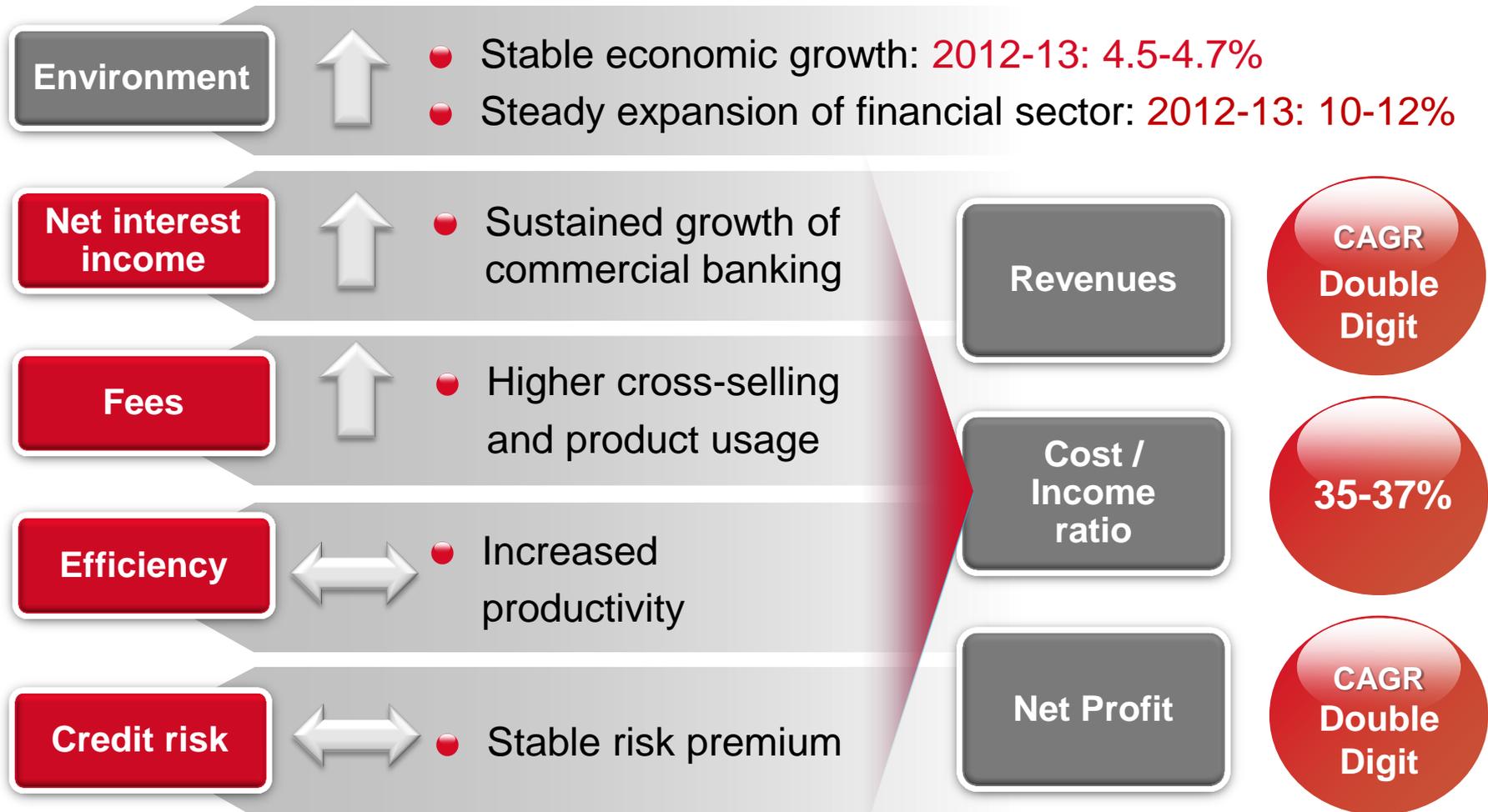
**1** Business evolution

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# Outlook 2011-2013



**In the central scenario, Santander Chile should continue delivering solid profitability**

## In summary...



**A positive  
operating  
environment**



**Santander Chile  
has consistently  
delivered solid  
results**



**2011-2013  
strategy:  
Solid growth  
& ROEs**

