

BANCO SANTANDER CHILE
Form 20-F
April 30, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F
(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 1-14554

BANCO SANTANDER-CHILE

(d/b/a Santander, Banco Santander, Banco Santander Santiago, and Santander Santiago)
(Exact name of Registrant as specified in its charter)

SANTANDER-CHILE BANK

(d/b/a Santander, Banco Santander, Santander Santiago Bank, and Santander Santiago)
(Translation of Registrant's name into English)

Chile

(Jurisdiction of incorporation or organization)

Bandera 140

Santiago, Chile

Telephone: 011-562-320-2000

(Address of principal executive offices)

Robert Moreno Heimlich

Tel: 562-320-8284, Fax: 562-696-1679, email:rmorenoh@santander.cl

Bandera 140, 19th Floor, Santiago, Chile

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which
registered

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American Depositary Shares (“ADS”), each representing the right to receive 1,039 Shares of Common Stock without par value
New York Stock Exchange
Shares of Common Stock, without par value* New York Stock Exchange

*Santander-Chile’s shares of common stock are not listed for trading, but only in connection with the registration of the American Depositary Shares pursuant to the requirements of the New York Stock Exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

7.375% Subordinated Notes due 2012

(Title of Class)

The number of outstanding shares of each class of common stock of Banco Santander-Chile at December 31, 2011, was:

188,446,126,794 Shares of Common Stock, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-Accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

TABLE OF CONTENTS

	Page
<u>CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS</u>	1
<u>CERTAIN TERMS AND CONVENTIONS</u>	2
<u>PRESENTATION OF FINANCIAL INFORMATION</u>	3
<u>PART I</u>	6
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS</u>	6
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	6
<u>ITEM 3. KEY INFORMATION</u>	6
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	24
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	41
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	42
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	116
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	130
<u>ITEM 8. FINANCIAL INFORMATION</u>	136
<u>ITEM 9. THE OFFER AND LISTING</u>	137
<u>ITEM 10. ADDITIONAL INFORMATION</u>	138
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	156
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	170
<u>PART II</u>	171
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	171
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	171
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	171
<u>ITEM 16. [RESERVED]</u>	174
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	174
<u>ITEM 16B. CODE OF ETHICS</u>	174
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	175
<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	175
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	175
<u>ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	175
<u>ITEM 16G. CORPORATE GOVERNANCE</u>	175
<u>ITEM 16H. MINE SAFETY DISCLOSURE</u>	177
<u>PART III</u>	177
<u>ITEM 17. FINANCIAL STATEMENTS</u>	177
<u>ITEM 18. FINANCIAL STATEMENTS</u>	177
<u>ITEM 19. EXHIBITS</u>	177

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made statements in this Annual Report on Form 20-F that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements appear throughout this report and include statements regarding our intent, belief or current expectations regarding:

- asset growth and alternative sources of funding
 - growth of our fee-based business
 - financing plans
 - impact of competition
 - impact of regulation
 - exposure to market risks including:
 - interest rate risk
 - foreign exchange risk
 - equity price risk
 - projected capital expenditures
 - liquidity
 - trends affecting:
 - our financial condition
 - our results of operation

The sections of this Annual Report which contain forward-looking statements include, without limitation, “Item 3: Key Information—Risk Factors,” “Item 4: C. Business Overview—Competition,” “Item 5: Operating and Financial Review and Prospects,” “Item 8: A. Consolidated Statements and Other Financial Information—Legal Proceedings,” and “Item 11: Quantitative and Qualitative Disclosures About Market Risk.” Our forward-looking statements also may be identified by words such as “believes,” “expects,” “anticipates,” “projects,” “intends,” “should,” “could,” “may,” “seeks,” “aim,” “combination,” “probability,” “risk,” “VaR,” “target,” “goal,” “objective,” “future” or similar expressions.

You should understand that the following important factors, in addition to those discussed elsewhere in this Annual Report and in the documents which are incorporated by reference, could affect our future results and could cause those results or other outcomes to differ materially from those expressed in our forward-looking statements:

-

changes in capital markets in general that may affect policies or attitudes towards lending to Chile or Chilean companies

- changes in economic conditions
 - the monetary and interest rate policies of the Banco Central de Chile (the “Central Bank”)
 - inflation
 - deflation
-

Table of Contents

- unemployment
- increases in defaults by our customers and in impairment losses
 - decreases in deposits
 - customer loss or revenue loss
 - unanticipated turbulence in interest rates
 - movements in foreign exchange rates
 - movements in equity prices or other rates or prices
 - changes in Chilean and foreign laws and regulations
 - changes in taxes
- competition, changes in competition and pricing environments
 - our inability to hedge certain risks economically
 - the adequacy of loss allowances
 - technological changes
 - changes in consumer spending and saving habits
 - increased costs
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms
 - changes in, or failure to comply with, banking regulations
- our ability to successfully market and sell additional services to our existing customers
 - disruptions in client service
 - natural disasters
 - implementation of new technologies
- an inaccurate or ineffective client segmentation model

You should not place undue reliance on such statements, which speak only as of the date at which they were made. The forward-looking statements contained in this report speak only as of the date of this Annual Report, and we do not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

CERTAIN TERMS AND CONVENTIONS

As used in this Annual Report, “Santander-Chile”, “the Bank”, “we,” “our” and “us” or similar terms refer to Banco Santander Chile together with its consolidated subsidiaries.

When we refer to “Banco Santander Spain” or “Santander Spain”, we refer to our parent company, Banco Santander, S.A.

As used in this Annual Report, the term “billion” means one thousand million (1,000,000,000).

Table of Contents

In this Annual Report, references to “\$”, “US\$”, “U.S. dollars” and “dollars” are to United States dollars, references to “Chilean pesos,” “pesos” or “Ch\$” are to Chilean pesos and references to “UF” are to Unidades de Fomento. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index (“CPI”) of the Instituto Nacional de Estadísticas (the Chilean National Institute of Statistics) for the previous month. See “Item 5: Operating and Financial Review and Prospects”.

In this Annual Report, references to the Audit Committee are to the Bank’s Comité de Directores y Auditoría.

In this Annual Report, references to “BIS” are to the Bank for International Settlement, and references to “BIS ratio” are to the capital adequacy ratio as calculated in accordance with the Basel Capital Accord.

PRESENTATION OF FINANCIAL INFORMATION

Santander-Chile is a Chilean bank and maintains its financial books and records in Chilean pesos and prepares its audited consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

As required by local regulations, our locally filed consolidated financial statements have been prepared in accordance with Chilean accounting principles issued by the Superintendency of Banks and Financial Institutions (“Chilean Bank GAAP” and the “SBIF,” respectively). The accounting principles issued by the SBIF are substantially similar to IFRS but there are some exceptions. Therefore, our locally filed consolidated financial statements have been adjusted to IFRS in order to comply with the requirements of the Securities and Exchange Commission (the “SEC”). For further details and a discussion on main differences between Chilean Bank GAAP and IFRS refer to “Item 5. Operating and Financial Review and Prospects. —A. Accounting Standards Applied in 2011.”

The notes to the audited consolidated financial statements contain information in addition to that presented in the Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows. The notes provide narrative descriptions or details of these financial statements.

The audited consolidated financial statements included in this Annual Report have been prepared from accounting records maintained by the Bank and its subsidiaries.

The financial statements as of and for the years ended December 31, 2011, 2010 and 2009 were prepared in accordance with IFRS.

We have formatted our financial information according to the classification format for banks used in Chile. We have not reclassified the line items to comply with Article 9 of Regulation S-X. Article 9 is a regulation of the SEC that contains formatting requirements for bank holding company financial statements.

To achieve the strategic objectives adopted by the top management and adapt to changing market conditions, the Bank makes changes in its organization from time to time, which in turn have a greater or lesser impact on how it is managed or administered. During 2011, the Bank made certain changes in its accounting criteria and elected to apply these changes retroactively to its financial statements for the years 2010 and 2009 to make them comparable to its 2011 financial statements. As the transfer cost of liquidity has been consistently different from the referential yield curve used to calculate internal transfer prices, the Bank elected to modify the method for calculating the Internal Transfer Rate (ITR) used to determine the profitability of its different business segments. Before this change, the Bank established the ITR for each of its lending and deposit operation based on the maturity of each operation on a

case-by-case basis regardless of whether the operation was an asset or liability. Since 2011, the ITR is calculated based on the business segment. This change in method is consistent with our internal criteria for business segmentation and improves the process of establishing our operational prices as it delivers a more precise assessment of the profitability of our business segments. Implementation of these changes did not create any significant difference for the Bank's results of operations. Please see Note 4 to our 2011 financial statements for a qualitative and quantitative analysis of the changes resulting from the new accounting criteria.

Table of Contents

Our auditors, Deloitte Auditores y Consultores Limitada, an independent registered public accounting firm, have audited our consolidated financial statements in respect of the years ended December 31, 2011, 2010, and 2009 included in this Annual Report in accordance with IFRS (our “Audited Consolidated Financial Statements”). See page F-1 to our consolidated financial statements for the 2011, 2010 and 2009 report prepared by Deloitte Auditores y Consultores Limitada.

Functional and Presentation currency

The Chilean peso is the currency of the primary economic environment in which the Bank operates and the currency which influences its structure of costs and revenues, as such and in accordance with International Accounting Standard 21 – The Effects of Changes in Foreign Exchange Rates has been defined as the functional and presentation currency. Accordingly, all balances and transactions denominated in currencies other than the Chilean peso are treated as “foreign currency.”

For presentation purposes we have translated millions of Chilean pesos (Ch\$ million) into thousands of US dollars (ThUS\$) using the rate as indicated below under “Exchange Rates”, for the Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flow for the period ended as of December 31, 2011.

Loans

Unless otherwise specified, all references herein (except in the Audited Consolidated Financial Statements) to loans are to loans and financial leases before deduction for loan loss allowance, and, except as otherwise specified, all market share data presented herein are based on information published periodically by the SBIF. Non-performing loans include loans for which either principal or interest is overdue, and which do not accrue interest. Restructured loans for which no payments are overdue are not ordinarily classified as non-performing loans. Past due loans include, with respect to any loan, only the portion of principal and interest that is overdue for 90 or more days, and do not include the installments of such loan that are not overdue or that are overdue for less than 90 days, unless legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan, in which case the entire loan is considered past due within 90 days after initiation of such proceedings. See “Item 5: F. Selected Statistical Information—Classification of Loan Portfolio Based on the Borrower’s Payment Performance.”

According to IFRS, a loan is evaluated on each financial statement reporting date to determine whether objective evidence of impairment exists. A loan will be impaired if, and only if, objective evidence of impairment exists as a result of one or more events that occurred after the initial recognition of the loan, and such event or events have an impact on the estimated future cash flows of such loan that can be reliably estimated. It may not be possible to identify a single event that was the individual cause of the impairment.

An impairment loss relating to a loan is calculated as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the effective interest rate.

Individually significant loans are individually tested for impairment. The remaining financial assets are evaluated collectively in groups with similar credit risk characteristics.

The reversal of an impairment loss occurs only if it can be objectively related to an event occurring after the initial impairment loss was recorded. In the case of loans recorded at amortized cost, the reversal is recorded in income. See “Item 5: F. Selected Statistical Information—Analysis of Loan Loss Allowance.”

Outstanding loans and the related percentages of our loan portfolio consisting of corporate and consumer loans in the section entitled “Item 4: C. Business Overview” are categorized based on the nature of the borrower. Outstanding loans and related percentages of our loan portfolio consisting of corporate and consumer loans in the section entitled “Item 5: F. Selected Statistical Information” are categorized in accordance with the reporting requirements of the SBIF, which are based on the type and term of loans. This disclosure is consistent with IFRS.

Table of Contents

Effect of Rounding

Certain figures included in this Annual Report and in the Audited Consolidated Financial Statements have been rounded up for ease of presentation. Percentage figures included in this Annual Report have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts in this Annual Report may vary from those obtained by performing the same calculations using the figures in the Audited Consolidated Financial Statements. Certain other amounts that appear in this Annual Report may not sum due to rounding.

Economic and Market Data

In this Annual Report, unless otherwise indicated, all macroeconomic data related to the Chilean economy is based on information published by the Central Bank, and all market share and other data related to the Chilean financial system is based on information published by the SBIF and our analysis of such information. Information regarding the consolidated risk index of the Chilean financial system as a whole is not available.

Exchange Rates

This Annual Report contains translations of certain Chilean peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Chilean peso amounts actually represent such U.S. dollar amounts, were converted from U.S. dollars at the rate indicated in preparing the Audited Consolidated Financial Statements, could be converted into U.S. dollars at the rate indicated, were converted or will be converted at all.

Unless otherwise indicated, all the U.S. dollar amounts at any period end, for any period have been translated from Chilean pesos based on the interbank market rate published by Reuters at 1:30 pm on the last business day of the period. On December 31, 2010 and 2011, the exchange rate in the Informal Exchange Market as published by Reuters at 1:30 pm on these days was Ch\$467.95 and Ch\$520.35, or 0.09% and 0.21% less, respectively, than the published observed exchange rate for such date of Ch\$468.37 and Ch\$521.46, respectively, per US\$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for the Chilean peso. For more information on the observed exchange rate. See “Item 3: A. Selected Financial Data—Exchange Rates.”

On January 3, 2011, Chile’s Central Bank announced plans to increase its total international reserves by US\$12 billion in 2011. The Central Bank bought US\$50 million a day from January 5 to December 16 completing the program. We expect the effect of any new similar purchases will be to devalue the peso against the dollar, although actual outcomes could differ due to macroeconomic and other factors. As of April 30, 2012, there have been no further announcements from the Central Bank regarding a new program.

As of December 31, 2010 and December 31, 2011, one UF was equivalent to Ch\$21,455.55 and Ch\$22,294.03; respectively. The U.S. dollar equivalent of one UF was U.S.\$42.75 as of December 31, 2011, using the observed exchange rate reported by the Central Bank as of December 31, 2011, of Ch\$521.46 per U.S.\$1.00.

Table of Contents

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following table presents historical financial information about us as of the dates and for each of the periods indicated. The following table should be read in conjunction with, and is qualified in its entirety by reference to, our Audited Consolidated Financial Statements appearing elsewhere in this Annual Report. Our Audited Consolidated Financial Statements and notes as of and for the years ended December 31, 2011, 2010 and 2009 included in this Annual Report are prepared in accordance with IFRS and therefore differ in some respects from the financial statements at and for the years ended December 31, 2011, 2010, 2009 and 2008, previously issued locally by the Bank in Chile in accordance with Chilean Bank GAAP.

We have selected the following financial information from our Audited Consolidated Financial Statements. You should read this information in connection with, and this information is qualified in its entirety by reference to, such financial statements.

	2011	2011	As of December 31, 2010	2009	2008
	In US\$ thousands(1)		In Ch\$ millions(2)		
CONSOLIDATED STATEMENT OF INCOME DATA (IFRS)					
Net interest income	1,868,550	972,300	939,719	856,516	892,066
Provision for loan losses	(607,547)	(316,137)	(253,915)	(333,145)	(287,983)
Net fee and commission income	533,940	277,836	263,582	254,130	243,129
Operating costs(3)	(962,852)	(501,020)	(451,936)	(407,894)	(428,168)
Other income, net(4)	97,777	50,878	95,365	155,927	61,665
Income before tax	929,868	483,857	592,815	525,534	480,709
Income tax expense	(148,348)	(77,193)	(85,343)	(88,924)	(59,742)
Net income for the period	781,520	406,664	507,472	436,610	420,967
Net income attributable to:					
Bank shareholders	772,044	401,733	505,393	431,557	413,370
Non-controlling interests	9,476	4,931	2,079	5,053	7,597
Net income attributable to Bank shareholders per share	0.004	2.13	2.68	2.29	2.19
Net income attributable to Bank shareholders per ADS(5)	4.26	2,215	2,786	2,379	2,279
Weighted-average shares outstanding (in millions)		188,446.13	188,466.13	188,446.13	188,446.13

Weighted-average ADS outstanding (in millions)		181.373	181.373	181.373	181.373
CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA (IFRS)					
Cash and deposits in banks	5,368,888	2,793,701	1,762,198	2,043,458	855,411
Financial investments (6)	4,005,001	2,084,002	2,024,635	2,642,649	2,746,666
Loans before allowance from loan losses	33,505,875	17,434,782	15,727,282	13,751,276	14,681,088
Loan loss allowance	(938,730)	(488,468)	(425,447)	(349,527)	(274,240)
Financial derivative contracts (assets)	3,078,497	1,601,896	1,624,378	1,393,878	1,846,509

Table of Contents

	As of December 31,				
	2011 In US\$ thousands(1)	2011	2010	2009	2008
Other assets (7)	2,388,931	1,243,080	1,377,668	1,291,141	1,229,073
Total assets	47,408,462	24,668,993	22,090,714	20,772,875	21,084,507
Deposits (8)	25,626,845	13,334,929	11,495,191	10,708,791	12,704,428
Other interest bearing liabilities (9)	13,960,432	7,264,311	6,235,959	6,232,982	4,769,980
Financial derivative contracts (liabilities)	2,483,717	1,292,402	1,643,979	1,348,906	1,469,724
Total equity (10)	4,025,210	2,094,518	1,937,977	1,689,903	1,517,649
Equity attributable to Bank shareholders (11)	3,960,252	2,060,717	1,906,168	1,660,104	1,491,770

	As of December 31,							
	2011	2010	2009	2008				
CONSOLIDATED RATIOS (IFRS)								
Profitability and performance:								
Net interest margin(11)	4.8	%	5.4	%	5.3	%	5.7	%
Return on average total assets(12)	1.7	%	2.4	%	2.2	%	2.3	%
Return on average equity(13)	20.4	%	29.0	%	27.3	%	32.4	%
Capital:								
Average equity as a percentage of average total assets(14)	8.3	%	8.4	%	8.0	%	7.0	%
Total liabilities as a multiple of equity(15)	10.8		10.4		11.3		12.9	
Credit Quality:								
Non-performing loans as a percentage of total loans(16)	2.93	%	2.65	%	2.97	%	2.61	%
Allowance for loan losses as percentage of total loans	2.80	%	2.71	%	2.54	%	1.87	%
Operating Ratios:								
Operating expenses /operating revenue(17)	41.5	%	37.0	%	34.2	%	37.7	%
Operating expenses /average total assets	2.34	%	2.2	%	2.2	%	2.5	%

OTHER DATA

CPI Inflation Rate (18)	4.4	%	3.0	%	(1.4)%	7.1	%
Revaluation (devaluation) rate (Ch\$/US\$) at period end(18)	11.3	%	(7.5)%	(19.5)%	26.9	%
Number of employees at period end	11,566		11,001		11,118		11,592	
Number of branches and offices at period end	499		504		498		505	

(1) Amounts stated in U.S. dollars at and for the year ended December 31, 2011, have been translated from Chilean pesos at the interbank market exchange rate of Ch\$520.35 = US\$1.00 as of December 31, 2011. See “Item 3: A. Selected Financial Data—Exchange Rates” for more information on the observed exchange rate.

(2) Except per share data, percentages and ratios, share numbers, employee numbers and branch numbers.

(3) Operating costs is equal to the sum of the line items on personnel salaries and expenses, administrative expenses, depreciation and amortization and impairment within our Consolidated Statements of Income.

(4) Other income, net is the sum of the line items on other operating income, net income from financial operations (net trading income), foreign exchange transactions, income from investment in other companies less other operating expense within our Consolidated Statements of Income.

- (5) 1 ADS = 1,039 shares of common stock.
- (6) Includes the line items on trading investments, investments under resale agreements, investments available for sale and investments held to maturity within our Consolidated Statements of Financial Position.
- (7) Includes the line items on cash items in process of collection, investments in other companies, intangible assets, property, plant and equipment, current taxes, deferred taxes and other assets within our Consolidated Statements of Financial Position.
- (8) Deposits is equal to the sum of the line items on deposits and other demand liabilities and time deposits and other time liabilities within our Consolidated Statements of Income.
- (9) Other interest bearing liabilities is equal to the sum of the line items on obligations under repurchase agreements, interbank borrowings, issued debt instruments and other financial liabilities within our Consolidated Statements of Income.

Table of Contents

- (10) Equity includes equity attributable to Bank shareholders plus non-controlling interests less allowance for mandatory dividends. Provision for mandatory dividends is made pursuant to Article 79 of the Corporations Act, in accordance with the Bank's internal dividend policy, pursuant to which at least 30% of net income for the period is distributed, except in the case of a contrary resolution adopted at the respective shareholders' meeting by the unanimous vote of the outstanding shares.
- (11) Net interest income divided by average interest earning assets (as presented in "Item 5: F. Selected Statistical Information").
- (12) Net income for the period divided by average total assets (as presented in "Item 5: F. Selected Statistical Information").
- (13) Net income for the period divided by average equity (as presented in "Item 5: F. Selected Statistical Information").
- (14) This ratio is calculated using total equity including non-controlling interest.
- (15) Total liabilities divided by equity.
- (16) Non-performing loans include the aggregate unpaid principal and accrued but unpaid interest on all loans with at least one installment over 90 days overdue.
- (17) The efficiency ratio is equal to operating expenses over operating income. Operating expenses includes personnel salaries and expenses, administrative expenses, depreciation and amortization, impairment and other operating expenses. Operating income includes net interest income, net fee and commission income, net income from financial operations (net trading income), foreign exchange profit (loss), net and other operating income.
- (18) Based on information published by the Central Bank.

Exchange Rates

Chile has two currency markets, the Mercado Cambiario Formal, or the Formal Exchange Market, and the Mercado Cambiario Informal, or the Informal Exchange Market. According to Law 18,840, the organic law of the Central Bank, and the Central Bank Act (Ley Orgánica Constitucional del Banco Central de Chile), the Central Bank determines which purchases and sales of foreign currencies must be carried out in the Formal Exchange Market. Pursuant to Central Bank regulations which are currently in effect, all payments, remittances or transfers of foreign currency abroad which are required to be effected through the Formal Exchange Market may be effected with foreign currency procured outside the Formal Exchange Market. The Formal Exchange Market is comprised of the banks and other entities so authorized by the Central Bank. The Informal Exchange Market is comprised of entities that are not expressly authorized to operate in the Formal Exchange Market, such as certain foreign exchange houses and travel agencies, among others. The Central Bank is empowered to require that certain purchases and sales of foreign currencies be carried out on the Formal Exchange Market. The conversion from pesos to U.S. dollars of all payments and distributions with respect to the ADSs described in this Annual Report must be transacted at the spot market rate in the Formal Exchange Market.

Both the Formal and Informal Exchange Markets are driven by free market forces. Current regulations require that the Central Bank be informed of certain transactions and that they be effected through the Formal Exchange Market. In order to keep the average exchange rate within certain limits, the Central Bank may intervene by buying or selling foreign currency on the Formal Exchange Market.

The U.S.\$ Observed Exchange Rate (dólar observado), which is reported by the Central Bank and published daily in the Chilean newspapers, is the weighted average exchange rate of the previous business day's transactions in the Formal Exchange Market. The Central Bank has the power to intervene by buying or selling foreign currency on the Formal Exchange Market to attempt to maintain the Observed Exchange Rate within a desired range. Even though the Central Bank is authorized to carry out its transactions at the Observed Exchange Rate, it generally uses spot rates for its transactions. Other banks generally carry out authorized transactions at spot rates as well.

Purchases and sales of foreign currencies may be legally carried out in the Informal Exchange Market. The Informal Exchange Market reflects transactions carried out at informal exchange rates by entities not expressly authorized to operate in the Formal Exchange Market. There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the Observed Exchange Rate. In recent years, the variation between the Observed Exchange Rate and the Informal Exchange Rate has not been significant. On December 31, 2010 and 2011, the exchange rate in the Informal Exchange Market as published by Reuters at 1:30 pm on these days was Ch\$467.95 and Ch\$520.35, or 0.09% and 0.21% less, respectively, than the published observed exchange rate for such date of Ch\$468.37 and Ch\$521.46, respectively, per US\$1.00.

Table of Contents

The following table sets forth the annual low, high, average and period-end observed exchange rate for U.S. dollars for each of the following periods, as reported by the Central Bank. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. The Federal Reserve Bank of New York does not report a noon buying rate for pesos.

Year	Daily Observed Exchange Rate Ch\$ Per US\$(1)			
	Low(2)	High(2)	Average(3)	Period End(4)
2007	493.14	548.67	522.69	495.82
2008	431.22	676.75	521.79	629.11
2009	491.09	643.87	559.67	506.43
2010	468.37	549.17	510.38	468.37
2011	455.91	533.74	483.36	521.46
Month				
October 2011	492.04	533.74	511.74	492.04
November 2011	490.29	526.83	508.44	524.25
December 2011	508.67	522.62	517.17	521.46
January 2012	485.35	519.20	501.34	488.99
February 2012	475.29	488.75	481.49	477.41
March 2012	476.27	491.57	485.40	489.76
April 2012 (until April 30, 2012)	482.17	489.64	486.00	483.41

Source: Central Bank.

- (1) Nominal figures.
- (2) Exchange rates are the actual low and high, on a day-by-day basis for each period.
- (3) The average of monthly average rates during the year.
- (4) As reported by the Central Bank on the first business day of the following period.

Dividends

Under the current General Banking Law, a Chilean bank may only pay a single dividend per year (i.e., interim dividends are not permitted). Santander-Chile's annual dividend is proposed by its Board of Directors and is approved by the shareholders at the annual ordinary shareholders' meeting held the year following that in which the dividend is generated. For example, the 2011 dividend must be proposed and approved during the first four months of 2012. Following shareholder approval, the proposed dividend is declared and paid. Historically, the dividend for a particular year has been declared and paid no later than one month following the shareholders' meeting. Dividends are paid to shareholders of record on the fifth day preceding the date set for payment of the dividend. The applicable record dates for the payment of dividends to holders of ADSs will, to the extent practicable, be the same.

Under the General Banking Law, a bank must distribute cash dividends in respect of any fiscal year in an amount equal to at least 30% of its net income for that year, as long as the dividend does not result in the infringement of minimum capital requirements. The balances of our distributable net income are generally retained for use in our business (including for the maintenance of any required legal reserves). Although our Board of Directors currently intends to pay regular annual dividends, the amount of dividend payments will depend upon, among other factors, our then current level of earnings, capital and legal reserve requirements, as well as market conditions, and there can be no assurance as to the amount or timing of future dividends.

Dividends payable to holders of ADSs are net of foreign currency conversion expenses of JPMorgan Chase Bank, N.A., as depositary (the “Depositary”) and will be subject to the Chilean withholding tax currently at the rate of 35% (subject to credits in certain cases as described in “Item 10: E. Taxation—Material Tax Consequences of Owning Shares of Our Common Stock or ADSs”).

Under the Foreign Investment Contract (as defined herein), the Depositary, on behalf of ADS holders, is granted access to the Formal Exchange Market to convert cash dividends from Chilean pesos to U.S. dollars and to

Table of Contents

pay such U.S. dollars to ADS holders outside Chile, net of taxes, and no separate registration by ADS holders is required. In the past, Chilean law required that holders of shares of Chilean companies who were not residents of Chile to register as foreign investors under one of the foreign investment regimes contemplated by Chilean law in order to have dividends, sale proceeds or other amounts with respect to their shares remitted outside Chile through the Formal Exchange Market. On April 19, 2001, the Central Bank deregulated the Exchange Market and eliminated the need to obtain approval from the Central Bank in order to remit dividends, but at the same time this eliminated the possibility of accessing the Formal Exchange Market. These changes do not affect the current Foreign Investment Contract, which was signed prior to April 19, 2001, which grants access to the Formal Exchange Market with prior approval of the Central Bank. See “Item 10: D. Exchange Controls.”

The following table presents dividends declared and paid by us in nominal terms in the past four years:

Year	Dividend				
	Ch\$ mn(1)	Per share Ch\$/share(2)	Per ADR Ch\$/ADR(3)	% over earnings(4)	% over earnings(5)
2009	213,295	1.13	1,176.00	65	52
2010	258,752	1.37	1,426.63	60	60
2011	286,294	1.52	1,578.48	60	57
2012(6)	261,050	1.39	1,439.08	60	65

(1) Million of nominal pesos.

(2) Calculated on the basis of 188,446 million shares.

(3) Calculated on the basis of 1,039 shares per ADS.

(4) Calculated by dividing dividend paid in the year by net income attributable to shareholders for the previous year as required by local regulations.

(5) Calculated by dividing dividend paid in the year by net income attributable to shareholders for the previous year under IFRS.

(6) Approved by shareholders on April 24, 2012

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the following risk factors, which should be read in conjunction with all the other information presented in this Annual Report. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that we do not know about or that we currently think are immaterial may also impair our business operations. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, prospects and financial condition.

We are subject to market risks that are presented both in this subsection and in “Item 5: Operating and Financial Review and Prospects” and “Item 11: Quantitative and Qualitative Disclosures about Market Risk.”

Risks Associated with Our Business

We are vulnerable to the current disruptions and volatility in the global financial markets and in the Eurozone.

In the past years, the global financial system has experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency on interbank lending rates. Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on our ability to access capital and liquidity on financial terms acceptable to us, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, we may be forced to raise the rates we pay on deposits to attract more customers. Any such increase in capital markets funding costs or deposit rates could have a material adverse effect on our interest margins.

Table of Contents

In 2011, the Eurozone has experienced difficult credit and liquidity conditions and market disruptions leading to less liquidity, greater volatility, and general economic weakening, including in Spain, the home of our controlling shareholder. Continued or worsening disruption and volatility in the Eurozone, especially Spain, could have a material adverse effect on our ability to access capital and liquidity on financial terms acceptable to us, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, we may be forced to raise the rates we pay on deposits to attract more customers. Any such increase in capital markets funding costs or deposit rates could have a material adverse effect on our profitability.

Increased competition and industry consolidation may adversely affect our results of operations.

The Chilean market for financial services is highly competitive. We compete with other private sector Chilean and non-Chilean banks, with Banco del Estado, the principal government-owned sector bank, with department stores and larger supermarket chains that make consumer loans and sell other financial products to a large portion of the Chilean population. The lower middle- to middle-income segments of the Chilean population and the small- and mid- sized corporate segments have become the target markets of several banks and competition in these segments may increase. As a result, net interest margins in these segments may decline. Although we believe that demand for financial products and services from individuals and for small- and mid-sized companies will continue to grow during the remainder of the decade, we cannot assure you that net interest margins will be maintained at their current levels.

We also face competition from non-bank (such as department stores, insurance companies, cajas de compensación and cooperativas) and non-finance competitors (principally department stores and larger supermarket chains) with respect to some of our credit products, such as credit cards, consumer loans and insurance brokerage. In addition, we face competition from non-bank finance competitors, such as leasing, factoring and automobile finance companies, with respect to credit products, and from mutual funds, pension funds and insurance companies with respect to savings products.

The increase in competition within the Chilean banking industry in recent years has led to consolidation in the industry. We expect the trends of increased competition and consolidation to continue and result in the formation of large new financial groups. Consolidation in the industry, which can result in the creation of larger and stronger competitors, may adversely affect our financial condition and results of operations by decreasing the net interest margins we are able to generate.

Our allowances for loan losses may not be adequate to cover future actual losses to our loan portfolio.

As of December 31, 2011, our allowance for loan losses were Ch\$488,468 million, and the ratio of our allowance for loan losses to total loans was 2.80%. The amount of the allowances is based on our current assessment of and expectations concerning various factors affecting the quality of our loan portfolio. These factors include, among other things, our borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, Chile's economy, government macroeconomic policies, interest rates and the legal and regulatory environment. As the recent global financial crisis has demonstrated, many of these factors are beyond our control. In addition, as these factors evolve, the models we use to determine the appropriate level of allowance for loan losses and other assets require recalibration, which can lead to increased provision expense. See "Item 5: C. Operating Results—Results of Operations for the Years ended December 31, 2011, 2010 and 2009—Provision for loan losses". We believe our allowance is adequate as of the date hereof for all known losses. If our assessment of and expectations concerning the above mentioned factors differ from actual developments, or if the quality of our loan portfolio deteriorates or the future actual losses exceed our estimates of incurred losses, our allowance for loan losses may not be adequate to cover actual losses and we may need to make additional provisions for loan losses, which may materially and adversely affect our results of operations and financial condition.

Our exposure to individuals and small businesses could lead to higher levels of past due loans, allowances for loan losses and charge-offs.

A substantial number of our customers consist of individuals (approximately 53.3% of the value of the total loan portfolio as of December 31, 2011, if interbank loans are included) and, to a lesser extent, small- and mid-sized

Table of Contents

companies (those with annual revenues of less than US\$2.3 million), which comprised approximately 14.7% of the value of the total loan portfolio as of December 31, 2011. As part of our business strategy, we seek to increase lending and other services to small companies and individuals. Small companies and lower- to middle-income individuals are, however, more likely to be adversely affected by downturns in the Chilean economy than large corporations and higher-income individuals. In addition, as of December 31, 2011, our residential mortgage loan portfolio totaled Ch\$5,115,663 million, representing 29.34% of our total loans. (See Note 9: “Interbank Loans” and “Note 10: Loans and Accounts Receivables from Customers” in our Audited Consolidated Financial Statements for a description and presentation of residential mortgages in statement of financial position). If the economy and real estate market in Chile experience a significant downturn, as they may due to the global financial and economic crisis, this could materially adversely affect the liquidity, businesses and financial conditions of our customers, which may in turn cause us to experience higher levels of past due loans, thereby resulting in higher provisions for loan losses and subsequent charge-offs. This may materially and adversely affect our asset quality, results of operations and financial condition.

If we are unable to maintain the quality of our loan portfolio, our financial condition and results of operations may be materially and adversely affected.

As of December 31, 2011, our non-performing loans were Ch\$511,357 million, and the ratio of our non-performing loans to total loans was 2.93%. For additional information on our asset quality, see “Item 5: F. Selected Statistical Information—Classification of Loan Portfolio Based on the Borrower’s Payment Performance”. We seek to continue to improve our credit risk management policies and procedures. However, we cannot assure you that our credit risk management policies, procedures and systems are free from any deficiency. Failure of credit risk management policies may result in an increase in the level of non-performing loans and adversely affect the quality of our loan portfolio. In addition, the quality of our loan portfolio may also deteriorate due to various other reasons, including factors beyond our control, such as the macroeconomic factors affecting Chile’s economy. If such deterioration were to occur, it could materially adversely affect our financial conditions and results of operations.

The value of the collateral securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral securing our loan portfolio.

The value of the collateral securing our loan portfolio may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting Chile’s economy. The real estate market is particularly vulnerable in the current economic climate and this may affect us as real estate represents a significant portion of the collateral securing our residential mortgage loan portfolio. We may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of our loans secured by such collateral. If this were to occur, we may need to make additional provisions to cover actual impairment losses of our loans, which may materially and adversely affect our results of operations and financial condition.

Additionally, there are certain provisions under Chilean law that may affect our ability to foreclose or liquidate residential mortgages if the real estate in question has been declared as “family property” by a court. If any party occupying the real estate files a petition with the court requesting that such real estate be declared as family property, our ability to foreclose may be very limited.

The growth of our loan portfolio may expose us to increased loan losses.

From December 31, 2006 to December 31, 2011, our aggregate loan portfolio, excluding interbank loans, grew by 63.9% in nominal terms to Ch\$17,347,094 million (US\$33.3 billion), while our consumer loan portfolio grew by 61.8% in nominal terms to Ch\$2,943,846 million (US\$5.7 billion). From December 31, 2010 to December 31, 2011, our aggregate loan portfolio grew by 10.9% in nominal terms to Ch\$17,434,782 million (US\$33.5 billion), while our

consumer loan portfolio grew by 9.0%. The further expansion of our loan portfolio (particularly in the consumer, small- and mid-sized companies and real estate segments) can be expected to expose us to a higher level of loan losses and require us to establish higher levels of provisions for loan losses.

Table of Contents

Our loan portfolio may not continue to grow at the same rate. An economic turmoil may lead to a contraction in our loan portfolio.

There can be no assurance that our loan portfolio will continue to grow at similar rates to the historical growth rate described above. A reversal of the rate of growth of the Chilean economy, a slowdown in the growth of customer demand, an increase in market competition or changes in governmental regulations, could adversely affect the rate of growth of our loan portfolio and our risk index and, accordingly, increase our required allowances for loan losses. An economic turmoil could materially adversely affect the liquidity, businesses and financial condition of our customers as well as lead to a general decline in consumer spending and a rise in unemployment. All this could in turn lead to decreased demand for borrowings in general.

The effectiveness of our credit risk management is affected by the quality and scope of information available in Chile.

In assessing customers' creditworthiness, we rely largely on the credit information available from our own internal databases, the SBIF, DICOM en Capital (a Chilean nationwide credit bureau) and other sources. Due to limitations in the availability of information and the developing information infrastructure in Chile, our assessment of credit risk associated with a particular customer may not be based on complete, accurate or reliable information. In addition, although we have been improving our credit scoring systems to better assess borrowers' credit risk profiles, we cannot assure you that our credit scoring systems collect complete or accurate information reflecting the actual behavior of customers or that their credit risk can be assessed correctly. Without complete, accurate and reliable information, we have to rely on other publicly available resources and our internal resources, which may not be effective. As a result, our ability to effectively manage our credit risk and subsequently our loan loss allowances may be materially adversely affected.

In February 2012, the Ley de DICOM was passed, which among other provisions, eliminated from the negative credit bureaus debtors who owed less than US\$4,800 as well as limiting access of the public to parts of these databases. As a result, our ability to effectively manage our credit risk and subsequently our loan loss allowances may be materially adversely affected.

Fluctuations in the rate of inflation may affect our results of operations.

High levels of inflation in Chile could adversely affect the Chilean economy and have an adverse effect on our business, financial condition and results of operations. Extended periods of deflation could also have an adverse effect on our business, financial condition and results of operations. In 2009, Chile experienced deflation of 1.4%. In 2011, CPI inflation was 4.44%, an increase from 3.0% in 2010.

Our assets and liabilities are denominated in Chilean pesos, UF and foreign currencies. The UF is revalued in monthly cycles. On each day in the period beginning on the tenth day of any given month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean Consumer Price Index during the prior calendar month. For more information regarding the UF, see "Item 5: C. Operating Results—Impact of Inflation" Although we benefit from inflation in Chile, due to the current structure of our assets and liabilities (i.e., a significant portion of our loans are indexed to the inflation rate, but there are no corresponding features in deposits, or other funding sources that would increase the size of our funding base), there can be no assurance that our business, financial condition and result of operations in the future will not be adversely affected by changing levels of inflation, including from extended periods of inflation that adversely affect economic growth or periods of deflation.

Our results of operations are affected by interest rate volatility.

Our results of operations depend to a great extent on our net interest income. Net interest income represented 71.3% of our net operating profit before loan losses in 2011 compared to 70.0% in 2010. Changes in market interest rates could affect the interest rates earned on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities, leading to a reduction in our net interest income or a decrease in customer demand for our loan or deposit products. Interest rates are highly sensitive to many factors beyond our control, including the reserve policies of the Central Bank, deregulation of the financial sector in Chile, domestic and international economic and political conditions and other factors. Any changes in interest rates could adversely affect our

Table of Contents

business, our future financial performance and the price of our securities. The following table shows the yields on the Chilean government's 90-day notes as reported by the Central Bank of Chile at year-end 2007 to 2011.

Year	90-day note at Period end (%)
2007	6.15
2008	7.86
2009	0.48
2010	3.40
2011	5.11 (1)

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- 1) As of November 2011. The Central Bank did not report a 90-day note rate for December 2011.

Source: Central Bank.

Since our principal sources of funds are short-term deposits, a sudden shortage of funds could cause an increase in costs of funding and an adverse effect on our revenues.

Customer deposits are our primary source (59.1%) of funding. As of December 31, 2011, 97.0% of our customer deposits had remaining maturities of one year or less, or were payable on demand. A significant portion of our assets have longer maturities, resulting in a mismatch between the maturities of liabilities and the maturities of assets. If a substantial number of our depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, our liquidity position, results of operations and financial condition may be materially and adversely affected. We cannot assure you that in the event of a sudden or unexpected shortage of funds in the banking system, any money markets in which we operate will be able to maintain levels of funding without incurring higher funding costs or the liquidation of certain assets. If this were to happen, our results of operations and financial condition may be materially adversely affected.

The legal restrictions on the exposure of Chilean pension funds may affect our access to funding.

Chilean regulations impose a series of restrictions on how Chilean pension fund management companies (Administradora de Fondos de Pensi3n, or "AFPs") may allocate their assets. In the particular case of financial issuers' there are three restrictions, each involving different assets and different limits determined by the amount of assets in each fund and the market and book value of the issuer's equity. As a consequence, limits vary within funds of AFPs and issuers. As of December 31, 2011, each AFP can invest at least another 5.9% of the assets under management in Santander Chile's bonds, deposits and mortgage finance bonds, and at least 0.6% in Santander Chile's shares. The total amount that AFPs could additionally invest in Santander is approximately US\$23.7 billion. If the exposure of any AFP to Santander exceeds the regulatory limits, we would need to seek alternative sources of funding, which could be more expensive and, as a consequence, may have a material adverse effect on our financial condition and results of operations.

Pension funds must also comply with other investment limits. On June 5, 2007, approved legislation in Chile (Reformas al Mercado de Capitales II, also known as "MK2") relaxed the limits on making investments abroad in order to permit pension funds to further diversify their investment portfolios. As of December 31, 2011, the limit on making investments abroad was increased up to 100%, depending on the fund. As a result, pension funds may change the composition of their portfolios, including reducing their deposits with local banks. As of December 31, 2011, 9.4% of

our liabilities were from AFPs. Although the legislation referred to above is intended to promote a gradual relaxation of the investment limits, and we may be able to substitute the reduced institutional funds with retail deposits, there can be no assurance that this occurrence will not have a materially adverse impact on our business, financial condition and results of operations.

We may be unable to meet requirements relating to capital adequacy.

Chilean banks are required by the General Banking Law to maintain regulatory capital of at least 8% of risk-weighted assets, net of required loan loss allowance and deductions, and paid-in capital and reserves (“basic capital”) of at least 3% of our total assets, net of required loan loss allowances. As we are the result of the merger between two predecessors, we are currently required to maintain a minimum regulatory capital to risk-weighted

Table of Contents

assets ratio of 11%. As of December 31, 2011, the ratio of our regulatory capital to risk-weighted assets, net loan loss allowance and deductions, was 14.73%. Certain developments could affect our ability to continue to satisfy the current capital adequacy requirements applicable to us, including:

- the increase of risk-weighted assets as a result of the expansion of our business or regulatory changes;
- the failure to increase our capital correspondingly;
- losses resulting from a deterioration in our asset quality;
- declines in the value of our investment instrument portfolio;
- changes in accounting rules;
- changes in provisioning guidelines that are charged directly against our equity or net income; and
- changes in the guidelines regarding the calculation of the capital adequacy ratios of banks in Chile.

Starting in 2013, Chilean banks will most likely be required to adopt the guidelines set forth under the Basel II and III Capital Accord with adjustments incorporated by the SBIF once these changes are approved by Congress. This should result in a different level of minimum capital required to be maintained by us. According to initial estimates of the impact of market risk on regulatory capital, published by the SBIF for informational purposes only, our ratio of regulatory capital to risk-weighted assets, net of loan loss allowance and deductions, including an initial estimate of the adjustments for market risk set forth under Basel II, was 13.38% as of December 31, 2011. No assurance can be given that the adoption of the Basel II capital requirements will not have a material impact on our capitalization ratio.

We may also be required to raise additional capital in the future in order to maintain our capital adequacy ratios above the minimum required levels. Our ability to raise additional capital may be limited by numerous factors, including: our future financial condition, results of operations and cash flows; any necessary government regulatory approvals; our credit ratings; general market conditions for capital raising activities by commercial banks and other financial institutions; and domestic and international economic, political and other conditions.

If we require additional capital in the future, we cannot assure you that we will be able to obtain such capital on favorable terms, in a timely manner or at all. Furthermore, the SBIF may increase the minimum capital adequacy requirements applicable to us. Accordingly, although we currently meet the applicable capital adequacy requirements, we may face difficulties in meeting these requirements in the future. If we fail to meet the capital adequacy requirements, we may be required to take corrective actions. These measures could materially and adversely affect our business reputation, financial condition and results of operations. In addition, if we are unable to raise sufficient capital in a timely manner, the growth of our loan portfolio and other risk-weighted assets may be restricted, and we may face significant challenges in implementing our business strategy. As a result, our prospects, results of operations and financial condition could be materially and adversely affected.

Our business is highly dependent on proper functioning and improvement of information technology systems.

Our business is highly dependent on the ability of our information technology systems to accurately process a large number of transactions across numerous and diverse markets and products in a timely manner, and on our ability to rely on our digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in our computer system and networks. The proper functioning of our financial control, risk management, accounting, customer service and other data processing

systems is critical to our business and our ability to compete effectively. We have backup data for our key data processing systems that could be used in the event of a catastrophe or a failure of our primary systems, and have established alternative communication networks where available. However, we do not operate all of our redundant systems on a real time basis and cannot assure you that our business activities would not be materially disrupted if there were a partial or complete failure of any of these primary information technology systems or communication networks. Such failures could be caused by, among other things, major natural catastrophes (such as earthquakes), software bugs, computer virus attacks or conversion errors due to system upgrading. In addition, any

Table of Contents

security breach caused by unauthorized access to information or systems, or intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, could have a material adverse effect on our business, results of operations and financial condition. Although we work with our clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and prevent against cyber attacks, we routinely exchange personal, confidential and proprietary information by electronic means, and we may be the target of attempted cyber attacks. We take protective measures and continuously monitor and develop our systems to protect our technology infrastructure and data from misappropriation or corruption. Although we have not experienced any material losses to date relating to cyber attacks or other such security breaches, our systems, software and networks nevertheless may be vulnerable to unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. An interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action and reputational harm. Further, as cyber attacks continue to evolve, we may incur significant costs in our attempt to modify or enhance our protective measures or investigate or remediate any vulnerabilities.

In addition, there have been a number of highly publicized cases around the world involving actual or alleged fraud or other misconduct by employees in the financial services industry in recent years and we run the risk that employee misconduct could occur. This misconduct has included and may include in the future the theft of proprietary information, including proprietary software. It is not always possible to deter or prevent employee misconduct and the precautions we take to prevent and detect this activity have not been and may not be effective in all cases.

Our ability to remain competitive and achieve further growth will depend in part on our ability to upgrade our information technology systems and increase our capacity on a timely and cost effective basis. Any substantial failure to improve or upgrade information technology systems effectively or on a timely basis could materially and adversely affect our competitiveness, results of operations and financial condition.

Operational problems or errors can have a material adverse impact on our business, financial condition and results of operations.

Like all large financial institutions, we are exposed to many types of operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures and errors by employees. Fraud or other misconduct by employees or third parties may be difficult to detect and prevent and could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. Although we maintain a system of operational controls, there can be no assurance that operational problems or errors will not occur and that their occurrence will not have a materially adverse impact on our business, financial condition and results of operations.

We are subject to regulatory risk, or the risk of not being able to meet all of the applicable regulatory requirements and guidelines.

We are also subject to various inspections, examinations, inquiries, audits and other regulatory requirements by Chilean regulatory authorities. We cannot assure you that we will be able to meet all of the applicable regulatory requirements and guidelines, or that we will not be subject to sanctions, fines, restrictions on our business or other penalties in the future as a result of noncompliance. If sanctions, fines, restrictions on our business or other penalties are imposed on us for failure to comply with applicable requirements, guidelines or regulations, our business, financial condition, results of operations and our reputation and ability to engage in business may be materially and adversely affected.

We are subject to market and operational risks associated with derivative transactions.

We enter into derivative transactions primarily for hedging purposes and, on a limited basis, on behalf of customers. These transactions are subject to market and operational risks, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of a counterparty to perform its obligations to us).

Table of Contents

Market practices and documentation for derivative transactions in Chile may differ from those in other countries. For example, documentation may not incorporate terms and conditions of derivatives transactions as commonly understood in other countries. In addition, the execution and performance of these transactions depends on our ability to develop adequate control and administration systems and to hire and retain qualified personnel. Moreover, our ability to monitor and analyze these transactions depends on our information technology systems. These factors may further increase risks associated with derivative transactions and, if they are not adequately controlled, this could materially and adversely affect our results of operations and financial condition.

We are subject to counterparty risk in our banking business.

We are exposed to counterparty risks in addition to credit risks associated with lending activities. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to us, or executing securities, futures, currency or commodity trades from proprietary trading activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. If these risks give rise to losses, this could materially and adversely affect our results of operations and financial condition.

Failure to protect personal information could adversely affect us.

We manage and hold confidential personal information of customers in the conduct of our banking operations. Although we have procedures and controls to safeguard personal information in our possession, unauthorized disclosures could subject us to legal actions and administrative sanctions as well as damages that could materially and adversely affect our results of operations and financial condition.

Our loan portfolios are subject to risk of prepayment, which may result in reinvestment of assets on less profitable terms.

Our loan portfolios are subject to prepayment risk which results from the ability of a borrower to pay a loan prior to maturity and which comes at a time that is inconsistent with the financing of such loan by us. Generally, in a declining interest rate environment, prepayment activity increases with the effect of reducing weighted average lives of interest earning assets and adversely affecting results. Prepayment risk also has an adverse impact on our credit card and residential mortgage portfolios, since prepayments could shorten the weighted average life of these portfolios, which may result in a mismatch in funding or in reinvestment at lower yields.

Risks Relating to Chile

Future natural disasters may negatively affect our results of operations.

Chile lies on the Nazca tectonic plate, making it one of the world's most seismically active regions. As a result, natural disasters, especially earthquakes, such as the February 2010 earthquake, may have an adverse impact on our results of operation.

Temporary increases in the corporate tax rate in Chile to finance part of the reconstruction effort may have an adverse effect on us and our corporate clients.

The government and congress approved legislation that increased the corporate income tax rate in order to pay for part of the reconstruction following the earthquake and tsunami in February 2010. The new legislation has increased the corporate tax rate from 17% to 20% in 2011. The rate was decreased to 18.5% in 2012 and is scheduled to decrease further to 17% in 2013. Congress is currently discussing a reform to Chile's tax structure, which, among other things,

would set the corporate tax rate at 20%. This legislation may have an adverse effect on us and our corporate clients.

Our growth and profitability depend on the level of economic activity in Chile.

A substantial amount of our loans are to borrowers doing business in Chile. Accordingly, the recoverability of these loans in particular, and our ability to increase the amount of loans outstanding and our results of operations

Table of Contents

and financial condition in general, are dependent to a significant extent on the level of economic activity in Chile. Our results of operations and financial condition could be affected by changes in economic or other policies of the Chilean government, which has exercised and continues to exercise substantial influence over many aspects of the private sector, or other political or economic developments in Chile. In line with the global economic climate, Chile's economy contracted in 2009 for the first time since 1999. However, despite the earthquake, the Chilean economy recovered significantly and GDP increased by 5.2% in 2010 and greater than 6% in 2011. However, there can be no assurance that the Chilean economy will continue to grow in the future or that future developments will not negatively affect Chile's overall levels of economic activity.

Economic and political problems encountered by other countries may adversely affect the Chilean economy, our results of operations and the market value of our securities.

The prices of securities issued by Chilean companies, including banks, are to varying degrees influenced by economic and market considerations in other countries. We cannot assure you that future developments in or affecting the Chilean economy, including consequences of economic difficulties in other markets, will not materially and adversely affect our business, financial condition or results of operations.

We are directly exposed to risks related to the weakness and volatility of the economic and political situation in Asia, the United States, Europe, Brazil, Argentina and other nations. If these nations' economic conditions deteriorate, the economy in Chile, as both a neighboring country and a trading partner, could also be affected and could experience slower growth than in recent years with possible adverse impact on our borrowers and counterparties. Thus, we may need to increase our allowances for loan losses, thus affecting our financial results, our results of operations and the price of our securities. As of December 31, 2011, approximately 2.9% of our assets were held abroad. There can be no assurance that the ongoing effects of the global financial crisis will not negatively impact growth, consumption, unemployment, investment and the price of exports in Chile. The crises and political uncertainties in other Latin American countries could also have an adverse effect on Chile, the price of our securities or our business.

Chile is also involved in an international litigation with Peru regarding maritime borders and has had other conflicts with neighboring countries in the past. We cannot assure you that crisis and political uncertainty in other Latin American countries will not have an adverse effect on Chile, the price of our securities or our business.

Current economic conditions may make it more difficult for us to continue funding our business on favorable terms.

Historically, one of our principal sources of funds has been time deposits. Time deposits represented 39.5% and 36.0% of our total funding as of December 31, 2011 and 2010, respectively. Large-denominations in time deposits from institutional investors may, under some circumstances, be a less stable source of funding than savings and bonds, such as during periods of significant changes in market interest rates for these types of deposit products and any resulting increased competition for such funds. The liquidity crisis triggered by the U.S. subprime market impacted global markets and affected sources of funding, including time deposits. Although our results of operations and financial position have not suffered a significant impact as a consequence of the recent credit market instability in the U.S., future market instability in the U.S. or in European markets, specifically the Spanish market, may negatively affect our ability to continue funding our business or maintain our current levels of funding without incurring higher funding costs or having to liquidate certain assets.

Currency fluctuations could adversely affect our financial condition and results of operations and the value of our securities.

Any future changes in the value of the Chilean peso against the U.S. dollar will affect the U.S. dollar value of our securities. The Chilean peso has been subject to large devaluations and appreciations in the past and could be subject

to significant fluctuations in the future. Our results of operations may be affected by fluctuations in the exchange rates between the peso and the dollar despite our policy and Chilean regulations relating to the general avoidance of material exchange rate exposure. In order to avoid material exchange rate exposure, we enter into forward exchange transactions. The following table shows the value of the Chilean peso relative to the U.S. dollar as

Table of Contents

reported by the Central Bank at period end for the last five years and the devaluation or appreciation of the peso relative to the U.S. dollar in each of those periods.

Year	Exchange rate (Ch\$) Period end	Appreciation (Devaluation) (%)
2007	495.82	(7.2)
2008	629.11	26.9
2009	506.43	(19.5)
2010	468.37	(7.5)
2011	521.46	11.4
April 30, 2012	483.41	(7.3)

Source: Central Bank.

We may decide to change our policy regarding exchange rate exposure. Regulations that limit such exposures may also be amended or eliminated. Greater exchange rate risk will increase our exposure to the devaluation of the peso, and any such devaluation may impair our capacity to service foreign currency obligations and may, therefore, materially and adversely affect our financial condition and results of operations. Notwithstanding the existence of general policies and regulations that limit material exchange rate exposures, the economic policies of the Chilean government and any future fluctuations of the peso against the dollar could affect our financial condition and results of operations.

Banking regulations may restrict our operations and thereby adversely affect our financial condition and results of operations.

We are subject to regulation by the SBIF. In addition, we are subject to regulation by the Central Bank with regard to certain matters, including reserve requirements, interest rates, foreign exchange mismatches and market risks. Changes in banking regulations may materially and adversely affect our business, financial condition and results of operations. Chilean laws, regulations, policies and interpretations of laws relating to the banking sector and financial institutions are continually evolving and changing. In 2007, new regulations governing the Chilean capital markets were approved (Reformas al Mercado de Capitales II, also known as MK2). These regulations, among other things, modified certain provisions set forth in the General Banking Law. Under new legislation, the limit on the amount that a bank is allowed to grant as an unsecured loan to a single individual or entity was increased to 10% of our regulatory capital (and up to 30% of our regulatory capital if any loans granted in excess of the 10% is secured by collateral). Previously, these limits were set at 5% and 25%, respectively. Although any such increase may increase our lending activity, it may also increase the risks associated with the growth of our loan portfolio and increase competition as the number of banks that can compete in the corporate segment increases.

Chile's Congress passed a new law in August 2010 intended to increase trading in Chile, Latin America's third-largest securities market, by allowing trading of new instruments such as exchange-traded funds and covered bonds. The law also sought to ease credit access for consumers and small companies. For example, the law made it easier for foreign banks to offer loans in Chile, cut securitization costs, allowed banks to sell bonds backed by mortgages, offers tax breaks to foreign investors in Chilean mutual funds, and repealed a law that prevented foreign banks from advertising loans. The law also intended to reduce the cost of setting up mutual funds, in part by removing limits on employing non-Chileans, and created an exchange-traded funds industry by modifying mutual fund rules to allow secondary trading and enable pension funds to invest in such mutual funds. The new class of bonds authorized by the law, known as "mortgage bonds," is a debt obligation secured by a pool of mortgages, as is the case with European covered bonds. Unlike covered bonds, they may be issued by banks and non-banks.

The current Finance Minister plans another package of reforms, the Reformas al Mercado Financiero Bicentenario. These reforms are comprised of a series of administrative changes and new regulations over the next four years, including the creation of a financial consumer protection agency, the transformation of the local securities exchange regulator (SVS) into a securities commission and increasing the autonomy of the SBIF. These proposed regulations intend to expand the use of the Chilean peso, simplify taxes on fixed-income securities, increase bank penetration and household savings, reduce the pro-cyclicality of loan loss provisions and enhance solvency and liquidity (the latter must be done through a change in the General Banking Law). The reforms also

Table of Contents

intend to create new instruments that give more efficient financing alternatives to small and mid-sized companies and individuals, together with creating specific statutes for niche banks and micro-credit financing.

Pursuant to the General Banking Law, all Chilean banks may, subject to the approval of the SBIF, engage in certain businesses other than commercial banking depending on the risk associated with such business and their financial strength. Such additional businesses include securities brokerage, mutual fund management, securitization, insurance brokerage, leasing, factoring, financial advisory, custody and transportation of securities, loan collection and financial services. The General Banking Law also applies to the Chilean banking system a modified version of the capital adequacy guidelines issued by the Basel Committee on Banking Regulation and Supervisory Practices and limits the discretion of the SBIF to deny new banking licenses. There can be no assurance that regulators will not in the future impose more restrictive limitations on the activities of banks, including us. Any such change could have a material adverse effect on our financial condition or results of operations.

Historically, Chilean banks have not paid interest on amounts deposited in checking accounts. Currently, there are no applicable restrictions on the interest that may be paid on checking accounts. We have begun to pay interest on some checking accounts under certain conditions. If competition or other factors lead us to pay higher interest rates on checking accounts, to relax the conditions under which we pay interest or to increase the number of checking accounts on which we pay interest, any such change could have a material adverse effect on our financial condition or results of operations.

A bill has been introduced by some members of Congress to modify the way in which the maximum interest rate is calculated in Chile. In addition, the government has recently introduced another bill in this respect which is currently being discussed. This new legislation is aimed at loans of less than UF 200 (Ch\$ 4,458,806, US\$ 8,569) and more than 90 days, thus including consumer loans in installments, lines of credit and credit card lines. Currently, the maximum interest rate is calculated as the average rate of all operations done within the banking industry over the previous month, multiplied by a factor of 1.5 times. As of December 31, 2011, the average annual interest rate for this type of loans reached 34.26% and the maximum annual interest rate reached 51.39%. The bill proposed by the government would change the factor to 1.36. Hence, the maximum annual interest rate would drop to approximately 46%. On the other hand, the bill proposed by members of Congress would set the maximum interest rate at the equivalent of three times the MPR (Monetary Policy Rate). As of April 2011, the MPR reached 5.00%, thus, the maximum annual interest rate would reach 15.00%. Recent developments aim towards a consensus solution which could set the maximum interest rate for this type of loans at around 30% to 40%. If the proposed bill is passed as it is, the impact would be mainly on Banefe's segment, which represents less than 5% of our total loans. If the bill proposed by members of Congress is passed, it could have an adverse effect on our results of operations. Our average interest rate on loans of this category in 2011 has been 21.4%.

In March 2012, a bill aimed to give additional enforcement powers to the SERNAC (Chile's Consumer Protection Agency) regarding financial services became effective and created the SERNAC Financiero, a specific consumer protection agency for the financial industry. The SERNAC Financiero has powers to supervise and regulate Bank products and services. This could lead to additional scrutiny regarding prices and contracts for financial products and services, increasing competition among bank and non-bank competitors and adversely affecting prices.

In July 2012, new regulations regarding the selling of mandatory insurance for loans will be introduced that will increase competition and that could lower our fees from collecting these premiums. This could have a negative impact on fees, which impact has not yet been quantified.

As a result of the recent global financial crisis, there has been an increase in government regulation of the financial services industry in many countries. Such regulation may also be increased in Chile, including the imposition of higher capital requirements, heightened disclosure standards and restrictions on certain types of transaction

structures. In addition, novel regulatory proposals abound in the current environment. If enacted, new regulations could require us to inject further capital into our business as well as in businesses we acquire, restrict the type or volume of transactions we enter into, or set limits on or require the modification of rates or fees that we charge on certain loans or other products, any of which could lower the return on our investments, assets and equity. We may also face increased compliance costs and limitations on our ability to pursue certain business opportunities.

Table of Contents

In line with the future adoption of Basel II regulations in Chile, the SBIF has recently proposed to increase the minimum regulatory capital ratio from 8% to 10%, which would require an amendment to the General Banking Law. Although we currently have a regulatory capital ratio of 14.73%, this change could require us to inject additional capital to our business in the future. According to initial estimates of the impact of market risk on regulatory capital, published for informational purposes only by the SBIF, our ratio of regulatory capital to risk-weighted assets, net of loan loss allowance and deductions, including an initial estimate of the adjustments for market risk set forth under Basel II was 13.38% as of December 31, 2011. No assurance can be given that these changes will not have a material impact on our capitalization ratio.

These new reforms could result in increased competition in the industry and thus may have a material adverse effect on our financial condition and results of operations.

A worsening of labor relations in Chile could impact our business.

As of December 31, 2011, on a consolidated basis we had 11,566 employees, of which 65.2% were unionized. In May 2010, a new collective bargaining agreement was signed, which became effective on January 1, 2011 and that will expire on December 31, 2014. We generally apply the terms of our collective bargaining agreement to unionized and non-unionized employees. We have traditionally had good relations with our employees and their unions, but we cannot assure you that in the future a strengthening of cross-industry labor movements will not materially and adversely affect our business, financial condition or results of operations.

Any downgrading of Chile's debt credit rating for domestic and international debt and/or our controlling shareholder's ratings by international credit rating agencies may also affect our ratings, our business, our future financial performance and the value of our securities.

In 2011, the three main rating agencies, Moody's, S&P and Fitch downgraded the Kingdom of Spain and the credit risk rating of our main shareholder, Grupo Santander, which as the date of this Annual Report continued to both have a negative outlook by the main rating agencies. Following these actions, Fitch and S&P placed Banco Santander Chile's ratings on credit watch negative. Subsequently, S&P cut Santander Chile's long-term foreign issuer credit rating by one notch to A in February 2012, removing the Bank from credit watch negative and placing all ratings on outlook stable. Fitch resolved in February 2012 not to reduce the Bank's ratings, removing the Bank from credit watch negative and placing all ratings on outlook stable. Despite this, any additional adverse revisions to our controlling shareholder's ratings and/or Chile's credit ratings for domestic and international debt by international rating agencies may adversely affect our ratings, our business, future financial performance, stockholder's equity and the price of our securities.

Chile has different corporate disclosure and accounting standards than those you may be familiar with in the United States.

Accounting, financial reporting and securities disclosure requirements in Chile differ from those in the United States. Accordingly, the information about us available to you will not be the same as the information available to shareholders of a U.S. financial institution. There are also material differences between IFRS and U.S. accounting and financial reporting standards.

As a regulated financial institution, we are required to submit to the Superintendency of Banks on a monthly basis unaudited consolidated balance sheets and income statements, excluding any note disclosure, prepared in accordance with generally accepted accounting principles in Chile and the rules of the Superintendency of Banks. Such disclosure differs in a number of significant respects from information generally available in the United States with respect to U.S. financial institutions.

The securities laws of Chile, which govern open or publicly listed companies such as us, aim to promote disclosure of all material corporate information to the public. Chilean disclosure requirements, however, differ from those in the United States in some material respects. In addition, although Chilean law imposes restrictions on insider trading and price manipulation, applicable Chilean laws are different from those in the United States and in certain respects the Chilean securities markets are not as highly regulated and supervised as the U.S. securities markets.

Table of Contents

Chile imposes controls on foreign investment and repatriation of investments that may affect your investment in, and earnings from, our ADSs.

Equity investments in Chile by persons who are not Chilean residents have generally been subject to various exchange control regulations which restrict the repatriation of the investments and earnings therefrom. In April 2001, the Central Bank eliminated the regulations that affected foreign investors except that investors are still required to provide the Central Bank with information relating to equity investments and conduct such operations within Chile's Formal Exchange Market. The ADSs are subject to a contract, dated May 17, 1994, among the Depository, us and the Central Bank (the "Foreign Investment Contract") that remains in full force and effect. The ADSs continue to be governed by the provisions of the Foreign Investment Contract subject to the regulations in existence prior to April 2001. The Foreign Investment Contract grants the Depository and the holders of the ADSs access to the Formal Exchange Market, which permits the Depository to remit dividends it receives from us to the holders of the ADSs. The Foreign Investment Contract also permits ADS holders to repatriate the proceeds from the sale of shares of our common stock withdrawn from the ADR facility, or that have been received free of payment as a consequence of spin offs, mergers, capital increases, wind ups, share dividends or preemptive rights transfers, enabling them to acquire the foreign currency necessary to repatriate earnings from such investments. Pursuant to Chilean law, the Foreign Investment Contract cannot be amended unilaterally by the Central Bank, and there are judicial precedents (although not binding with respect to future judicial decisions) indicating that contracts of this type may not be abrogated by future legislative changes or resolutions of the Advisory Council of the Central Bank. Holders of shares of our common stock, except for shares of our common stock withdrawn from the ADS facility or received in the manner described above, are not entitled to the benefits of the Foreign Investment Contract, may not have access to the Formal Exchange Market, and may have restrictions on their ability to repatriate investments in shares of our common stock and earnings therefrom.

Holders of ADSs are entitled to receive dividends on the underlying shares to the same extent as the holders of shares. Dividends received by holders of ADSs will be paid net of foreign currency exchange fees and expenses of the Depository and will be subject to Chilean withholding tax, currently imposed at a rate of 35.0% (subject to credits in certain cases). If for any reason, including changes in Chilean law, the Depository were unable to convert Chilean pesos to U.S. dollars, investors would receive dividends and other distributions, if any, in Chilean pesos.

We cannot assure you that additional Chilean restrictions applicable to holders of our ADSs, the disposition of the shares underlying them or the repatriation of the proceeds from such disposition or the payment of dividends will not be imposed in the future, nor can we advise you as to the duration or impact of such restrictions if imposed.

ADS holders may not be able to effect service of process on, or enforce judgments or bring original actions against, us, our directors or our executive officers, which may limit the ability of holders of ADSs to seek relief against us.

We are a Chilean corporation. None of our directors are residents of the United States and most of our executive officers reside outside the United States. In addition, a substantial portion of our assets and the assets of our directors and executive officers are located outside the United States. As a result, it may be difficult for ADS holders to effect service of process outside Chile upon us or our directors and executive officers or to bring an action against us or such persons in the United States or Chile to enforce liabilities based on U.S. federal securities laws. It may also be difficult for ADS holders to enforce in the United States or in Chilean courts money judgments obtained in United States courts against us or our directors and executive officers based on civil liability provisions of the U.S. federal securities laws. If a U.S. court grants a final money judgment in an action based on the civil liability provisions of the federal securities laws of the United States, enforceability of this money judgment in Chile will be subject to the obtaining of the relevant "exequatur" (i.e., recognition and enforcement of the foreign judgment) according to Chilean civil procedure law currently in force, and consequently, subject to the satisfaction of certain factors. The most important of these factors are the existence of reciprocity, the absence of a conflicting judgment by a Chilean court relating to the

same parties and arising from the same facts and circumstances and the Chilean courts' determination that the U.S. courts had jurisdiction, that process was appropriately served on the defendant and that enforcement would not violate Chilean public policy. Failure to satisfy any of such requirements may result in non-enforcement of your rights.

Table of Contents

Our status as a controlled company and a foreign private issuer exempts us from certain of the corporate governance standards of the New York Stock Exchange (“NYSE”), limiting the protections afforded to investors.

We are a “controlled company” and a “foreign private issuer” within the meaning of the NYSE corporate governance standards. Under the NYSE rules, a controlled company is exempt from certain NYSE corporate governance requirements. In addition, a foreign private issuer may elect to comply with the practice of its home country and not to comply with certain NYSE corporate governance requirements, including the requirements that (1) a majority of the Board of Directors consist of independent directors, (2) a nominating and corporate governance committee be established that is composed entirely of independent directors and has a written charter addressing the committee’s purpose and responsibilities, (3) a compensation committee be established that is composed entirely of independent directors and has a written charter addressing the committee’s purpose and responsibilities and (4) an annual performance evaluation of the nominating and corporate governance and compensation committees be undertaken. We currently use these exemptions and intend to continue using these exemptions. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements.

We cannot assure you of the accuracy or comparability of facts, forecasts and statistics contained in this report with respect to Chile, its economy and global banking industries.

Facts, forecasts and statistics in this document relating to Chile, Chile’s economy and the Chilean banking industry, including market share information, are derived from various official and other publicly available sources that we generally believe to be reliable. However, we cannot guarantee the quality and reliability of such official and other sources of materials. In addition, these facts, forecasts and statistics have not been independently verified by us and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of Chile and may not be complete or up to date. We have taken reasonable care in reproducing or extracting the information from such sources. However, because of possibly flawed or ineffective methodologies underlying the published information or discrepancies between the published information and market practice and other problems, these facts, forecasts or statistics may be inaccurate and may not be comparable from period to period or to facts, forecasts or statistics produced for other economies, and you should not unduly rely upon them.

Risks Relating to Our ADSs

There may be a lack of liquidity and market for our shares and ADSs.

Our ADSs are listed and traded on the NYSE. Our common stock is listed and traded on the Santiago Stock Exchange, the Chile Electronic Stock Exchange and the Valparaiso Stock Exchange, which we refer to collectively as the Chilean Stock Exchanges, although the trading market for the common stock is small by international standards. At December 31, 2011, we had 188,446,126,794 shares of common stock outstanding. The Chilean securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. According to Article 14 of the Ley de Mercado de Valores, Ley No. 18,045, or the Chilean Securities Market Law, the Superintendencia de Valores y Seguros, or the Superintendency of Securities and Insurance, may suspend the offer, quotation or trading of shares of any company listed on one or more Chilean Stock Exchanges for up to 30 days if, in its opinion, such suspension is necessary to protect investors or is justified for reasons of public interest. Such suspension may be extended for up to 120 days. If, at the expiration of the extension, the circumstances giving rise to the original suspension have not changed, the Superintendency of Securities and Insurance will then cancel the relevant listing in the registry of securities. In addition, the Santiago Stock Exchange may inquire as to any movement in the price of any securities in excess of 10% and suspend trading in such securities for a day if it deems necessary.

Although our common stock is traded on the Chilean Stock Exchanges, there can be no assurance that a liquid trading market for our common stock will continue to exist. Approximately 33.0% of our outstanding common stock is held by the public (i.e., shareholders other than Banco Santander Spain and its affiliates), including our shares that are represented by ADSs trading on the NYSE. A limited trading market in general and our concentrated ownership in particular may impair the ability of an ADS holder to sell in the Chilean market shares of common stock obtained

Table of Contents

upon withdrawal of such shares from the ADR facility in the amount and at the price and time such holder desires, and could increase the volatility of the price of the ADSs.

You may be unable to exercise preemptive rights.

The Ley Sobre Sociedades Anónimas, Ley No. 18,046 and the Reglamento de Sociedades Anónimas, which we refer to collectively as the Chilean Companies Law, and applicable regulations require that whenever we issue new common stock for cash, we grant preemptive rights to all of our shareholders (including holders of ADSs), giving them the right to purchase a sufficient number of shares to maintain their existing ownership percentage. Such an offering would not be possible in the United States unless a registration statement under the U.S. Securities Act of 1933 (“Securities Act”), as amended, were effective with respect to such rights and common stock or an exemption from the registration requirements thereunder were available.

Since we are not obligated to make a registration statement available with respect to such rights and the common stock, you may not be able to exercise your preemptive rights in the United States. If a registration statement is not filed or an applicable exemption is not available under U.S. securities law, the Depositary will sell such holders’ preemptive rights and distribute the proceeds thereof if a premium can be recognized over the cost of any such sale.

You may have fewer and less clearly defined shareholders’ rights than with shares of a company in the United States.

Our corporate affairs are governed by our estatutos, or by-laws, and the laws of Chile. Under such laws, our shareholders may have fewer or less clearly defined rights than they might have as shareholders of a corporation incorporated in a U.S. jurisdiction. For example, under legislation applicable to Chilean banks, our shareholders would not be entitled to appraisal rights in the event of a merger or other business combination undertaken by us.

Holders of ADSs may find it difficult to exercise voting rights at our shareholders’ meetings.

Holders of ADSs will not be direct shareholders of our company and will be unable to enforce directly the rights of shareholders under our by-laws and the laws of Chile. Holders of ADSs may exercise voting rights with respect to the common stock represented by ADSs only in accordance with the deposit agreement governing the ADSs. Holders of ADSs will face practical limitations in exercising their voting rights because of the additional steps involved in our communications with ADS holders. Holders of our common stock will be able to exercise their voting rights by attending a shareholders’ meeting in person or voting by proxy. By contrast, holders of ADSs will receive notice of a shareholders’ meeting by mail from the Depositary following our notice to the Depositary requesting the Depositary to do so. To exercise their voting rights, holders of ADSs must instruct the Depositary on a timely basis on how they wish to vote. This voting process necessarily will take longer for holders of ADSs than for holders of our common stock. If the Depositary fails to receive timely voting instructions for all or part of the ADSs, the Depositary will assume that the holders of those ADSs are instructing it to give a discretionary proxy to a person designated by us to vote their ADSs, except in limited circumstances.

Holders of ADSs also may not receive the voting materials in time to instruct the Depositary to vote the common stock underlying their ADSs. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions of the holders of ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of ADSs may not be able to exercise voting rights, and they will have little, if any, recourse if the common stocks underlying their ADSs are not voted as requested.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Overview

We are the largest bank in Chile in terms of total assets and equity. As of December 31, 2011, we had total assets of Ch\$24,668,993 million (US\$47,408 million), outstanding loans net of allowances for loan losses of Ch\$16,858,637 (US\$32,399 million), total deposits of Ch\$13,334,929 million (US\$25,627 million) and equity of

Table of Contents

Ch\$2,094,518 million (US\$4,025 million). As of December 31, 2011, we employed 11,566 people and had the largest private branch network in Chile with 499 branches. Our headquarters are located in Santiago and we operate in every major region of Chile.

We provide a broad range of commercial and retail banking services to our customers, including Chilean peso and foreign currency denominated loans to finance a variety of commercial transactions, trade, foreign currency forward contracts and credit lines and a variety of retail banking services, including mortgage financing. We seek to offer our customers a wide range of products while providing high levels of service. In addition to our traditional banking operations, we offer a variety of financial services including financial leasing, financial advisory services, mutual fund management, securities brokerage, insurance brokerage and investment management.

The legal predecessor of Santander-Chile was Banco Santiago (“Santiago”). Santiago was incorporated by public deed dated September 7, 1977 granted at the Notary Office of Alfredo Astaburuaga Gálvez. Santiago received its permission to incorporate and function as a bank by Resolution No. 118 of the Superintendency of Banks on October 27, 1977. Santiago’s by-laws were approved by Resolution No. 103 of the Superintendency of Banks on September 22, 1977. In January 1997, Santiago merged with Banco O’Higgins, with Santiago being the surviving entity. In 1999, Santiago became a controlled subsidiary of Banco Santander Spain. As of June 30, 2002, Santiago was the second largest private sector bank in Chile in terms of total assets, deposits, loans and shareholders’ equity.

Old Santander-Chile was established as a subsidiary of Banco Santander Spain in 1978. In 1982, Old Santander-Chile acquired a significant portion of the assets and liabilities of Banco Español-Chile, a domestic bank that had become insolvent. In July 1996, Old Santander-Chile was merged into Banco Osorno y la Unión becoming “Banco Santander-Chile”, the third largest private bank in terms of outstanding loans at that date.

On August 1, 2002, Santiago and Old Santander Chile merged, whereby the latter ceased to exist and Santander-Chile (formerly known as Santiago) being the surviving entity.

Our principal executive offices are located at Bandera 140, Santiago, Chile. Our telephone number is +562-320-2000 and our website is www.santander.cl. None of the information contained on our website is incorporated by reference into, or forms part of, this Annual Report. Our agent for service of process in the United States is Puglisi & Associates located at 850 Library Ave. Suite 204 Newark, Delaware 19711.

Relationship with Banco Santander Spain

We believe that our relationship with our controlling shareholder, Banco Santander Spain, offers us a significant competitive advantage over our peer Chilean banks. Banco Santander Spain is one of the largest financial groups in Brazil and the rest of Latin America, in terms of total assets measured on a regional basis. It is the largest financial group in Spain and is a major player elsewhere in Europe, including the United Kingdom, Poland and Portugal, where it is the third-largest banking group. Through Santander Consumer, it also operates a leading consumer finance franchise in the United States as well as in Germany, Italy, Spain, and several other European countries.

Our relationship with Banco Santander Spain provides us with access to the group’s client base, while its multinational focus allows us to offer international solutions to our clients’ financial needs. We also have the benefit of selectively borrowing from Banco Santander Spain’s product offerings in other countries as well as benefiting from their know-how in systems management. We believe that our relationship with Banco Santander Spain will also enhance our ability to manage credit and market risks by adopting policies and know-how developed by Banco Santander Spain. Our internal auditing function has been strengthened and is more independent from management as a result of the addition of an internal auditing department that concurrently reports directly to our Audit Committee and the audit committee of Banco Santander Spain. We believe that this structure leads to improved monitoring and control of our

exposure to operational risks.

Banco Santander Spain's support includes the assignment of managerial personnel to key supervisory areas of Santander-Chile, like Risks, Auditing, Accounting and Financial Control. Santander-Chile does not pay any management or other fees to Banco Santander Spain in connection with these support services.

Table of Contents

B. Organizational Structure

Banco Santander Spain controls Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones Ltda. and Santander-Chile Holding, which are controlled subsidiaries. In 2011, Banco Santander Spain sold 9.7% of its ownership through Teatinos Siglo XXI Inversiones Ltda in the market. This gives Banco Santander Spain control over 67.18% of our shares and actual participation when excluding non-controlling interests participating in Santander Chile Holding is 67.01%

Shareholder	Number of Shares	Percentage
Santander Chile Holding	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones Ltda.	59,770,481,573	31.72

The chart below sets forth the names and areas of responsibility of our senior commercial managers as of April 2012.

Commercial Structure

The chart below sets forth the names and areas of responsibilities of our operating managers.

C. Business Overview

We have 499 total branches, 261 of which are operated under the Santander brand name, with the remaining branches under certain specialty brand names, including 98 under the Santander Banefe brand name, 46 under the SuperCaja brand name, 43 under the BancaPrime brand name and 51 as auxiliary and payment centers. We provide a full range of financial services to corporate and individual customers. We divide our clients into the following segments: (i) Commercial Banking and (ii) Global Banking and Markets.

The Commercial Banking segment is comprised of the following sub-segments:

- Individuals (Santander Banefe), consisting of individuals with monthly incomes between Ch\$150,000 (US\$288) and Ch\$400,000 (US\$769) and served through our Banefe branch network. This segment accounts for 4.6% of our total loans outstanding as of December 31, 2011. This segment offers customers a

Table of Contents

range of products, including consumer loans, credit cards, auto loans, residential mortgage loans, debit card accounts, savings products, mutual funds and insurance brokerage.

- Individuals (Commercial Banking), consisting of individuals with a monthly income greater than Ch\$400,000 (US\$769). Clients in this segment account for 48.7% of our total loans outstanding as of December 31, 2011 and are offered a range of products, including consumer loans, credit cards, auto loans, commercial loans, foreign trade financing, residential mortgage loans, checking accounts, savings products, mutual funds and insurance brokerage.
- Small and mid-sized companies, consisting of small companies with annual revenue of less than Ch\$1,200 million (US\$2.3 million). As of December 31, 2011, this segment represented approximately 14.7% of our total loans outstanding. Customers in this segment are offered a range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, savings products, mutual funds and insurance brokerage.
- Institutional, such as universities, government agencies, municipalities and regional governments. As of December 31, 2011, these clients represented 2.0% of our total loans outstanding. Customers in this sub-segment are also offered the same products that are offered to the customers in our small businesses segment. This sub-segment is included in the Retail segment because customers in this sub-segment are a potential source for new individual customers.
- Companies, consisting of companies with annual revenue over Ch\$1,200 million (US\$2.3 million) and up to Ch\$10,000 million (US\$19.2 million). Customers in this segment are offered a wide range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage. As of December 31, 2011, these clients represented 9.1% of our total loans outstanding.
- Real estate, consisting of all companies in the real estate sector with annual revenue over Ch\$800 million (US\$1.5 million), including construction companies and real estate companies that execute projects for sale to third parties. As of December 31, 2011, these clients represented 3.4% of our total loans outstanding. To these clients we offer, in addition to traditional banking services, specialized services for financing, primarily residential projects, in order to increase the sale of residential mortgage loans.
- Large corporations, consisting of companies with annual revenue over Ch\$10,000 million (US\$19.2 million). Customers in this segment are also offered the same products that are offered to the customers in our mid-sized companies segment. As of December 31, 2011, these clients represented 8.4% of our total loans outstanding.

The Global Banking and Markets segment is comprised of the following sub-segments:

- Corporate, consisting of companies that are foreign multinationals or part of a larger Chilean economic group with sales of over Ch\$10,000 million (US\$19.2 million). As of December 31, 2011, these clients represented 8.5% of our total loans outstanding. Customers in this segment are offered a wide range of products, including commercial loans, leasing, factoring, foreign trade, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage.
- The Treasury Division provides sophisticated financial products mainly to companies in the wholesale banking and the middle-market segments. This includes products such as short-term financing and funding, securities brokerage, interest rate and foreign currency derivatives, securitization services and other tailor made financial products. The Treasury division also manages our trading positions.

In addition, we have a Corporate Activities segment comprised of all other operational and administrative activities that are not assigned to a specific segment or product mentioned above. This segment includes the Financial Management Division, which manages global functions such as the management of our structural foreign exchange gap position, our structural interest rate risk and our liquidity risk. The Financial Management Division

Table of Contents

also oversees the use of our resources, the distribution of capital among our different units and the overall financing cost of investments

The table below sets forth our lines of business and certain statistical information relating to each of them for the year ended December 31, 2011. Please see “Note 4” to our Audited Consolidated Financial Statements for details of revenue by business segment in the last three years.

Table of Contents

As of December 31, 2011 (Ch\$ million)

	Loans and accounts receivable from customers (1)	Net interest income	Net fee income	Financial transactions, net (2)	Net loan loss allowances (3)	Operating expenses (4)	Net segment contribution (5)
SEGMENTS							
Individuals	9,289,345	570,293	187,176	9,095	(248,137)	(322,273)	196,154
Santander Banefe	804,852	117,154	37,206	275	(62,252)	(70,719)	21,664
Commercial Banking	8,484,493	453,139	149,970	8,820	(185,885)	(251,554)	174,490
SMEs	2,560,736	207,008	38,274	9,577	(65,028)	(74,962)	114,869
Institutional	355,199	26,856	1,831	859	503	(11,329)	18,720
Companies	3,650,709	140,818	24,310	13,427	(11,592)	(40,680)	126,283
Companies	1,583,895	65,499	12,785	7,134	(10,080)	(22,698)	52,640
Real estate	596,367	18,852	2,931	624	(300)	(4,486)	17,621
Large Corporations	1,470,447	56,467	8,594	5,669	(1,212)	(13,496)	56,022
Commercial banking	15,855,989	944,975	251,591	32,958	(324,254)	(449,244)	456,026
Global Banking & Markets	1,494,752	48,942	31,908	68,530	7,614	(35,302)	121,692
Corporate	1,479,838	64,845	30,745	1,368	7,614	(13,790)	90,782
Treasury (6)	14,914	(15,903)	1,163	67,162	-	(21,512)	30,910
Other (7)	84,041	(21,617)	(5,663)	(7,291)	503	(16,474)	(50,542)
TOTAL	17,434,782	972,300	277,836	94,197	(316,137)	(501,020)	527,176
Other operating income							18,749
Other operating expenses							(64,208)
Income from investments in other companies							2,140
Income tax							(77,193)
Consolidated income for the year							406,664

(1) Loans and accounts receivables from customers plus interbank loans, gross of loan loss allowances.

(2) Includes net gains from trading, net mark-to-market gains and foreign exchange transactions.

(3) Includes gross provisions for loan losses, net of releases on recoveries.

(4) Equal to the sum of personnel expenses, administrative expenses, amortizations and depreciations and deterioration.

(5) Equal to the sum of the net interest revenue, net fee income and net financial transactions, minus net provision for loan losses and operating expenses.

(6) Includes the Treasury's client business and trading business.

(7) Includes Financial Management and the contribution of non-segmented items such as interbank loans, the cost of our capital and fixed assets. Net interest income and net financial transactions included in Other are mainly comprised of the results from the Financial Management Division (Gestión Financiera). The area of Financial

Management carries out the function of managing the structural interest rate risk, the structural position in inflation indexed assets and liabilities, shareholder's equity and liquidity. The aim of Financial Management is to inject stability and recurrence into the net income of commercial activities and to assure we comply with internal and regulatory limits regarding liquidity, regulatory capital, reserve requirements and market risk.

Table of Contents

Operations through Subsidiaries

Today, the General Banking Law permits us to directly provide the leasing and financial advisory services that we could formerly offer only through our subsidiaries, to offer investment advisory services outside of Chile and to undertake activities we could not formerly offer directly or through subsidiaries, such as factoring, securitization, foreign investment funds, custody and transport of securities and insurance brokerage services. For the year ended December 31, 2011, our subsidiaries collectively accounted for 2.4% of our total consolidated assets.

Subsidiary	Percentage Owned								
	As of December 2011			As of December 2010			As of December 2009		
	Direct %	Indirect %	Total %	Direct %	Indirect %	Total %	Direct %	Indirect %	Total %
Santander S.A.									
Corredores de Bolsa	50.59	0.41	51.00	50.59	0.41	51.00	50.59	0.41	51.00
Santander Corredora de Seguros Ltda.	99.75	0.01	99.76	99.75	0.01	99.76	99.75	0.01	99.76
Santander Asset Management S.A.									
Administradora General de Fondos	99.96	0.02	99.98	99.96	0.02	99.98	99.96	0.02	99.98
Santander Agente de Valores Ltda.	99.03	-	99.03	99.03	-	99.03	99.03	-	99.03
Santander S.A. Sociedad									
Securitizadora	99.64	-	99.64	99.64	-	99.64	99.64	-	99.64
Santander Servicios de Recaudación y Pagos Limitada	99.90	0.10	100.00	99.90	0.10	100.00	99.90	0.10	100.00

Pursuant to the provisions of International Accounting Standard (IAS) 27 and Standard Interpretations Committee (SIC) 12, we must determine the existence of Special Purpose Entities (SPE), which must be consolidated with the financial results of the Bank. As a result, we have incorporated into our financial statements the following companies:

- Santander Gestión de Recaudación y Cobranza Ltda. (collection services)
 - Multinegocios S.A. (management of sales force)
- Servicios Administrativos y Financieros Ltda. (management of sales force)
 - Fiscalex Ltda. (collection services)
 - Multiservicios de Negocios Ltda. (call center)
- Bansa Santander S.A. (management of repossessed assets and leasing of properties)

Competition

Overview

The Chilean financial services market consists of a variety of largely distinct sectors. The most important sector, commercial banking, includes a number of privately-owned banks and one public-sector bank, Banco del Estado (which operates within the same legal and regulatory framework as the private sector banks). The private-sector banks include local banks and a number of foreign-owned banks which are operating in Chile. The Chilean banking system is comprised of 23 private-sector banks and one public-sector bank. The five largest private-sector banks along with the state-owned bank together accounted for 74.4% of all outstanding loans by Chilean financial institutions as of December 31, 2011.

The Chilean banking system has experienced increased competition in recent years largely due to consolidation in the industry and new legislation. We also face competition from non-bank and non-finance competitors (principally department stores) with respect to some of our credit products, such as credit cards, consumer loans and insurance brokerage. In addition, we face competition from non-bank finance competitors, such as leasing, factoring and automobile finance companies, with respect to credit products, and mutual funds, pension funds and insurance companies, with respect to savings products. Currently, banks continue to be the main suppliers of leasing, factoring and mutual funds, and the insurance sales business has grown rapidly.

All data in the following sections is based on local Chilean Bank GAAP.

Table of Contents

	As of December 31, 2011, unless otherwise noted	
	Market Share	Rank
Commercial loans	17.1%	2
Consumer loans	25.6%	1
Residential mortgage loans	23.3%	1
Total loans(1)	19.7%	2
Deposits	17.4%	3
Mutual funds (assets managed)(2)	16.7%	2
Credit card accounts	25.8%	1
Checking accounts(3)	24.9%	1
Branches(4)	18.7%	2

Source: SBIF

- (1) Excludes interbank loans.
- (2) Source: Asociación de Fondos Mutuos de Chile.
- (3) According to latest data available as of October 2011.
- (4) Excludes special-service payment centers.

The following tables set out certain statistics comparing our market position to that of our peer group, defined as the five largest banks in Chile in terms of total loans market share as of December 31, 2011.

Loans

As of December 31, 2011, our loan portfolio was the second largest among Chilean banks. Our loan portfolio on a stand-alone basis represented 19.7% of the market for loans in the Chilean financial system at such date. The following table sets forth our and our peer group's market shares in terms of loans at the dates indicated.

Loans (1)	As of December 31, 2011			Market Share	
	Ch\$ million	US\$ million			
Santander Chile	17,347,094	33,337	19.7	%	
Banco de Chile	17,377,793	33,396	19.8	%	
Banco del Estado	12,587,222	24,190	14.3	%	
Banco de Crédito e Inversiones	11,377,851	21,866	12.9	%	
Corpbanca	6,814,445	13,096	7.7	%	
BBVA, Chile	6,139,803	11,799	7.0	%	
Others	16,302,292	31,329	18.6	%	
Chilean financial system	87,946,500	169,013	100.0	%	

Source: SBIF

- (1) Excludes interbank loans.

Table of Contents

Deposits

On a stand-alone basis, we had a 17.4% market share in deposits, ranking third among banks in Chile at December 31, 2011. Deposit market share is based on total time and demand deposits at the respective dates. The following table sets forth our and our peer group's market shares in terms of deposits at the dates indicated.

	As of December 31, 2011			
	Ch\$ million	US\$ million	Market Share	
Deposits				
Santander Chile	13,334,929	25,627	17.4	%
Banco del Estado	14,206,667	27,302	18.6	%
Banco de Chile	14,177,750	27,247	18.5	%
Banco de Crédito e Inversiones	9,921,534	19,067	13.0	%
BBVA, Chile	4,956,864	9,526	6.5	%
Corpbanca	5,507,098	10,583	7.2	%
Others	14,439,410	27,749	18.8	%
Chilean financial system	76,544,252	147,101	100.0	%

Source: SBIF

Total equity

With Ch\$2,035,023 million (US\$3,911 million) in equity in local Chilean Bank GAAP at December 31, 2011, we were the largest commercial bank in Chile in terms of shareholders' equity. The following table sets forth our and our peer group's shareholders' equity at December 31, 2011.

	As of December 31, 2011			
	Ch\$ million	US\$ million	Market Share	
Total Equity				
Santander Chile	2,035,023	3,911	20.7	%
Banco de Chile	1,739,175	3,342	17.7	%
Banco del Estado	1,028,153	1,976	10.5	%
Banco de Crédito e Inversiones	1,222,049	2,349	12.5	%
Corpbanca	729,212	1,401	7.4	%
BBVA, Chile	542,648	1,043	5.5	%
Others	2,517,441	4,838	25.7	%
Chilean financial system	9,813,701	18,860	100.0	%

Source: SBIF. Information according to local Chilean Bank GAAP.

Efficiency

As of December 31, 2011, we were the most efficient bank in our peer group. The following table sets forth our and our peer group's efficiency ratio (defined as operating expenses as a percentage of operating revenue, which is the aggregate of net interest income, fees and income from services (net), net gains from mark-to-market and trading, exchange differences (net) and other operating income (net)) in 2011.

Efficiency ratio	As of December 31,
------------------	-----------------------

	2011 %
Santander Chile	37.4%
Banco de Chile	47.7%
Banco del Estado	60.6%
Banco de Crédito e Inversiones	44.9%
BBVA, Chile	50.3%
Corpbanca	41.2%
Chilean financial system	47.6%

Source: SBIF. Information according to local Chilean Bank GAAP.

Table of Contents

Net income for the period attributable to shareholders

In 2011, we were the largest bank in Chile in terms of net income attributable to shareholders of Ch\$435,084 million (US\$836 million) measured under Chilean Bank GAAP. The following table sets forth our and our peer group's net income at December 31, 2011.

	As of December 31, 2011			
	Ch\$ million	US\$ million	Market Share	
Net income for the period (1)				
Santander Chile	435,084	836	25.6	%
Banco de Chile	428,805	824	25.3	%
Banco de Crédito e Inversiones	261,269	502	15.4	%
Corpbanca	122,849	236	7.2	%
BBVA, Chile	74,343	143	4.4	%
Banco del Estado	89,655	172	5.3	%
Others	285,529	549	16.8	%
Chilean financial system	1,697,534	3,262	100.0	%

Source: SBIF.

(1) Net income before non-controlling interest.

Return on equity

As of December 31, 2011, we were the second most profitable bank in our peer group (as measured by return on period-end equity under Chilean Bank GAAP) and the most capitalized bank as measured by the BIS ratio. The following table sets forth our and our peer group's return on average equity and BIS ratio at the latest available date.

	Return on equity as of December 31, 2011	BIS Ratio as of December 31, 2011
Santander Chile	21.6%	14.7%
Banco de Chile	24.7%	12.9%
Banco del Estado	9.8%	12.6%
Banco de Crédito e Inversiones	21.4%	13.9%
BBVA, Chile	13.7%	11.7%
Corpbanca	16.6%	14.5%
Chilean Financial System	17.4%	13.9%

Source: SBIF, except Santander Chile. Calculated by dividing annual net income by period end equity, according to local bank GAAP.

Asset Quality

As of December 31, 2011, we had the second highest non-performing loan to loan ratio in our peer group. The following table sets forth our and our peer group's non-performing loan ratio as defined by the SBIF at the dates indicated.

Non-performing loans / total

	loans (1) as of December 31, 2011
Santander Chile	2.95
Banco de Chile	1.01
Banco del Estado	4.16
Banco de Crédito e Inversiones	2.15
BBVA, Chile	1.88
Corpbanca	1.57
Chilean financial system	2.32

(1) Non-performing loans divided by total loans excluding interbank loans.

Source: SBIF

Table of Contents

Regulation and Supervision

General

In Chile, only banks may maintain checking accounts for their customers, conduct foreign trade operations, and together with non-banking financial institutions, accept time deposits. The principal authorities that regulate financial institutions in Chile are the Superintendency of Banks and the Central Bank. Chilean banks are primarily subject to the General Banking Law and secondarily, to the extent not inconsistent with this statute, the provisions of the Chilean Companies Law governing public corporations, except for certain provisions which are expressly excluded.

The modern Chilean banking system dates from 1925 and has been characterized by periods of substantial regulation and state intervention, as well as periods of deregulation. The most recent period of deregulation commenced in 1975 and culminated in the adoption of a series of amendments to General Banking Law. That law, amended most recently in 2001, granted additional powers to banks, including general underwriting powers for new issues of certain debt and equity securities and the power to create subsidiaries to engage in activities related to banking, such as brokerage, investment advisory and mutual fund services, administration of investment funds, factoring, securitization products and financial leasing services.

The Central Bank

The Central Bank is an autonomous legal entity created by the Chilean Constitution. It is subject to the Chilean Constitution and its own ley orgánica constitucional, or organic constitutional law. To the extent not inconsistent with the Chilean Constitution or the Central Bank's organic constitutional law, the Central Bank is also subject to private sector laws (but in no event is it subject to the laws applicable to the public sector). It is directed and administered by a Board of Directors composed of five members designated by the President of Chile, subject to the approval of the Senate.

The legal purpose of the Central Bank is to maintain the stability of the Chilean peso and the orderly functioning of Chile's internal and external payment system. The Central Bank's powers include setting reserve requirements, regulating the amount of money and credit in circulation, establishing regulations and guidelines regarding finance companies, foreign exchange (including the Formal Exchange Market) and banks' deposit-taking activities.

The Superintendency of Banks

Banks are supervised and controlled by the Superintendency of Banks, an independent Chilean governmental agency. The Superintendency of Banks authorizes the creation of new banks and has broad powers to interpret and enforce legal and regulatory requirements applicable to banks and financial companies. Furthermore, in cases of noncompliance with such legal and regulatory requirements, the Superintendency of Banks has the ability to impose sanctions. In extreme cases, it can appoint, with the prior approval of the Board of Directors of the Central Bank, a provisional administrator to manage a bank. It must also approve any amendment to a bank's by-laws or any increase in its capital.

The Superintendency of Banks examines all banks from time to time, generally at least once a year. Banks are also required to submit their financial statements monthly to the Superintendency of Banks, and a bank's financial statements are published at least four times a year in a newspaper with countrywide coverage. In addition, banks are required to provide extensive information regarding their operations at various periodic intervals to the Superintendency of Banks. A bank's annual financial statements and the opinion of its independent auditors must also be submitted to the Superintendency of Banks.

Any person wishing to acquire, directly or indirectly, 10.0% or more of the share capital of a bank must obtain the prior approval of the Superintendency of Banks. Absent such approval, the acquiror of shares so acquired will not have the right to vote. The Superintendency of Banks may only refuse to grant its approval, based on specific grounds set forth in the General Banking Law.

Table of Contents

According to Article 35bis of the General Banking Law, the prior authorization of the Superintendency of Banks is required for:

- the merger of two or more banks;
- the acquisition of all or a substantial portion of a banks' assets and liabilities by another bank;
- the control by the same person, or controlling group, of two or more banks; or
- a substantial increase in the existing control of a bank by a controlling shareholder of that bank.

Such prior authorization is required solely when the acquiring bank or the resulting group of banks would own a significant market share in loans, defined by the Superintendency of Banks to be more than 15.0% of all loans in the Chilean banking system. The intended purchase, merger or expansion may be denied by the Superintendency of Banks; or, if the acquiring bank or resulting group would own a market share in loans determined to be more than 20.0% of all loans in the Chilean banking system, the purchase, merger, or expansion may be conditioned on one or more of the following:

- that the bank or banks maintain regulatory capital higher than 8.0% and up to 14.0% of their risk-weighted assets;
- that the technical reserve established in Article 65 of the General Banking Law be applicable when deposits exceed one and a half times the resulting bank's paid-in capital and reserves; or
- that the margin for interbank loans be reduced to 20.0% of the resulting bank's regulatory capital.

If the acquiring bank or resulting group would own a market share in loans determined by the Superintendency of Banks to be more than 15% but less than 20%, the authorization will be conditioned on the bank or banks maintaining a regulatory capital not lower than 10% of their risks-weighted assets for the period specified by the Superintendency of Banks, which may not be less than one year. The calculation of the risk-weighted assets is based on a five-category risk classification system applied to a bank's assets that is based on the Basel Committee recommendations.

Pursuant to the regulations of the Superintendency of Banks, the following ownership disclosures are required:

- a bank is required to inform the Superintendency of Banks of the identity of any person owning, directly or indirectly, 5.0% or more of such banks' shares;
- holders of ADSs must disclose to the Depositary the identity of beneficial owners of ADSs registered under such holders' names;
- the Depositary is required to notify the bank as to the identity of beneficial owners of ADSs which such Depositary has registered and the bank, in turn, is required to notify the Superintendency of Banks as to the identity of the beneficial owners of the ADSs representing 5.0% or more of such banks' shares; and
- bank shareholders who individually hold 10.0% or more of a bank's capital stock and who are controlling shareholders must periodically inform the Superintendency of Banks of their financial condition.

Limitations on Types of Activities

Chilean banks can only conduct those activities allowed by the General Banking Law: making loans, accepting deposits and, subject to limitations, making investments and performing financial services. Investments are restricted to real estate for the bank's own use, gold, foreign exchange and debt securities. Through subsidiaries, banks may also engage in other specific financial service activities such as securities brokerage services, equity investments, securities, mutual fund management, investment fund management, financial advisory and leasing activities. Subject to specific limitations and the prior approval of the Superintendency of Banks and the Central Bank, Chilean banks may own majority or non-controlling interests in foreign banks.

Table of Contents

Since June 1, 2002, Chilean banks are allowed to offer a new checking account product that pays interest. The Superintendency of Banks also stated that these accounts may be subject to minimum balance limits and different interest rates depending on average balances held in the account and that banks may also charge fees for the use of this new product. For banks with a solvency score of less than A the Central Bank has also imposed additional caps to the interest rate that can be paid.

On June 5, 2007, pursuant to Law 20.190, new regulations became effective authorizing banks to enter into transactions involving a wider range of derivatives, such as futures, options, swaps, forwards and other derivative instruments or contracts subject to specific limitations established by the Central Bank of Chile. Previously, banks were able to enter into transactions involving derivatives, but subject to more restrictive guidelines.

Deposit Insurance

The Chilean government guarantees up to 90.0% of the principal amount of certain time and demand deposits and savings accounts held by natural persons with a maximum value of UF120 per person (Ch\$2,675,284 or US\$5,141 as of December 31, 2011) per calendar year in the entire financial system.

Reserve Requirements

Deposits are subject to a reserve requirement of 9.0% for demand deposits and 3.6% for time deposits (with terms of less than one year). For purposes of calculating the reserve obligation, banks are authorized to deduct daily from their foreign currency denominated liabilities, the balance in foreign currency of certain loans and financial investments held outside of Chile, the most relevant of which include:

- cash clearance account, which should be deducted from demand deposit for calculating reserve requirement;
- certain payment orders issued by pension providers; and
- the amount set aside for “technical reserve” (as described below), which can be deducted from reserve requirement.

The Central Bank has statutory authority to require banks to maintain reserves of up to an average of 40.0% for demand deposits and up to 20.0% for time deposits (irrespective, in each case, of the currency in which they are denominated) to implement monetary policy. In addition, to the extent that the aggregate amount of the following types of liabilities exceeds 2.5 times the amount of a bank’s regulatory capital, a bank must maintain a 100% “technical reserve” against them: demand deposits, deposits in checking accounts, or obligations payable on sight incurred in the ordinary course of business, and in general all deposits unconditionally payable immediately.

Minimum Capital

Under the General Banking Law, a bank is required to have a minimum of UF800,000 (approximately Ch\$17,835 million or US\$34.3 million as of December 31, 2011) of paid-in capital and reserves, regulatory capital of at least 8% of its risk weighted assets, net of required allowances, and paid in capital and reserves of at least 3% of its total assets, net of required allowances.

Regulatory capital is defined as the aggregate of:

- a bank’s paid-in capital and reserves, excluding capital attributable to subsidiaries and foreign branches or capital básico;

- its subordinated bonds, valued at their placement price (but decreasing by 20.0% for each year during the period commencing six years prior to maturity), for an amount up to 50.0% of its basic capital; and
 - its voluntary allowances for loan losses for an amount of up to 1.25% of risk weighted-assets.

Table of Contents

Capital Adequacy Requirements

According to the General Banking Law, each bank should have regulatory capital of at least 8.0% of its risk-weighted assets, net of required allowances. The calculation of risk weighted assets is based on a five-category risk classification system for bank assets that is based on the Basel Committee recommendations. In 2009, the Superintendency of Banks postponed until 2012 the application of the third pillar of Basel II in Chile, which includes the implementation of capital limits with market risk and operational risk-weighted assets. These changes must be approved by Congress as it involves a modification to the General Banking Law.

Banks should also have capital básico, or basic capital, of at least 3.0% of their total assets, net of allowances. Basic capital is defined as including shareholders' equity.

Within the scope of Basel II in Chile, further changes in regulation may occur. See "Item 3: D. Risk Factors—Risks Relating to Chile—Banking regulations may restrict our operations and thereby adversely affect our financial condition and results of operations."

Lending Limits

Under the General Banking Law, Chilean banks are subject to certain lending limits, including the following material limits:

- A bank may not extend to any entity or individual (or any one group of related entities), except for another financial institution, directly or indirectly, unsecured credit in an amount that exceeds 10.0% of the bank's regulatory capital, or in an amount that exceeds 30.0% of its regulatory capital if the excess over 10.0% is secured by certain assets with a value equal to or higher than such excess. These limits were raised from 5.0% and 25.0%, respectively, in 2007 by the Reformas al Mercado de Capitales II (also known as MK2). In the case of financing infrastructure projects built by government concession, the 10.0% ceiling for unsecured credits is raised to 15.0% if secured by a pledge over the concession, or if granted by two or more banks or finance companies which have executed a credit agreement with the builder or holder of the concession;
- a bank may not extend loans to another financial institution subject to the General Banking Law in an aggregate amount exceeding 30.0% of its regulatory capital;
- a bank may not directly or indirectly grant a loan whose purpose is to allow an individual or entity to acquire shares of the lender bank;
- a bank may not lend, directly or indirectly, to a director or any other person who has the power to act on behalf of the bank; and
 - a bank may not grant loans to related parties (including holders of more than 1.0% of its shares) on more favorable terms than those generally offered to non-related parties. Loans granted to related parties are subject to the limitations described in the first bullet point above. In addition, the aggregate amount of loans to related parties may not exceed a bank's regulatory capital.

In addition, the General Banking Law limits the aggregate amount of loans that a bank may grant to its employees to 1.5% of its regulatory capital, and provides that no individual employee may receive loans in excess of 10.0% of this 1.5% limit. Notwithstanding these limitations, a bank may grant to each of its employees a single residential mortgage loan for personal use once during such employee's term of employment.

Allowance for Loan Losses

Chilean banks are required to provide to the Superintendency of Banks detailed information regarding their loan portfolio on a monthly basis. The Superintendency of Banks examines and evaluates each financial institution's credit management process, including its compliance with the loan classification guidelines. Banks are classified into four categories: 1, 2, 3 and 4. Each bank's category depends on the models and methods used by the bank to classify its loan portfolio, as determined by the Superintendency of Banks. Category 1 banks are those banks whose

Table of Contents

methods and models are satisfactory to the Superintendency of Banks. Category 1 banks will be entitled to continue using the same methods and models they currently have in place. A bank classified as a category 2 bank will have to maintain the minimum levels of reserves established by the Superintendency of Banks while its Board of Directors will be made aware of the problems detected by the Superintendency of Banks and required to take steps to correct them. Banks classified as categories 3 and 4 will have to maintain the minimum levels of reserves established by the Superintendency of Banks until they are authorized by the Superintendency of Banks to do otherwise. Banco Santander Chile is categorized as a “Category 1” bank.

A detailed description of the models established for determining loan loss allowances is set forth in “Item 5: F. Selected Statistical Information—Classification of Loan Portfolio” and in Note 1 of our Audited Consolidated Financial Statements.

Capital Markets

Under the General Banking Law, banks in Chile may purchase, sell, place, underwrite and act as paying agents with respect to certain debt securities. Likewise, banks in Chile may place and underwrite certain equity securities. Bank subsidiaries may also engage in debt placement and dealing, equity issuance advice and securities brokerage, as well as in financial leasing, mutual fund and investment fund administration, investment advisory services and merger and acquisition services. These subsidiaries are regulated by the Superintendency of Banks and, in some cases, also by the Superintendency of Securities and Insurance, the regulator of the Chilean securities market, open-stock corporations and insurance companies.

Legal Provisions Regarding Banking Institutions with Economic Difficulties

The General Banking Law provides that if specified adverse circumstances exist at any bank, its Board of Directors must correct the situation within 30 days from the date of receipt of the relevant financial statements. If the Board of Directors is unable to do so, it must call a special shareholders’ meeting to increase the capital of the bank by the amount necessary to return the bank to financial stability. If the shareholders reject the capital increase, or if it is not effected within the term and in the manner agreed to at the meeting, or if the Superintendency of Banks does not approve the Board of Directors’ proposal, the bank will be barred from increasing its loan portfolio beyond that stated in the financial statements presented to the Board of Directors and from making any further investments in any instrument other than in instruments issued by the Central Bank. In such a case, or in the event that a bank is unable to make timely payment in respect of its obligations, or if a bank is under provisional administration of the Superintendency of Banks, the General Banking Law provides that the bank may receive a two-year term loan from another bank. The terms and conditions of such a loan must be approved by the directors of both banks, as well as by the Superintendency of Banks, but need not be submitted to the borrowing bank’s shareholders for their approval. In any event, a creditor bank cannot grant interbank loans to an insolvent bank in an amount exceeding 25.0% of the creditor bank’s regulatory capital. The Board of Directors of a bank that is unable to make timely payment of its obligations must present a reorganization plan to its creditors in order to capitalize the credits, extend their respective terms, condone debts or take other measures for the payment of the debts. If the Board of Directors of a bank submits a reorganization plan to its creditors and such arrangement is approved, all subordinated debt issued by the bank, whether or not matured, will be converted by operation of law into common stock in the amount required for the ratio of regulatory capital to risk-weighted assets not to be lower than 12.0%. If a bank fails to pay an obligation, it must notify the Superintendency of Banks, which shall determine if the bank is solvent.

Dissolution and Liquidation of Banks

The Superintendency of Banks may establish that a bank should be liquidated for the benefit of its depositors or other creditors when such bank does not have the necessary solvency to continue its operations. In such case, the

Superintendency of Banks must revoke a bank's authorization to exist and order its mandatory liquidation, subject to agreement by the Central Bank. The Superintendency of Banks must also revoke a bank's authorization if the reorganization plan of such bank has been rejected twice. The resolution by the Superintendency of Banks must state the reason for ordering the liquidation and must name a liquidator, unless the Chilean Superintendency of Banks assumes this responsibility. When a liquidation is declared, all checking accounts and other demand deposits received in the ordinary course of business, are required to be paid by using existing funds of the bank, its deposits with the Central Bank or its investments in instruments that represent its reserves. If these funds are insufficient to

Table of Contents

pay these obligations, the liquidator may seize the rest of the bank's assets, as needed. If necessary and in specified circumstances, the Central Bank will lend the bank the funds necessary to pay these obligations. Any such loans are preferential to any claims of other creditors of the liquidated bank.

Obligations Denominated in Foreign Currencies

Santander-Chile must also comply with various regulatory and internal limits regarding exposure to movements in foreign exchange rates (See "Item 11: Quantitative and Qualitative Disclosures About Market Risk").

Investments in Foreign Securities

Under current Chilean banking regulations, banks in Chile may grant loans to foreign individuals and entities and invest in certain securities of foreign issuers. Chilean banks may only invest in equity securities of foreign banks and certain other foreign companies which may be affiliates of the bank or which would be complementary to the bank's business if such companies were incorporated in Chile. Banks in Chile may also invest in debt securities traded in formal secondary markets. Such debt securities must be (1) securities issued or guaranteed by foreign sovereign states or their central banks or other foreign or international financial entities, and (2) bonds issued by foreign companies. A bank may invest up to 5% of its regulatory capital in securities of foreign issuers. Such securities must have a minimum rating as follows.

Table 1

Rating Agency	Short Term	Long Term
Moody's	P2	Baa3
Standard and Poor's	A3	BBB-
Fitch	F2	BBB-
Duff & Phelps	D2	BBB-

In the event that the sum of the investments in foreign securities which have a: (i) rating that is below that indicated in Table 1 above, but is equal to or exceeds the ratings mentioned in the Table 2 below; and (ii) loans granted to other entities resident abroad exceed 20% (and 30% for banks with a BIS ratio equal or exceeding 10%) of the regulatory capital of such bank, the excess is subject to a mandatory reserve of 100%.

Table 2

Rating Agency	Short Term	Long Term
Moody's	P2	Ba3
Standard and Poor's	A3	BB-
Fitch	F2	BB-
Duff & Phelps	D2	BB-

In addition, banks may invest in foreign securities for an additional amount equal to a 70% of their regulatory capital which ratings are equal or exceeds those mentioned in the following Table 3. This limit constitutes an additional margin and it is not subject to the 100% mandatory reserve.

Additionally, a Chilean Bank may invest in foreign securities whose rating is equal to or exceeds those mentioned in the following Table 3 in: (i) term deposits with foreign banks; and (ii) securities issued or guaranteed by sovereign states or their central banks or those securities issued or guaranteed by foreign entities within the Chilean State; such investment will be subject to the limits by issuer up to 30% and 50%, respectively, of the regulatory capital of the

Chilean bank that makes the investment.

39

Table of Contents

Table 3

Rating Agency	Short Term	Long Term
Moody's	P1	Aa3
Standard and Poor's	A1+	AA-
Fitch	F1+	AA-
Duff & Phelps	D1+	AA-

Chilean banks may invest in securities without ratings issued or guaranteed by sovereign states or their central banks and structured notes issued by investment banks with a rating equal to or above that in the immediately preceding Table 3, which return is linked with a corporate or sovereign note with a rating equal to or above that in Table 2.

Subject to specific conditions, a bank may grant loans in U.S. dollars to subsidiaries or branches of Chilean companies located abroad, to companies listed on foreign stock exchanges authorized by the Central Bank and, in general, to individuals and entities domiciled abroad, as long as the Central Bank is kept informed of such activities.

New Regulations for the Financial Markets

New regulations governing the Chilean capital markets are being discussed. Chile's Congress passed a new bill on June 1, 2010 that aims to increase trading in Latin America's third-biggest securities market by allowing trading of new instruments such as exchange-traded funds and covered bonds. The Chamber of Deputies, Chile's lower house, voted in favor of the bill, which also seeks to ease credit access for consumers and small companies. The bill was proposed by former Finance Minister Andres Velasco in September. His successor Felipe Larrain already plans another package of reforms to expand the use of the Chilean peso and simplify taxes on fixed-income securities. The measures passed today will make it easier for foreign banks to offer loans in Chile, cut securitization costs and allow banks to sell bonds backed by mortgages. The new law will also offer tax breaks to foreign investors in Chilean mutual funds. The bill also aims to reduce the cost of setting up mutual funds and create an exchange-traded funds industry by modifying mutual fund rules to allow secondary trading and enable pension fund to invest in them. The new law also removes limits on employing non-Chileans that may have prevented overseas fund managers from opening offices in Chile. It also strikes down a law that prevented foreign banks from advertising loans. The new class of bonds, known as "mortgage bonds," will be debt backed by the company that sells them as well as by a pool of mortgages, as in European covered bonds. Unlike covered bonds, they will not be limited to banks.

U.S. Anti-Money Laundering, Anti-Terrorist Financing, and Foreign Corrupt Practices Act Regulations

The Bank, as a foreign private issuer whose securities are registered under the U.S. Securities Exchange Act of 1934, is subject to the U.S. Foreign Corrupt Practices Act (the "FCPA"). The FCPA generally prohibits such issuers and their directors, officers, employees and agents from using any means or instrumentality of U.S. interstate commerce in furtherance of any offer or payment of money to any foreign official or political party for the purpose of influencing a decision of such person in order to obtain or retain business. It also requires that the issuer maintain books and records and a system of internal accounting controls sufficient to provide reasonable assurance that accountability of assets is maintained and accurate financial statements can be prepared. Penalties, fines and imprisonment of the Bank's officers and/or directors can be imposed for violations of the FCPA.

Furthermore, the Bank is subject to a variety of U.S. anti-money laundering and anti-terrorist financing laws and regulations, such as the Bank Secrecy Act of 1970, as amended, and the USA PATRIOT ACT of 2001, as amended, and a violation of such laws and regulations may result in substantial penalties, fines and imprisonment of the Bank's officers and/or directors.

D. Property, Plant and Equipment

We are domiciled in Chile and own our principal executive offices located at Bandera 140, Santiago, Chile. We also own ten other buildings in the vicinity of our headquarters and we rent five other buildings. At December 31, 2011, we owned the locations at which 30.7% of our branches were located. The remaining branches operate at rented locations. We believe that our existing physical facilities are adequate for our needs.

Table of Contents

Main properties as of December 31, 2011	Number
Central Offices	
Own	7
Rented	5
Total	12
Branches (1)	
Own	134
Rented	302
Total	436
Other property (2)	
Own	59
Rented	6
Total	65

(1) Some branches are located inside central office buildings and other properties. Including these branches the total number of branches is 499. Special payment centers are included in Other property.

(2) Consists mainly of parking lots, mini-branches and property owned by our subsidiaries.

The following table sets forth a summary of the main computer hardware and other systems-equipment that we own.

Category	Brand	Application
Mainframe	IBM	Back-end, Core-System Altair, Payment means and foreign trade.
Midrange	IBM	Interconnections between Mainframe and mid-range
Midrange	SUN/Unix	Interconnections applications Credit & debit cards
	SUN/UNIX	Treasury, MIS, Work Flow, Accounting
Midrange	IBM	WEB
Desktop	IBM/HP/Lenovo	Platform applications
Call Center	Avaya	Telephone system
	Genesys	Integration Voice/data
	Nice	Voice recorder
	Periphonics	IVR

The main software systems that we use are:

Category	Product	Origin
Core-System	ALTAMIRA	Accenture
Data base	DB2	IBM
Data base	Oracle	Oracle
Data base	SQL Server	Microsoft
WEB Service	Internet Information Server	Microsoft
Message Service	MQSeries	IBM
Transformation	MQIntegrator	IBM

ITEM 4A. UNRESOLVED STAFF COMMENTS

As of the date of the filing of this Annual Report on 20-F, we do not have any unresolved comments from the U.S. Securities and Exchange Commission.

41

Table of Contents

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Accounting Standards Applied in 2011

Santander-Chile is a Chilean bank and maintains its financial books and records in Chilean pesos and prepares its consolidated financial statements in accordance with IFRS as issued by IASB, in order to comply with requirements of the SEC. As required by local regulations, our locally filed consolidated financial statements have been prepared in accordance with Chilean Bank GAAP. The accounting principles issued by the SBIF are substantially similar to IFRS but there are some exceptions. Therefore, our locally filed consolidated financial statements have been adjusted according to International Financial Reporting Standards. Chilean banks are subject to the regulatory supervision of the SBIF under the provisions of the General Banking Law. The General Banking Law establishes that in accordance with legal regulations, Chilean banks must abide by the accounting standards stipulated by the SBIF.

Therefore, as stated above, in order to comply with requirements of the SEC, the Bank has prepared the consolidated financial statements included in this Annual Report under IFRS-IASB. Santander-Chile's transition date to IFRS was January 1, 2008. The Bank prepared its opening balance under these standards as of such date. Consequently, the date of adoption of the new standards by the Bank and its subsidiaries was January 1, 2009.

The notes to the audited consolidated financial statements contain information in addition to that presented in the Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows. These notes provide a narrative description of such statements.

Differences between IFRS and Chilean Bank GAAP

As stated above, Chilean Bank GAAP, as prescribed by "Compendium of Accounting Standards" (the "Compendium"), differs in certain respects with IFRS. The main differences that should be considered by an investor are the following:

Suspension of Income Recognition on Accrual Basis

In accordance with the Compendium, financial institutions must suspend recognition of income on an accrual basis in their statements of income for certain loans included in the impaired portfolio. IFRS does not allow the suspension of accrual of interest on financial assets for which an impairment loss has been determined. We do not believe that this difference materially impacts our financial statements.

Charge-offs and Accounts Receivable

The Compendium requires companies to establish deadlines for the charge-off of loans and accounts receivables. IFRS does not require any such deadline for charge-offs. A charge-off due to impairment would be incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition. This is measured on an "incurred" basis. We do not believe that this difference materially impacts our financial statements.

Assets Received in Lieu of Payment

The Compendium requires that the initial value of assets received in lieu of payment be the value agreed with a debtor as a result of the loan settlement or the value awarded in an auction, as applicable. These assets are required to be written off one year after their acquisition, if the assets have not been previously disposed of.

IFRS requires that assets received in lieu of payment be initially accounted for at fair value. Subsequently, asset valuation depends on the classification provided by the entity for that type of asset. No deadline is established for charging-off an asset. The restatement of gains and losses from repossessed assets would have an impact on the restatement of financial statements under full IFRS guidelines although we would not expect it to be material.

Table of Contents

Goodwill and Intangible Assets

With respect to goodwill and intangible assets, the Compendium provides that:

- The value of “goodwill” and other depreciable intangible assets will be supported by two reports issued by specialists independent from the (i) bank, (ii) the bank’s external auditors, and (iii) each other.
- For assets acquired before December 31, 2008, “goodwill” will be determined according to the Compendium, and will be amortized according to the original amortization schedule for such assets.
- Goodwill arising from acquisitions before the date of transition to new Chilean Bank GAAP in January 2009 will be determined based on the previously used accounting criteria.

With respect to goodwill and intangible assets, IFRS provides that:

- The use of independent experts’ valuations is not mandatory.
- Beginning with the first full year in which IFRS applies, an entity must discontinue goodwill depreciation and is required to evaluate goodwill for impairment, in compliance with IAS 36.
- It is possible to (i) choose a retroactive application of IFRS to goodwill generated before the date of the transition to IFRS, or (ii) adopt an optional exemption to record the balance of goodwill at December 31, 2008 as an attributed cost.

Since we have no goodwill, we do not believe that this difference impacts our financial statements.

Fair Value Option with Respect to Financial Assets and Liabilities

According to the Compendium, banks are not allowed to value assets or liabilities at their fair value in place of the depreciated cost method.

IFRS allows an entity to value a financial asset or liability (or a group of financial assets or liabilities, or both), on the official recognition date, at fair value with changes in fair value to be recognized in its financial statements. Once this option has been made, it is irrevocable. The fair value option is not applicable to investments in capital instruments without a market price available in an active market, and thus whose fair value cannot be estimated in a reliable way.

We do not believe that this difference impacts our financial statements because this accounting treatment is optional.

Loan loss allowances

On December 29, 2009, the SBIF issued Circular No. 3,489 which incorporates changes to several provisions of the SBIF Compendium of Accounting Standards. Among other changes it states that effective January 2010, companies must complement the basis on which insolvency provisions related to contingent operations are determined, including unrestricted lines of credit, other contingent loans, and other loan commitments. In addition, companies should also apply the changes in risk exposure applicable to contingent loans, found in Chapter B-3 of the SBIF Compendium of Accounting Standards. According to specific instructions from the SBIF in Letter to Management No. 10 dated December 21, 2010, the SBIF stated that it will not be necessary to calculate the adjustment retrospectively for 2009.

On June 10, 2010, the SBIF issued Circular No. 3,502 which among other things requires that Banks maintain a 0.5% minimum provision for the non-impaired part of the loan portfolio analyzed on an individual basis. In addition, on December 21, 2010 in the Letter to Management No. 9, the SBIF specified that the accounting treatment for the effects originating from the application of this minimum provision is to record it in the income for the period.

On August 12, 2010, Circular No. 3,503 was issued which modified how we must classify loans included in Chapters B-1, B-2, B-3 and C1 of the Compendium of Accounting Standards, which are loans analyzed on an

Table of Contents

individual basis. Such modifications were effective from January 1, 2011, except for those modifications relating to additional provisions included in the Letter to Management No. 9 relating to Chapter B-1 which took effect in 2010. As a supplement to the Circular, the Letter to Management No. 9 was issued on December 21, 2010 which specifies that adjustments resulting from the adoption of these modifications starting on January 1, 2011 could be recorded during the first quarter of 2011; however, entities may anticipate recognition of the impact of these adjustments, in whole or in part, in 2010. As of December 31, 2010, we have chosen to recognize the entire provision adjustments aforementioned.

Considering our incurred loss approach for IFRS purposes by using our internally developed models, all differences with the SBIF models have been reversed in respect to our Consolidated Financial Statements prepared under IFRS as issued by the IASB.

Santander-Chile's transition date to IFRS was January 1, 2008. The Bank prepared its opening balance under these standards as of such date. Consequently, the date of adoption of the new standards by the Bank and its subsidiaries was January 1, 2009.

The notes to the audited consolidated financial statements contain information in addition to that presented in the Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows. These notes provide a narrative description of such statements.

B. Other Critical Accounting Policies

Our consolidated financial statements include various estimates and assumptions, including but not limited to the adequacy of the allowance for loan losses, estimates of the fair value of certain financial instruments and the selection of useful lives of certain assets.

We evaluate these estimates and assumptions on an ongoing basis. Management bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances. Actual results in future periods could differ from those estimates and assumptions, and if these differences were significant enough, our reported results of operations would be affected materially. We believe that the following are the more critical judgment areas or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations.

Allowance for loan losses

The Bank maintains loan loss allowances in amounts determined in accordance with its internal models. These models for rating and evaluating credit risk are approved by the Bank's Board of Directors. Our credit scoring system considers both the length of time by which the loan is overdue and the borrower's risk profile, which includes the borrower's overall indebtedness and credit behavior under the borrower's obligations to third parties. (See "Item 5: F. Selected Statistical Information—Loan Portfolio and Item 5: F. Selected Statistical Information—Classification of Loan Portfolio").

Our internal provisioning models use statistical models that take into account a borrower's credit history and indebtedness levels. Group ratings that determine loan loss allowances based only on non-performance are being phased out and replaced by statistical scoring systems. Large commercial loans are rated on an individual basis. For large commercial loans, leasing and factoring, we assign a risk category level to each borrower and its respective loans. We consider the following risk factors in classifying a borrower's risk category: (i) the borrower's industry or sector, (ii) owners or managers, (iii) financial condition, (iv) payment ability and (v) payment behavior. For a detailed

description of the models we use to determine loan loss allowances for commercial loans. See “Item 5: F. Selected Statistical Information—Classification of Loan Portfolio—Classification of Loan Portfolio—Credit Approval: Loans approved on an individual basis.” Group assessment for loan loss allowances is applied for a large number of borrowers whose individual loan amounts are relatively insignificant. Currently, we use group analysis to determine loan loss allowances for certain types of loans, such as loans to small- and mid-sized companies and commercial loans to individuals. (See “Item 5: F. Selected Statistical Information—Classification of Loan Portfolio—Classification of Loan Portfolio —Loans analyzed on a group basis—Small and mid-sized commercial loans”).

Table of Contents

Derivative activities

As of December 31, 2011, 2010, and 2009, derivatives are measured at fair value on the statement of financial position and the net unrealized gain (loss) on derivatives is classified as a separate line item within the income statement. Under IFRS, banks must mark-to-market derivatives. A derivative financial instrument held for trading purposes must be marked to market and the unrealized gain or loss recognized in the income statement. The Bank recognizes three kinds of hedge accounting: (i) cash flow hedges, (ii) fair value hedges and (iii) hedging of foreign net investments.

- When a cash flow hedge exists, the fair value movements on the part of the hedging instrument and the hedged item that is effective are recognized in equity as “valuation adjustments”. Any ineffective portion of the fair value movement on the hedging instrument and the hedged item is recognized in the income statement.
- When a fair value hedge exists, the fair value movements on the hedging instrument and the corresponding fair value movements on the hedged item are recognized in the income statement.
- When a hedge of net investment in a foreign operation exists, the fair value movements on the part of the hedging instrument and the hedged item that is effective are recognized in equity. Any ineffective portion of the fair value movement on the hedging instrument is recognized in the income statement.

C. Operating Results

Chilean Economy

All of our operations and substantially all of our customers are located in Chile. Accordingly, our financial condition and results of operations are substantially dependent upon economic conditions prevailing in this country. In 2011, the Chilean economy grew approximately 6.0% compared to 5.2% in 2010 and a decrease of 1.7% in 2009.

According to the latest data available for the nine-month period ended September 30, 2011, internal demand increased 10.8%, private investment increased 17.2%, and private consumption increased 10.0%. Unemployment has also been decreasing. As of December 2011, the unemployment rate was 6.6%, compared to 7.15 in December 2010. Part of this growth can be explained by the strong rebound in economic activity compared to a weaker first half of 2010 that was negatively affected by the February 2010 earthquake. Going forward economic activity is expected to continue to increase, but possibly at a slower pace.

As a result of the economic recovery, the CPI and interest rates have been increasing. In the year ended December 31, 2011, CPI inflation reached 4.44%. CPI inflation in 2010 increased 2.97% compared to a 1.38% decrease in 2009. As a result of rising price levels and higher economic activity, interest rates also increased in 2011. The overnight interbank rate set by the Central Bank increased 200 basis points in the twelve month period ended December 31, 2011 to 5.25%. In January 2012, rates were cut 25 basis points to 5.0%.

The Chilean banking sector evolved in line with overall economic developments with an increase in the volume of loans. Total loans as of December 31, 2011 in the Chilean financial system were Ch\$87,946,500 million (US\$169.0 billion), an increase of 17.3% in the last year. Total customer deposits (defined as time deposits plus checking accounts) totaled Ch\$76,544,252 million (US\$147.1 billion) as of December 31, 2011, an increase of 17.8% in the last year. The non-performing loan ratio defined as in the Chilean banking industry decreased from 2.7% at year-end 2010 to 2.4% as of December 31, 2011.

Impact of Inflation

Our assets and liabilities are denominated in Chilean pesos, Unidades de Fomento (UF) and foreign currencies. The Bank no longer recognizes inflation accounting and has eliminated price-level restatement in line with IFRS, but inflation impacts our results of operations as some loan and deposit products are contracted in UF. The UF is revalued in monthly cycles. Each day in the period beginning on the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean Consumer Price Index during the prior calendar

Table of Contents

month. One UF equaled Ch\$22,294.03 at December 31, 2011, Ch\$ 21,455.55 at December 31, 2010, and Ch\$20,942.88 at December 31, 2009. High levels of inflation in Chile could adversely affect the Chilean economy and could have an adverse effect on our business, financial condition and results of operations. Negative inflation rates also negatively impact our results. In 2011 CPI inflation was 4.44%, 2010, CPI inflation was at 3.0%, compared to a decline of 1.4% in 2009. There can be no assurance that Chilean inflation will not change significantly from the current level. Although we currently benefit from moderate levels of inflation, due to the current structure of our assets and liabilities (i.e., a significant portion of our loans are indexed to the inflation rate, but there are no corresponding features in deposits or other funding sources that would increase the size of our funding base), there can be no assurance that our business, financial condition and result of operations in the future will not be adversely affected by changing levels of inflation. In summary:

- **UF-denominated assets and liabilities.** In 2011, UF inflation was +3.9% compared to +2.5% in 2010 and -2.4% in 2009. The effect of any changes in the nominal peso value of our UF-denominated interest earning assets and interest bearing liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest income and expense, respectively. Our net interest income will be positively affected by an inflationary environment to the extent that our average UF-denominated interest earning assets exceed our average UF-denominated interest bearing liabilities. Our net interest income will be negatively affected in a deflationary environment if our average UF-denominated interest earning assets exceed our average UF-denominated interest bearing liabilities. Our net interest income will be negatively affected by inflation in any period in which our average UF-denominated interest bearing liabilities exceed our average UF-denominated interest earning assets. Our average UF-denominated interest earning assets exceeded our average UF-denominated interest bearing liabilities by Ch\$3,611,046 million, Ch\$3,171,140 million in 2010 and Ch\$2,689,614 million in 2009. See “Item 5: F. Selected Statistical Information Average Balance Sheets, Income Earned from Interest-Earning Assets and Interest Paid on Interest Bearing Liabilities.” In general, the Bank has more UF-denominated financial assets than UF-denominated financial liabilities. In the year-ended December 31, 2011, the interest earned on interest earning assets denominated in UF increased 30.8% compared to 2010 as a result of the larger gap between UF-denominated average interest-earning assets and UF-denominated average interest bearing liabilities and the increase in UF inflation. The interest paid on these liabilities increased 32.8% in 2011 compared to 2010 and reached Ch\$388,349 during the year-ended December 31, 2011.
- **Inflation and interest rate hedge.** A key component of our asset and liability policy is the management of interest rate risk. The Bank’s assets generally have a longer maturity than our liabilities. As the Bank’s mortgage portfolio grows, the maturity gap tends to rise as these loans, which are contracted in UF, have a longer maturity than the average maturity of our funding base. As most of our long term financial instruments and mortgage loans are contracted in UF and most of our deposits are in nominal pesos, the rise in mortgage lending increases the Bank’s exposure to inflation and to interest rate risk. The size of this gap is limited by internal and regulatory guidelines in order to avoid excessive potential losses due to strong shifts in interest rates (see “Item 11: Quantitative and Qualitative Disclosures About Market Risk”). In order to keep this duration gap below regulatory limits, the Bank issues long term bonds denominated in UF or interest rate swaps. The financial cost of the bonds and the efficient part of these hedges is recorded as net interest income. In 2011, the gain from the swaps taken in order to hedge mainly for inflation and interest rate risk totaled a loss of Ch\$58,775 million compared to a loss of Ch\$2,008 million in 2010 and a gain of Ch\$24,988 million in 2009.

Inflation sensitive income	As of December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(In million of Chilean pesos)				
Interest earned on UF assets(1)	703,286	537,621	224,614	30.8	% 139.4
Interest paid on UF liabilities(1)	(388,349)	(292,362)	(67,559)	32.8	% 332.8
Hedging results	(58,775)	(2,008)	24,988	2,827.0	% –

<u>Net gain</u>	256,162	243,251	182,043	5.3	%	33.6	%
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(1) Excludes results from hedging

46

Table of Contents

- Peso-denominated assets and liabilities. Interest rates prevailing in Chile during any period primarily reflect the inflation rate during the period and the expectations of future inflation. The sensitivity of our peso-denominated interest earning assets and interest bearing liabilities to changes to such prevailing rates varies. (See “Item 5: C. Operating Results—Interest Rates”). We maintain a substantial amount of non-interest bearing peso-denominated demand deposits. Because such deposits are not sensitive to inflation, any decline in the rate of inflation would adversely affect our net interest margin on inflation indexed assets funded with such deposits, and any increase in the rate of inflation would increase the net interest margin on such assets. (See “Item 11: Quantitative and Qualitative Disclosures About Market Risk”). The ratio of the average of such demand deposits and average shareholder’s equity to average interest-earning assets was 27.2%, 27.9% and 25.0% for the years ended December 31, 2011, 2010 and 2009, respectively.

Interest Rates

Interest rates earned and paid on our assets and liabilities reflect, to a certain degree, inflation, expectations regarding inflation, changes in short term interest rates set by the Central Bank and movements in long term real rates. The Central Bank manages short term interest rates based on its objectives of balancing low inflation and economic growth. Because our liabilities are generally re-priced sooner than our assets, changes in the rate of inflation or short term rates in the economy are reflected in the rates of interest paid by us on our liabilities before such changes are reflected in the rates of interest earned by us on our assets. Therefore, when short term interest rates fall, our net interest margin is positively impacted, but when short term rates increase, our interest margin is negatively affected. At the same time, our net interest margin tends to be adversely affected in the short term by a decrease in inflation rates since generally our UF-denominated assets exceed our UF-denominated liabilities. (See “Item 5: C. Operating Results—Impact of Inflation—Peso-denominated assets and liabilities”). An increase in long term rates has a positive effect on our net interest margin, because our interest earning assets generally have longer terms than our interest bearing liabilities. In addition, because our peso-denominated liabilities have relatively short re-pricing periods, they are generally more responsive to changes in inflation or short term rates than our UF-denominated liabilities. As a result, during periods when current inflation or expected inflation exceeds the previous period’s inflation, customers often switch funds from UF-denominated deposits to peso-denominated deposits, which generally bear higher interest rates, thereby adversely affecting our net interest margin.

Foreign Exchange Fluctuations

The Chilean government’s economic policies and any future changes in the value of the Chilean peso against the U.S. dollar could adversely affect our financial condition and results of operations. The Chilean peso has been subject to significant devaluation in the past and may be subject to significant fluctuations in the future. In 2011, the Chilean peso in relation to the U.S. dollar depreciated 11.3% compared to a 7.5% appreciation in 2010 and a 19.5% appreciation in 2009. (See “Item 3: A. Selected Financial Data—Exchange Rates”). A significant portion of our assets and liabilities are denominated in foreign currencies, principally the U.S. dollar, and we historically have maintained and may continue to maintain material gaps between the balances of such assets and liabilities. Our current strategy is not to maintain a significant difference between the balances of our assets and liabilities in foreign currencies. In 2011 and 2010, the Bank held more liabilities than assets in foreign currencies, mainly U.S dollars as a result of an ample supply of US\$ deposits from companies that receive export revenues, foreign correspondent bank loans and bonds issued abroad. This difference is usually hedged using forwards and cross-currency swaps. Because such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains and losses realized upon the sale of such assets, are translated to Chilean pesos in preparing our financial statements, our reported income is affected by changes in the value of the Chilean peso relative to foreign currencies (principally the U.S. dollar). The translation gain or loss over assets and liabilities (excluding derivatives held for trading) is included as foreign exchange transactions in the income statement. The translation and mark-to-market of foreign currency derivatives held for trading is recognized as a gain or loss in the net results from mark-to-market and trading.

The Bank also uses a sensitivity analysis with both internal limits and regulatory limits to seek to manage the potential loss in net interest income resulting from fluctuations of interest rates on U.S. dollar denominated assets and liabilities and a VaR model to limit foreign currency trading risk (see “Item 11: Quantitative and Qualitative Disclosures About Market Risk”).

Table of Contents

We also set an absolute limit on the size of Santander-Chile's consolidated net foreign currency trading position. At December 31, 2011, this was equal to US\$200 million. See "Item 11: Volume Limits." The limit on the size of the net foreign currency position is determined by the Asset and Liability Committee and is calculated and monitored by our Market Risk and Control Department.

The compositions of our assets, liabilities and equity at December 31, 2011, by currency are as follows:

	As of December 31, 2011, Ch\$ million				Total
	Ch\$(1)	UF	Ch\$ linked to US\$	US\$	
Assets					
Cash and deposits	1,837,088	–	–	956,613	2,793,701
Unsettled transactions	219,469	–	–	56,985	276,454
Trading investments	73,435	336,328	–	–	409,763
Investments under agreements to resell	12,262	666	–	–	12,928
Financial derivative contracts	1,601,896	–	–	–	1,601,896
Interbank loans	–	–	–	87,677	87,677
Loans and receivables from customers	6,561,443	8,729,023	52,789	1,515,382	16,858,637
Available for sale investments	1,568,022	81,651	–	11,638	1,661,311
Investments held to maturity	–	–	–	–	–
Investments in other companies	8,728	–	–	–	8,728
Intangible assets	80,739	–	–	–	80,739
Property, plant and equipment	153,059	–	–	–	153,059
Current taxes	37,253	–	–	–	37,253
Deferred taxes	136,521	–	–	–	136,521
Other assets(2)	301,385	89,739	9,467	149,735	550,326
Total assets	12,591,300	9,237,407	62,256	2,778,030	24,668,993
Liabilities					
Deposits and other sight obligations	3,806,618	179,754	–	427,443	4,413,815
Unsettled transactions	21,681	–	–	67,805	89,486
Investment under agreements to repurchase	447,230	159	–	96,992	544,381
Deposits and other time deposits	5,585,988	2,140,400	–	1,194,726	8,921,114
Financial derivative contracts	1,292,402	–	–	–	1,292,402
Interbank borrowings	–	810	–	1,919,282	1,920,092
Issued debt instruments	254,263	2,707,657	–	1,661,319	4,623,239
Other financial liabilities	156,461	13,167	5,949	1,022	176,599
Current taxes	1,498	–	–	–	1,498
Deferred taxes	5,315	–	–	–	5,315
Provisions	187,557	–	–	–	187,557
Other liabilities(2)	94,796	29,370	2,453	272,358	398,977
Total liabilities	11,853,809	5,071,317	8,402	5,640,947	22,574,475
Equity					
Attributable to Bank Shareholders					
Capital	891,303	–	–	–	891,303
Reserves	51,539	–	–	–	51,539
Valuation adjustment	2,832	–	–	–	2,832
Retained earnings:	1,115,043	–	–	–	1,115,043

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Retained earnings of prior periods	833,830	–	–	–	833,830
Net income for the period	401,733	–	–	–	401,733
Minus: Provision for mandatory dividends	(120,520)	–	–	–	(120,520)
Non-controlling interest	33,801	–	–	–	33,801
Total Equity	2,094,518	–	–	–	2,094,518
Total liabilities and equity	13,948,327	5,071,317	8,402	5,640,947	24,668,993

48

Table of Contents

(1) Includes the value of swap instruments and balances of executed transactions which contractually defer the payment of sales transactions or the delivery of foreign currency acquired.

(2) Other assets and liabilities include the threshold position from derivative contracts.

Segmentation criteria

The accounting policies used to determine the Bank's income and cost by business segment are the same as those described in the summary of accounting policies in Note 1 of the Bank's Consolidated Financial Statements, and are customized to meet the needs of the Bank's management. The Bank earns most of its income in the form of interest income, fee and commission income and income from financial operations. To evaluate a segment's financial performance, the highest decision making authority bases his assessment on the segment's interest income, fee and commission income, and expenses. This assessment helps the Bank make decisions over the resources that will be allocated to each segment.

To achieve the strategic objectives adopted by the top management and adapt to changing market conditions, the Bank makes changes in its organization from time to time, which in turn have a greater or lesser impact on how it is managed or administered. During 2011, the Bank made certain changes in its accounting criteria and elected to apply these changes retroactively to its financial statements for the years 2010 and 2009 to make them comparable to its 2011 financial statements. As the transfer cost of liquidity has been consistently different from the referential yield curve used to calculate internal transfer prices, the Bank elected to modify the method for calculating the Internal Transfer Rate (ITR) used to determine the profitability of its different business segments. Before this change, the Bank established the ITR for each of its lending and deposit operation based on the maturity of each operation on a case-by-case basis regardless of whether the operation was an asset or liability. Since 2011, the ITR is calculated based on the business segment. This change in method is consistent with our internal criteria for business segmentation and improves the process of establishing our operational prices as it delivers a more precise assessment of the profitability of our business segments. Implementation of these changes did not create any significant difference for the Bank's results of operations. Please see Note 4 to our 2011 financial statements for a qualitative and quantitative analysis of the changes resulting from the new accounting criteria.

In addition, during 2011, since the transfer cost of liquidity has been consistently different than the referential yield curve used to calculate internal transfer prices, the Bank decided to modify the method for calculating the Internal Transfer Rate (ITR) used to determine the profitability of the different segments. Before this change, the Bank established the ITR for each operation based on the maturity of each operation regardless if the operation was an asset or liability. Since 2011, the ITR is calculated by the corporate center of each business unit. This change in method is lined up with the new regulations and improves the process of establishing the operation prices since it delivers a more precise assessment of their profitability. These changes did not create any significant difference for the Bank nor did they affect its profit and loss.

Results of Operations for the Years Ended December 31, 2011, 2010 and 2009

The following discussion is based upon and should be read in conjunction with the Audited Consolidated Financial Statements. The Audited Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the IASB. The following table sets forth the principal components of our net income for the years ended December 31, 2009, 2010 and 2011.

2011	2011	2010	2009
ThUS\$(1)	Ch\$ million of constant pesos		

CONSOLIDATED INCOME
STATEMENT DATA

					% Change 2011 / 2010	% Change 2010 / 2009		
IFRS:								
Interest income and expense								
Interest income	3,399,126	1,768,735	1,412,983	1,207,778	25.2	%	17.0	%
Interest expense	(1,530,576)	(796,435)	(473,264)	(351,262)	68.3	%	34.7	%
Net interest income	1,868,550	972,300	939,719	856,516	3.5	%	9.7	%
Fees and income from services								
Fees and commission income	697,686	363,041	338,183	315,925	7.4	%	7.0	%
Fees and commission expense	(163,746)	(85,205)	(74,601)	(61,795)	14.2	%	20.7	%

Table of Contents

	2011	2011	2010	2009				
					%	%	%	%
CONSOLIDATED INCOME STATEMENT DATA	ThUS\$(1)	Ch\$ million of constant pesos			Change 2011 / 2010	Change 2010 / 2009		
Total net fees and commission income	533,940	277,836	263,582	254,130	5.4	%	3.7	%
Other operating income								
Net income from financial operations	328,350	170,857	38,755	3,887	340.9	%	897.0	%
Foreign exchange profit (loss), net	(147,324)	(76,660)	57,233	163,241	–	%	(64.9	%)
Financial transactions, net	181,026	94,197	95,988	167,128	(1.9	%)	(42.6	%)
Other operating income	36,032	18,749	43,608	25,866	(57.0	%)	68.6	%
Total other operating income	217,058	112,946	139,596	192,994	(19.1	%)	(27.7	%)
Net operating profit before loan losses	2,619,548	1,363,082	1,342,897	1,303,640	1.5	%	3.0	%
Provision for loan losses	(607,547)	(316,137)	(253,915)	(333,145)	24.5	%	(23.8	%)
Net operating profit	2,012,001	1,046,945	1,088,982	970,495	(3.9	%)	12.2	%
Operating expenses								
Personnel salaries and expenses	(539,277)	(280,613)	(250,265)	(224,484)	12.1	%	11.5	%
Administrative expenses	(320,602)	(166,825)	(147,343)	(136,712)	13.2	%	7.8	%
Depreciation and amortization	(102,750)	(53,466)	(49,403)	(46,623)	8.2	%	6.0	%
Impairment	(223)	(116)	(4,925)	(75)	(97.6	%)	6466.7	%
Other operating expenses	123,394	(64,208)	(45,402)	(37,364)	41.4	%	21.5	%
Total operating expenses	(1,086,246)	(565,228)	(497,338)	(445,258)	13.7	%	11.7	%
Net operating income	925,755	481,717	591,644	525,237	(18.6	%)	12.6	%
Other non-operating results								
Income from investments in other companies	4,113	2,140	1,171	297	82.7	%	294.3	%
Total other non-operating results	4,113	2,140	1,171	297	82.7	%	294.3	%
Income before tax	929,868	483,857	592,815	525,534	(18.4	%)	12.8	%
Income tax	(148,348)	(77,193)	(85,343)	(88,924)	(9.5	%)	(4.0	%)
Consolidated net income for the period	781,520	406,664	507,472	436,610	(19.9	%)	16.2	%
Net income for the period attributable to:								
Equity holders of the Bank	772,044	401,733	505,393	431,557	(20.5	%)	17.1	%
Non-controlling interests	9,476	4,931	2,079	5,053	137.2	%	(58.9	%)

(1) Amounts stated in U.S. dollars at and for the year ended December 31, 2011, have been translated from Chilean pesos at the exchange rate of Ch\$520.35 = US\$1.00 as of December 31, 2011. See “Item 3: A. Selected Financial Data—Exchange Rates” for more information on exchange rate.

Results of operations for the years ended December 31, 2011 and 2010. Net income for the year ended December 31, 2011, decreased 19.9% to Ch\$406,664 million. Our return on average equity was 20.4% in 2011 compared to 29.0% in 2010.

In 2011, net operating profit before loan losses was Ch\$1,363,082 million, an increase of 1.5% compared to 2010. Our net interest income increased 3.5% to Ch\$972,300 million in 2011 from Ch\$939,719 million in 2010. The average

balance of our interest-earning assets increased by 16.5% in 2011 compared to 2010. However, our net interest margin decreased 60 basis points to 4.8% in 2011 from 5.4% in 2010 mainly due to higher funding costs. As discussed in further detail below, the rise in the average rate of interest paid on time deposits due to higher short-term interest rates was a result of increased overall funding costs. This was only partially offset by higher volumes, higher asset yields and higher inflation in 2011 compared to 2010.

Net fees and commission income increased 5.4% to Ch\$277,836 million in 2011 compared to 2010. Net fees were positively affected by the growth of the Chilean economy and the Bank's marketing and promotion efforts to increase product usage. Fees from credit, debit and ATM cards increased 6.5%, fees from insurance brokerage fees increased by 3.9% and securities brokerage fees increased 15.6% in 2011. These increases were partially offset by a 5.4% decrease in fees from checking accounts and lines of credit. This decline was due to the reduction in the amount of lines of credit and overdraft lines made available to clients, following an increase in provisioning requirements for unused lines of credit under local Chilean Bank GAAP.

Table of Contents

Results of financial transactions, net, which is the sum of trading activities, fair value adjustments and foreign exchange transactions, totaled Ch\$94,197 million in 2011, a decrease of 1.9% compared to 2010. These results include the results of our Treasury Department's trading business and financial transactions with customers, Santander Global Connect (SGC), as well the results of our Financial Management Division. The results from the Financial Management Division recorded a loss of Ch\$20,072 million in 2011 compared to a loss of Ch\$597 million in 2010. Throughout 2011, the Bank has maintained above-average levels of liquidity, part of which is generated from US\$-denominated liabilities, as a conservative measure given the uncertainty surrounding global financial markets. These dollar liabilities are hedged through derivatives (short term foreign currency swaps), but the short term interest rate differential between US\$ and Ch\$ has increased and has produced a higher cost registered in financial transactions, net. This higher cost is partially offset by net interest income where the interest earned on the short-term liquid asset is registered and the interest expense of the US\$-denominated liabilities is also recorded.

The results from SGC, a specialized platform designed to facilitate the sale of derivatives to a broad range of companies in all segments through our branch network and through market-making, increased 15.0% in 2011 from Ch\$54,472 million in 2010. Our proprietary trading results totaled a gain of Ch\$16,022 million in 2011, which represented an increase of 172.5% compared to 2010. This was mainly due to positive results in the foreign exchange market.

Other operating income totaled a gain of Ch\$18,749 million in 2011, a 57.0% decrease from Ch\$43,608 million in 2010. This decline was mainly due to the gain from sale of branches recorded in 2010, which did not occur to the same extent as in 2011, as well as lower recoveries of provisions for contingencies and a decrease in insurance payments relating to the earthquake.

Provision expense, net in 2011 totaled Ch\$316,137 million and increased 24.5% from Ch\$253,915 million in 2010. This increase in net provision expense was mainly due to the increase in charge-offs. Charge-offs for non-performing loans increased 40.6% in 2011, totaling Ch\$291,088 million from Ch\$207,046 million in 2010. Consumer loan charge-offs increased 54.5% in the year ended December 31, 2011 compared to the corresponding period in 2010. The rise was mainly due to the growth in consumer lending, which in 2011 increased 9.0%. The tightening of renegotiation policies for consumer loans also led to a greater amount of impaired consumer loans entering non-performing status and subsequently being charged-off. The 27.5% rise in charge-offs in commercial loans was mainly due to greater charge-offs in the SME and middle-market segments. Charge-offs in residential mortgage loans decreased 12.2% in 2011. This was offset by the 21.3% decrease in gross provision expense to Ch\$60,847 million in 2011 compared to 2010. This decrease was mainly due to lower gross provisions in consumer lending. In the year ended December 31, 2010, we recognized Ch\$30,466 million in provisions mainly for consumer loans as a result of improvements made to our credit-scoring models. The minimum provision required for clients in most risk profiles was increased for performing consumer loans and this effect was recognized as a larger provision expenses and greater provision for loan losses. This change in our models was a non-recurring event in 2011 and the effect of this non-recurrence in 2011 was offset in part by an increase in gross provision for residential mortgage loans. In June 2011, the Bank modified its provisioning model for residential mortgage loans. As of June 2011, residential mortgage loans are assigned an allowance level based on credit risk profiles which are determined utilizing a statistical model that considers: (i) a borrower's credit history, (ii) if a client is a new client or an existing client, (iii) if the client is a Bank client or a Banefe client and (iv) if this client has been renegotiated in the system. The total impact of this change on loan loss reserves was Ch\$16,258 million or 0.3% of the Bank's total residential mortgage portfolio in 2011. The 70.7% increase in gross provisions in commercial loans from Ch\$15,994 million in 2010 to Ch\$27,298 million in 2011 was mainly due to the modification and recalibration of the Bank's provisioning model of commercial loans analyzed on a group basis which are mainly comprised of loans to small and mid-sized companies. Previously, loan loss allowance in this category of loans was mainly determined by the number of days a loan was overdue. Currently, provisions are set according to (i) performing status, (ii) if a client has been renegotiated or not, (iii) if a client is a new client or an existing client, and (iv) if the client has collateral in connection with the loan. The total

impact of this change on loan loss reserves was Ch\$16,560 million in 2011.

As a result of the factors mentioned above, net operating profit decreased 3.9% in 2011 compared to 2010 and totaled Ch\$1,046,945 million.

Table of Contents

Operating expenses increased 13.7% in 2011 compared to the corresponding period in 2010. Personnel salaries and expenses increased by 12.1% mainly due to higher headcount, as well as higher severance payments. Administrative expenses increased 13.2%. The main reasons for this rise in administrative expenses were: (i) the 18.3% rise in branch rental expenses to Ch\$22,337 million in 2011 due to the Bank having sold branches in 2010 and 2011 and these branches are now rented to us and (ii) greater business activity, as well as the expenses related to IT projects being carried out to improve productivity. Our efficiency ratio was 41.5% in 2011 compared to 37.0% in 2010.

Other operating expenses were Ch\$64,208 million in 2011, a 41.4% increase compared to 2010. The increase in other operating expenses was mainly due to: (i) higher provisions for repossessed assets, which totaled Ch\$10,050 million in 2011 and increased 179.6% from Ch\$3,594 million in 2010; (ii) provisions for contingencies, which totaled Ch\$8,144 million in 2011 and increased 950.88% from Ch\$775 million in 2010 and which were mainly provisions set aside for possible non-credit contingencies such as tax, legal and labor contingencies and other non-specific provisions; and (iii) other expenses, which increased 50.4% mainly as a result of a 104.1% rise in operational charge-offs related to ATMs and other equipment that was damaged or vandalized in 2011. This was offset by lower earthquake related expenses, lower expenses related to repossessed assets and lower credit card expenses.

Our income tax expense decreased by 9.5% in the year ended December 31, 2011 compared to 2010. The effective tax rate paid was 15.94% in 2011 compared to 14.41% in 2010. The statutory tax rate in Chile in 2011 reached 20% compared to 17% in 2010. The higher effective tax rate in 2011 is mainly due to this rise in the statutory corporate tax rate. The decline in income tax expense is mainly due to the lower income before taxes.

Results of operations for the years ended December 31, 2010 and 2009. Net income for the period ended December 31, 2010, increased 16.2% to Ch\$507,472 million from Ch\$436,610 million in the corresponding period in 2009. Net income attributable to equity holders of the Bank increased 17.1% to Ch\$505,393 million in 2010 from Ch\$431,557 million in the corresponding period in 2009. Our return on average equity was 29.0% in 2010, compared to 27.3% in 2009.

Net operating profit before loan losses was Ch\$1,342,897 million in 2010, an increase of 3.0% from 2009 when it was Ch\$1,303,640 million. Our net interest income increased 9.7% in 2010 as compared to 2009. The average balance of our interest-earning assets increased 7.5% in 2010 as compared to 2009. Net interest margin in 2010 was 5.4% compared to 5.3% in the same period in 2009, reflecting the higher inflationary environment. In 2010, the value of the UF increased by 2.5% compared to a decline of 2.4% in 2009. As we have more interest-earning assets than liabilities denominated in UF, our net interest income was positively affected by this change in inflationary trends. In 2010, the average gap between UF-denominated average interest-earning assets and UF-denominated average interest bearing liabilities was approximately Ch\$3,171,140 million compared to Ch\$2,689,614 million in 2009. This moderate inflationary trend increased our average nominal rate earned over interest earning assets to 8.1% in 2010 from 7.4% in 2009.

Net fees and commission income increased 3.7% to Ch\$263,582 million in 2010 as compared to 2009. The growth in net fees and commission income was mainly driven by higher fees from credit, debit and ATM cards, which increased by 8.2%, reflecting increased usage of these credit cards. Asset management fees increased 29.9% in 2010 as compared to 2009. Total funds under management decreased 7.0% in the period being analyzed and totaled Ch\$3,186,784 million (US\$6.8 billion). The recovery of the local and global equity markets in 2010 has resulted in an increase in equity funds of 42.9% in the period being analyzed which earn higher management fees than non-equity funds, as well as an increase in the performance of our funds under management. Insurance brokerage fees increased by 101.0% in 2010 as compared to 2009. This was mainly due to an increase in prices on behalf of insurance underwriters following the February 2010 earthquake and tsunami, greater business volumes in our insurance brokerage subsidiary and higher online sales of insurance products through our website.

This growth in fee income was partially offset by the 20.2% decrease in fees from checking accounts and lines of credit, which includes the maintenance fee for checking accounts and lines of credit and fees charged for the unauthorized overdraft of lines of credit. This decrease was in part a result of the decline in fees from unauthorized overdrafts of credit lines which were prohibited by the SBIF beginning in May 2009. In 2010, these fees totaled Ch\$0 compared to Ch\$7,992 million in the same period in 2009. Additionally, this decrease was also due in part to

Table of Contents

the February 2010 earthquake and tsunamis as some of these fees were temporarily waived in the more affected zones.

Results of Financial transactions, net, which is the sum of trading activities, fair value adjustments and foreign exchange transactions, totaled Ch\$95,988 million in 2010, a decrease of 42.6% as compared to 2009. This decline was mainly due to the higher interest rate environment which lowered the gains from fair value changes, proprietary trading and lower gain recognized by the Financial Management Division were mainly due to a fall in gains on the sale of available-for-sale fixed income instruments in a rising interest rate environment.

Other operating income totaled a gain of Ch\$43,608 million in 2010, a 68.6% increase as compared to 2009. In 2010, we sold 43 branches for a gain of Ch\$30,934 million recognized as gain on sale of our property, plant and equipment. These branches are now rented to us. We did not finance this acquisition and the acquirers were non-related parties.

Provision for loan losses decreased by 23.8% to Ch\$253,915 million in 2010 compared to 2009. Gross provision expense, which includes provisions, but excludes charge-offs and recoveries, increased 1.0% to Ch\$77,348 million. This increase was mainly due to higher gross provisions in consumer lending. We recognized Ch\$30,466 million in provisions mainly for consumer loans as a result of improvements made to our credit scoring models. Charge-offs decreased 30.0% in the periods being analyzed, totaling Ch\$207,046 million. This was mainly due to an improvement in the asset quality of our consumer loans. Recoveries on loans previously charged-off decreased by 22.4% in 2010 compared to 2009. In 2010 and prior periods, we have sold charged-off loans to third parties, recognizing a net gain in financial operations. We view this as a more efficient manner to recover value from aged stock of charged-off loans as this decreases our costs of collections; however, this leads to a decrease in recoveries recognized in this line item.

As a result of the factors mentioned above, net operating profit increased 12.2% in 2010 to Ch\$1,088,982 million as compared to 2009.

Operating expenses in 2010 increased 11.7% compared to 2009. The efficiency ratio was 37.0% in 2010 compared to 34.2% in 2009, as the increase in net operating profit before loan losses was offset by earthquake-related expenses, and greater expenses incurred as a result of stronger business activity.

Operating income, which corresponds to net operating profits less operating expenses, increased 12.6% in 2010 compared to the same period in 2009.

Our income tax expense decreased by 4.0% in 2010 compared to 2009. The effective tax rate paid was 14.4% in 2010 compared to 16.9% in 2009. The statutory tax rate in Chile has not changed in 2010 and was 17% on income before taxes. The lower effective tax rate is mainly due to the fact that Chilean tax regulations still require corporations to recognize the effects of price-level restatement on equity even though inflation accounting is no longer required by Chilean Bank GAAP. In 2009, as inflation was negative, stated net income and taxable net income were similar (where inflation is negative non-monetary items for tax purposes are not price-level restated). In 2010, the higher inflation rate has resulted in a price-level restatement loss for tax purposes for equity and thus a lower effective tax rate.

Net interest income

	Year ended December 31,			% Change	
	2011	2010	2009	2011/2010	2010/2009
	(in millions of Ch\$, except percentages)				
Individuals (Commercial banking)	453,139	426,558	416,220	6.2	2.5
Individuals (Santander Banefe)	117,154	106,942	115,840	9.5	(7.7)
Small and mid-sized companies	207,008	192,825	228,928	7.4	(15.8)

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Institutional	26,856	19,675	18,789	36.5	%	4.7	%
Companies	140,818	126,936	114,932	10.9	%	10.4	%
Total commercial banking	944,975	872,936	894,709	8.3	%	(2.4	%)
Global banking & markets	48,942	60,164	33,238	(18.7	%)	81.0	%
Other(1)	(21,617)	6,619	(71,431)	–	%	–	%
Net interest income	972,300	939,719	856,516	3.5	%	9.7	%

Table of Contents

	Year ended December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(in millions of Ch\$, except percentages)				
Average interest-earning assets	20,355,039	17,479,483	16,265,592	16.5	7.5
Average non-interest-bearing demand deposits	3,575,544	3,152,513	2,475,050	13.4	27.4
Net interest margin(2)	4.8	5.4	5.3	–	–
Average shareholders' equity and average non-interest-bearing demand deposits to total average interest-earning assets	27.4	28.1	25.1	–	–

(1) Consists mainly of net interest income from the Financial Management Division and the cost of funding our fixed income trading portfolio.

(2) Each segment obtains funding from its clients. Any surplus deposits are transferred to the Financial Management Division, which in turn makes such excess available to other areas that need funding. The Financial Management Division also sells the funds it obtains in the institutional funding market at a transfer price equal to the market price of the funds.

(3) Net interest margin is net interest income divided by average interest-earning assets.

For the years ended December 31, 2011 and 2010. Our net interest income totaled Ch\$972,300 million in the year ended December 31, 2011, an increase of 3.5% from 939,719 in 2010. Average interest earning assets increased 16.5% in the same period, driven mainly by lending to individuals, companies and the global banking and markets segment. Net interest margin in 2011 was 4.8% compared to 5.4% in 2010. Net interest margins were negatively affected by the rise in average short-term interest rates. As interest-bearing liabilities generally have shorter terms than interest-earning assets, a rise in short-term rates has a negative effect on our margins. The average nominal rate we paid on our peso-denominated interest-bearing liabilities was 6.3% in 2011 compared to 2.7% in 2010. The average nominal rate we paid on our peso-denominated time deposits was 5.6% in 2011 compared to 2.3% in 2010. As a result, interest expense in 2011 increased 68.3% compared to interest expense in 2010.

The impact of interest rate increases was partially offset by a higher local inflationary environment. In 2011, the value of the UF increased by 3.9% compared to a rise of 2.5% in 2010. As we have more interest-earning assets than liabilities linked to the UF, our net interest income was positively affected by this change in inflationary trends. At the same time, the higher interest rate environment also pushed upward the nominal rate earned over our interest earning assets, albeit to a lesser extent than the rise of our funding costs. The average nominal rate earned over interest earning assets increased to 8.7% in 2011 from 8.1% in 2010.

The changes in net interest income by segment in 2011 as compared to 2010 were as follows:

- Net interest income from individuals in commercial banking increased 6.2%, mainly as a result of the 10.7% increase in loan volumes in this segment. This was partially offset by higher funding costs due to the rising short-term interest rates throughout 2011.
- Net interest income from individuals in Santander Banefe increased 9.5%, mainly as a result of the 12.6% increase in loan volumes in this segment. This was partially offset by higher funding costs due to the rising short-term interest rates throughout 2011.

- Net interest income from small and mid-sized companies increased 7.4% mainly as a result of the 7.9% increase in loans to this segment. This was partially offset by the increase in average short-term interest rates, which affected funding costs.
- Net interest income from the total Companies segment increased 10.9%, mainly as a result of the 11.1% increase in loans to this segment due to the positive evolution of the economy. This was partially offset by the rise in funding costs.
- Loans in the Global Banking and Markets segment increased 15.6% in 2011 compared to 2010. Net interest income from the Global Banking and Markets segment decreased 18.7% in the same period. This

Table of Contents

was mainly due to the higher short-term interest rates that affected funding costs and lower loan spreads due to competitive pressures.

- Other net interest income consists mainly of net interest income from the available for sale investment portfolio and deposits in the Central Bank and the financial cost of supporting our cash position and investment portfolio for trading, the interest income from which is recognized as net income from financial operations and not interest income. The net interest income included as “other” totaled a loss of Ch\$21,617 million in 2011 compared to a gain of Ch\$6,619 million in 2010. As short-term interest rates increased, the financial cost of maintaining these lower yielding assets rose. Simultaneously, the yield obtained on low yielding assets did not rise as the Bank increased its short-term liquidity as a proactive measure given the uncertainty surrounding global financial markets, since the second quarter of 2011. The nominal rate earned on the Bank’s financial investments decreased from 3.2% in 2010 to 2.5% in 2011. This segment also reflects the impact of higher funding costs that finance the Bank’s financial investments and cash position.

The following table shows our balances of loans and accounts receivables from customers and interbank loans by segment at the dates indicated.

Loans by segment	As of December 31,			% Change 2011/2010	% Change 2010/2009	
	2011	2010	2009			
	(in millions of Ch\$)					
Individuals (Commercial banking)	8,484,493	7,664,070	6,678,117	10.7	%	14.8
Individuals (Santander Banefe)	804,852	714,899	609,808	12.6	%	17.2
Small and mid-sized companies	2,560,736	2,373,360	2,485,505	7.9	%	(4.5)
Institutional	355,199	332,150	282,933	6.9	%	17.4
Companies	3,650,709	3,286,920	2,456,321	11.1	%	33.8
Total Commercial banking	15,855,989	14,371,399	12,512,684	10.3	%	14.9
Global banking & markets	1,494,752	1,293,221	1,209,547	15.6	%	6.9
Other	84,041	62,662	29,045	34.1	%	115.7
Total loans(1)	17,434,782	15,727,282	13,751,276	10.9	%	14.4

(1) Includes interbank loans.

We expect continued loan growth in 2012 and 2011. If GDP does not grow in line with forecasts this could have a negative input on us.

For the years ended December 31, 2010 and 2009. Our net interest income increased 9.7% to Ch\$939,719 million in the year ended December 31, 2010 from net interest income of Ch\$856,516 million in the corresponding period in 2009. Average interest earning assets increased 7.5% in 2010 compared to 2009. Net interest margin in 2010 was 5.4% compared to 5.3% in the same period in 2009, reflecting the higher inflationary environment. In 2010, the value of the UF increased by 2.5% compared to a decline of 2.4% in 2009. As we have more interest-earning assets than liabilities linked to the UF, our net interest income was positively affected by this change in inflationary trends. In 2010, the average gap between UF-denominated interest-earning assets and UF-denominated average interest bearing liabilities was approximately Ch\$3,171,140 million compared to Ch\$2,689,614 million in 2009. This moderate inflationary trend increased our average nominal rate earned over interest earning assets to 8.1% in 2010 from 7.4% in 2009.

Our funding mix also improved. The ratio of non-interest bearing demand deposits and shareholders’ equity to interest earning assets was 28.1% in 2010 compared to 25.1% in 2009. Average non-interest bearing demand deposits increased 27.4% in 2010 compared to 2009, mainly as a result of growth in our cash management business with

corporate clients.

These factors were partly offset by the lower interest income earned on consumer loans. The average nominal rate earned on consumer loans in 2010 was 20.4% compared to 23.7% and interest income from consumer loans decreased 4.5%, in 2010 compared to 2009. In 2009, we increased our consumer loan yields in order to compensate for the expected rise in non-performing levels and charge-offs. As the economy has rebounded and provision

Table of Contents

expense has decreased, yields on these products have normalized. See the discussion on the net provision expense in “Item 5: C. Operating Results— Results of Operations for the Years Ended December 31, 2011, 2010 and 2009.” This normalization of yields also explains, in part, the 15.8% decrease in net interest income from small and mid-sized companies (“SMEs”).

Net interest income and margins were also positively affected by the lower average short-term interest rates. As a result, the average nominal rate we paid on our peso denominated interest-bearing liabilities was 2.7% in 2010 compared to 3.9% in 2009. These factors were offset by the higher nominal rate paid on our interest bearing liabilities linked to inflation. In 2010, the average nominal rate paid on interest-bearing liabilities denominated in UFs was 6.4% compared to 1.4% in 2009. Going forward, if the Central Bank increases interest rates, this will negatively impact our funding costs in pesos and our margins.

The changes in net interest income by segment in 2010 compared to 2009 were as follows:

- Net interest income from individuals in commercial banking increased 2.5% mainly as a result of the 14.8% increase in loan volumes to individuals due to the more favorable economic environment and improvements in asset quality after the 2009 recession. The majority of residential mortgage loans are recorded in this segment of the Bank and interest income from residential mortgage loans also increased 197.2% as a result of the rise in inflation rate as the majority of these loans are linked to inflation. This increase was offset by the normalization of consumer loan yields mentioned above.
- Net interest income from individuals in Santander Banefe decreased 7.7% in 2010 compared to 2009. Despite the approximately 17.2% increase in loan volumes to individuals, loan yields decreased in Santander Banefe in 2010 as risk levels normalized following the 2009 recession and the better economic outlook in 2010 that led to higher competition in 2010.
- Net interest income from small and mid-sized companies decreased 15.8%. This segment was affected by rising funding costs while interest rate yields declined. This decline was mainly due to the normalization of loan spreads mentioned above. Loans to this segment decreased 4.5% in 2010 compared to 2009.
- Net interest income from companies increased 10.4% year-over-year, mainly as a result of the 33.8% increase in loans to this segment, which was partially offset by rising funding costs while interest rate yields declined. This decline was mainly due to the normalization of loan spreads mentioned above.
- Net interest income from the global banking and markets segment increased 81.0% in 2010 compared to 2009 mainly due to the rising interest rate environment that increased spreads in this segment, especially in the second half of the year, and the higher inflation rate, which had a positive effect on interest gained from our commercial loan book denominated in UFs. Loan volumes in this segment increased 6.9%. This segment also improved due to an improvement in our funding mix through demand deposits and cash management, as well as the movement of some of our former mid-sized clients to the global banking segment as a result of their growth.
- Net interest income from non-segmented portions of interest earning assets, which consists mainly of net interest income from the Financial Management Division’s available for sale investment portfolio improved from a loss of Ch\$71,431 million in 2009 to a gain of Ch\$6,619 million in 2010. This was mainly as a result of higher net interest revenue from financial investments that are mainly denominated in UFs and, therefore, were positively affected by the rise in inflation. This portfolio manages the largest portion of our inflation gap and generally shows greater changes than the changes in interest rates. See “Item 5: C. Operating Results—Impact of Inflation.”

Fee and commission income

The following table sets forth certain components of our income from services (net of fees paid to third parties directly connected to providing those services, principally fees relating to credit card processing and ATM network administration) in the years ended December 31, 2011, 2010 and 2009.

56

Table of Contents

	Year ended December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(in millions of Ch\$)				
Collections	61,803	60,136	65,782	2.8 %	(8.6 %)
Checking accounts and lines of credit	40,327	42,614	53,388	(5.4 %)	(20.2 %)
Credit, debit and ATM cards	59,525	55,899	51,670	6.5 %	8.2 %
Asset management	37,618	39,952	30,766	(5.8 %)	29.9 %
Letters of credit	24,388	22,852	24,558	6.7 %	(6.9 %)
Insurance brokerage	34,066	32,783	16,307	3.9 %	101.0 %
Custody and brokerage services	10,517	9,101	6,532	15.6 %	39.3 %
Office banking	2,267	1,832	2,552	23.7 %	(28.2 %)
Other fees	7,325	(1,587)	2,575	– %	– %
Total fees and commission income, net	277,836	263,582	254,130	5.4 %	3.7 %

For the years ended December 31, 2011 and 2010. Net fees and commission income increased 5.4% to Ch\$277,836 million in the year ended December 31, 2011 compared to the same period in 2010.

Fees from collections increased by 2.8% in 2011 compared to 2010. This was mainly due to a 17.1% increase in loan collection fees that totaled Ch\$15,153 million. In the second half of 2011, the Bank reorganized and augmented its collection unit resulting in greater collection fees. This was offset by the 1.8% decrease of insurance premiums for loan related insurance as loan origination decelerated in the second half of 2011. Going forward, this line item could be negatively impacted by proposed legislation to modify the mandatory loan insurance market. (See Item 3- Risk Factors—“Chile’s banking regulatory and capital markets environment is continually evolving and may change.”).

Fees from credit, debit and ATM cards increased by 6.5%, reflecting increased usage of our credit cards. Usage measured in terms of monetary purchases was up 17.8% in 2011 compared to the corresponding period in 2010. As of December 31, 2011, the Bank, which has a 25.8% market share of all bank credit cards, had generated 36.9% of all bank monetary purchases year-to-date.

Fees from checking accounts and lines of credit, which include the maintenance fee for checking accounts and lines of credit and fees charged for the unauthorized overdraft of lines of credit, decreased 5.4% in 2011 compared to 2010. This decrease was due to the 25.6% decline in fees from lines of credit and authorized overdrafts, which totaled Ch\$11,602 million in 2011. This decrease was a result of a reduction in the amount of lines of credit and overdraft lines available to clients, following an increase in Chilean Bank GAAP of provisioning requirements for unused lines of credit. Fees from checking accounts increased 6.3% in 2011 and totaled Ch\$28,725 million. This is in line with the 4.5% increase in total checking accounts to 762,472 in 2011.

Fees from our asset management business decreased 5.8% in 2011 compared to 2010. Total funds under management decreased 6.1% in 2011 and totaled Ch\$2,941,773 million (US\$5.7 billion). As global markets weakened in the second half of 2011, the rate of growth of fees from asset management and total assets under management was negatively affected.

Insurance brokerage fees increased by 3.9% in 2011. This was mainly due to greater business volumes in our insurance brokerage subsidiary and higher sales of insurance products through our website and branch network.

Fees from letters of credit and other contingent operations increased 6.7% in 2011. This was mainly due to positive performance of our international and foreign trade financing businesses with clients.

Brokerage and custody fees increased 15.6% in 2011 as compared to 2010. This was primarily due to higher stock brokerage fees, which increased 23.7% to Ch\$9,593 million as more clients have used our online and branch-network brokerage services.

Fees from office banking increased 23.7% in 2011 as more companies used this product. The rise in other fee income was mainly due to higher financial advisory and other services for corporations.

Table of Contents

The following table sets forth, for the periods indicated our fee income broken down by segment for the periods indicated:

	Year ended December 31,			% Change		% Change		
	2011	2010	2009	2011/2010		2010/2009		
	(in millions of Ch\$)							
Individuals (Commercial banking)	149,970	159,708	141,981	(6.1	%)	12.5	%	
Individuals (Santander Banefe)	37,206	32,133	29,452	15.8	%	9.1	%	
Small and mid-sized companies	38,274	34,460	41,917	11.1	%	(17.8	%)	
Institutional	1,831	2,452	1,962	(25.3	%)	25.0	%	
Companies	24,310	20,215	20,567	20.3	%	(1.7	%)	
Total commercial banking	251,591	248,968	235,879	1.1	%	5.5	%	
Global banking and markets	31,908	23,173	18,747	37.7	%	23.6	%	
Other	(5,663)	(8,559)	(496)	(33.8	%)	1625.6	%	
Total fees and commission income, net	277,836	263,582	254,130	5.4	%	3.7	%	

Fees in the Companies segment increased by 20.3%, mainly as a result of the rise in office banking fees as more clients used the on-line banking service.

Fees from individuals in commercial banking decreased 6.1% in 2011 compared to 2010, mainly as a result of the decrease in fees for lines of credit. This decrease was due to a reduction in the amount of lines of credit and overdraft lines available to clients for credit risk reasons that resulted from a required increase under Chilean Bank GAAP in provisioning requirements for unused lines of credit.

Fees from individuals in Santander Banefe increased 15.8% in 2011 compared to 2010, mainly as a result of the increase in credit card fees due to higher usage and an increase in collection fees. In the second half of 2011, the Bank reorganized and augmented its collection unit resulting in greater fee collection.

The rise in fees by 11.1% from small and mid-sized companies and the middle market was mainly due to higher fees from office banking, brokerage and custody and foreign trade related business.

Fees from institutions decreased 25.3% primarily as a result of lower business activity with universities.

Fees from the Global Banking and Markets segment increased by 37.7%, mainly as a result of an increase in fees from investment banking activities, advisory services and brokerage services.

For the years ended December 31, 2010 and 2009. Net fees and commission income grew by 3.7% to Ch\$263,582 million in 2010 compared to the same period in 2009.

Fees from collections decreased by 8.6% in 2010 compared to 2009. This was mainly due to the impact of the February 2010 earthquake and tsunami as some collection fees were temporarily waived in the more affected zones and the collection process was disrupted due to an inability to contact appropriate parties.

Fees from credit, debit and ATM cards increased by 8.2%, reflecting increased usage of our credit cards. Usage measured in terms of monetary purchases was up 22.1% in 2010 compared to 2009. The number of cards in circulation went up by 12.0% in this period. As of December 31, 2010, the Bank, which has a 28.2% market share of all bank credit card accounts, had generated 32.9% of all purchases year-to-date.

Fees from checking accounts and lines of credit, which includes the maintenance fee for checking accounts and lines of credit and fees charged for the unauthorized overdraft of lines of credit, decreased 20.2% in 2010 compared to 2009. This decrease was in part a result of the decline in fees from unauthorized overdrafts of credit lines which were prohibited by the SBIF beginning in May 2009. In 2010, these fees totaled Ch\$0 compared to Ch\$7,992 million in the same period in 2009. Additionally, this decrease was also due in part to the February 2010 earthquake and tsunamis as some of these fees were temporarily waived in the more affected zones.

Fees from our asset management business increased 29.9% in 2010 compared to the same period in 2009. Total funds under management decreased 7.0% in the period being analyzed and totaled Ch\$3,186,784 million (US\$6.8

Table of Contents

billion). The recovery of the local and global equity markets in 2010 has resulted in an increase in equity funds which earn higher management fees than non-equity funds, as well as an increase in the performance of our funds under management. This has been partially offset by the reduction in lower yielding fixed income funds due to mark-to-market as rates have increased, and by the translation loss on foreign currency denominated funds due to the appreciation of the Chilean peso against the dollar.

Fees from letters of credit and other contingent operations decreased 6.9%. This was mainly due to a 17.0% decrease in stand-by letters of credit in our foreign trade business, which in turn resulted from lower average fees as the Chilean peso has appreciated against the dollar in 2010.

Insurance brokerage fees increased by 101.0%. This was mainly due to an increase in prices on behalf of insurance underwriters following the February 2010 earthquake and tsunami, greater business volumes in our insurance brokerage subsidiary and higher sales of insurance products through our website.

Custody and brokerage fees increased 39.3% in 2010 as compared to the corresponding period in 2009. This was primarily due to higher stock brokerage fees, which increased 47.4% to Ch\$5,264 million as equity markets had strong activity levels and also higher brokerage volumes as more clients have used our online brokerage services.

Fees from office banking decreased 28.2%. The 9.9% increase in income from office banking resulting from more clients using this product was more than offset by the 26.0% increase in costs associated with this program as we increased incentives for clients to switch to online banking services.

Other fee income totaled a net expense of Ch\$1,587 million compared to a net gain of Ch\$2,575 million in 2009. This was mainly due to higher fee expenses paid to correspondent banks and other expenses related to marketing efforts of various products and services.

Fees from individuals in commercial banking increased 12.5% in 2010 compared to the same period in 2009, mainly as a result of the increase in fees from credit and debit cards, asset management, stock brokerage and insurance brokerage. Insurance brokerage fees were positively affected by the post-earthquake demand for insurance in 2010 and greater consumer and residential mortgage loan growth, which led to a rise in loan-related insurance.

Fees from individuals in Santander Banefe increased 9.1% in 2010 compared to the same period in 2009, mainly as a result of the increase in fees from credit and debit cards and insurance brokerage. Insurance brokerage fees were positively affected by the post-earthquake demand for insurance in 2010 and greater consumer loan growth, which led to a rise in loan-related insurance.

Fees from small and mid-sized companies decreased 17.8% mainly as a result of the lower fees received from the unauthorized overdraft of checking accounts.

Fees from institutions increased 25.0% primarily as a result of our increased business activity with universities, mainly as a result of increased fees from debit cards and cash management services.

Fees from Companies decreased by 1.7%, mainly as a result of a decrease in stand-by letters of credit in our foreign trade business and lower fees from the unauthorized overdraft of checking accounts.

Fees from global banking and markets segment increased by 23.6% mainly as a result of an increase in fees from mutual funds, brokerage services, custody services and investment banking activities.

Financial transactions, net

The following table sets forth information regarding our income (expenses) from financial transactions for the years ended December 31, 2011, 2010 and 2009.

59

Table of Contents

	Year ended December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(in millions of Ch\$)				
Net income from financial operations	170,857	38,755	3,887	340.9 %	897.0 %
Foreign exchange profit (loss), net	(76,660)	57,233	163,241	– %	(64.9 %)
Total financial transactions, net	94,197	95,988	167,128	(1.9 %)	(42.6 %)

For the years ended December 31, 2011 and 2010. Total financial transactions, net, which is the sum of trading activities, fair value adjustments in our securities portfolio and foreign exchange transactions, totaled Ch\$94,197 million in the year ended December 31, 2011, a decrease of 1.9% compared to the same period in 2010. These results include the results of our Treasury's trading business and financial transactions with customers as well the results of our Financial Management Division.

Net income from financial operations was Ch\$170,857 million in 2011 compared to Ch\$38,755 million in the corresponding period in 2010. In 2011, the Chilean peso depreciated 11.3% compared to a 7.5% appreciation in 2010. This explains the difference in results from derivatives classified as trading which totaled Ch\$116,877 million in 2011 compared to Ch\$3,598 million in 2010. Derivatives are mainly composed of forwards and swap contracts that hedge our spot position in foreign currency. Our spot position includes all assets and liabilities in foreign currency and in Ch\$ linked to US\$ that are not derivatives. For more details see "Item 11: Quantitative and Qualitative Disclosures About Market Risk—Market risk management—Market risk – local and foreign financial management." As the Chilean peso appreciates, we usually record a low or negative result from the fair value of derivatives held for trading. As the Chilean peso depreciates, we usually record a high result from the fair value of derivatives held for trading. This is offset by foreign exchange transaction results, which includes the mark-to-market of our spot foreign currency position.

	Year ended December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(in millions of Ch\$)				
Derivatives classified as trading	116,877	3,598	(102,825)	3148.4 %	– %
Trading investments	38,819	31,058	49,220	25.0 %	(36.9 %)
Sale of loans	9,692	12,397	9,231	(21.8 %)	34.3 %
Available-for-sale instruments sales	(3,356)	(8,319)	47,335	(59.7 %)	– %
Other results	8,825	21	926	41923.8 %	(97.7 %)
Net income from financial operations	170,857	38,755	3,887	340.9 %	897.0 %

The income from the sale of loans totaled Ch\$9,692 million in 2011 and decreased 21.8% compared to Ch\$12,397 million in 2010 mainly as a result of lower gains from the sale of loans that have been previously charged-off. These loans were sold to various non-related collection companies and asset managers. In 2012, the sale of charged-off loans to companies not regulated by the Superintendency of Banks may be prohibited by Congress.

The higher results from trading investments is mainly due to higher interest income from this portfolio as 67% of this assets are denominated in UFs and, therefore, when inflation rises interest income from these assets increases. The negative result from the available for sale portfolio is mainly due to higher interest rates, which has a negative impact on the realized losses of these financial investments. The interest income from the available for sale portfolio is recorded as net interest income and interest income from the trading portfolio is recorded as income in net income from financial operations.

In 2011, we also recorded a gain of Ch\$5,705 million from the sale of all of the Bank's shares in Visa Inc included in other results.

Table of Contents

	Year ended December 31,			% Change	
	2011	2010	2009	2011/2010	2010/2009
	(in millions of Ch\$)				
Net profit or loss from foreign currency exchange differences	(257,986)	273,997	401,695	–	% (31.8 %)
Hedge-accounting derivatives	177,553	(215,721)	(266,221)	–	% (19.0 %)
Translation gains and losses over assets and liabilities indexed to foreign currencies, net	3,773	(1,043)	27,767	–	% – %
Net results from foreign exchange profit (loss)	(76,660)	57,233	163,241	–	% (64.9 %)

The net result from foreign exchange transactions totaled a loss of Ch\$76,660 million in 2011 compared to a gain of Ch\$57,233 million in 2010. Foreign currency exchange differences totaled a net loss of Ch\$257,986 million in 2011 compared to a gain of Ch\$273,997 million in 2010. This decrease is mainly the result of the depreciation of the Chilean peso against the U.S. dollar in 2011 compared to an appreciation in 2010. The effects on net income from the change in value of our spot foreign currency position should continue to be negative if the peso continues to depreciate as our spot funding base in foreign currency is larger than our spot asset position in foreign currency. This is largely offset by the fair value of foreign exchange derivatives in net gains from trading and fair value as described above in net income from financial operations. The derivatives included in this line item are mainly cross-currency swaps that hedge the interest rate risk of bonds issued abroad. Excluding interest rate and other derivatives that qualify for hedge accounting, the conversion and fair value of foreign currency derivatives are for the most part recognized as a gain or loss in the net results from fair value and trading and not as foreign exchange transactions. This distorts the results from fair value and trading and foreign exchange transactions. In order to more easily compare the results from financial transactions, net, we present the following table that separates the results by line of business.

	Year ended December 31,			% Change	
	2011	2010	2009	2011	2010
	(in millions of Ch\$)				
Santander Global Connect(1)	62,625	54,472	58,124	15.0	% (6.3 %)
Market-making with clients	25,930	23,837	31,525	8.8	% (24.4 %)
Client treasury services	88,555	78,309	89,649	13.1	% (12.6 %)
Sale of loans and charged-off loans	9,692	12,397	9,231	(21.8	%) 34.3 %
Proprietary trading	16,022	5,879	16,392	172.5	% (64.1 %)
Financial Management (ALCO) and other results(2)	(20,072)	(597)	51,856	3262.2	% – %
Non-client treasury income	5,642	17,679	77,479	(68.1	%) (77.2 %)
Total financial transactions, net	94,197	95,988	167,128	(1.9	%) (42.6 %)

(1) Santander Global Connect is our platform to sell derivatives, which consist mainly of foreign currency forward contracts, to our clients, mainly corporations and middle-market businesses.

(2) The Financial Management Division manages the structural interest rate risk, the structural position in inflation-indexed assets and liabilities, capital requirements and liquidity levels. The aim of the Financial Management Division is to provide stability and continuity in our net interest income from commercial activities and to ensure that we comply with internal and regulatory limits regarding liquidity, regulatory capital, reserve requirements and market risk.

Client treasury services increased 13.1% in 2011 compared to client treasury service income in 2010. The results from Santander Global Connect and market-making mainly include the results from the sale of derivatives, foreign exchange and fixed income instruments to our client base. Santander Global Connect is a specialized platform

designed to facilitate the sale of derivatives to a broad range of companies in all segments and through the branch network. In 2011, the results from Santander Global Connect increased 15.0%. The results from market-making with client services increased 8.8% in 2011, mainly due to growth in tailor-made treasury services sold to specific corporate clients.

Table of Contents

The results from non-client treasury income totaled a gain of Ch\$5,642 million in 2011 and decreased 68.1% compared to 2010. Throughout 2011, the Bank has maintained above average levels of liquidity, part of which is generated from U.S.\$-denominated liabilities, as a conservative measure given the uncertainty surrounding global financial markets. These dollar liabilities are hedged through derivatives (short term foreign currency swaps), but as the short term interest rate differential between US dollars and Chilean pesos has increased, this has produced a higher cost registered in financial transactions, net. This higher cost is partially offset by net interest income where the interest earned on the short-term liquid asset is registered and the interest expense of the U.S.\$-denominated liabilities are also recorded. This explains the higher net loss recorded from our Financial Management division. At the same time, the Bank recorded lower gains from the sale of loans and better results from proprietary trading.

For the years ended December 31, 2010 and 2009. The net gains from financial transactions, which is the sum of trading activities, fair value adjustments in our securities portfolio and foreign exchange transactions totaled Ch\$95,988 million in 2010 a decrease of 42.6% compared to the same period in 2009. These results include the results of our Treasury's trading business and financial transactions with customers as well the results of our Financial Management Division.

The net income from financial operations was Ch\$38,755 million in 2010 compared to Ch\$3,887 million in 2009. In 2010, the Chilean peso appreciated 7.5% compared to a 19.5% appreciation in 2009. This explains the difference in results from derivatives classified as trading which totaled Ch\$3,598 million in 2010 compared to a loss of Ch\$102,825 million in 2009. Derivatives are mainly composed of forwards and swap contracts that hedge our spot position in foreign currency. Our spot position includes all assets and liabilities in foreign currency and in Ch\$ linked to US\$ that are not derivatives. For more details see "Item 11: Quantitative and Qualitative Disclosures About Market Risk—Market risk management—Market risk—local and foreign financial management." As the Chilean peso appreciates, we usually record a low or negative result from the fair value of derivatives held for trading. Going forward, if the Chilean peso's appreciation continues to slow down the results from derivatives classified as trading should continue to improve, but will be partially offset by a continued decline in our foreign exchange transaction results, which includes the mark-to-market of our spot foreign currency position.

In 2010, we also recorded a gain of Ch\$12,397 million from the sale of loans, mainly loans that have been previously charged-off compared to Ch\$9,231 million in 2009. These loans were sold to various non-related collection companies and asset managers.

These positive factors have been partially offset by the higher interest rate environment which has negatively affected realized gains from the sale of available for sale fixed income instruments, which totaled a loss of Ch\$8,319 million in 2010 compared to a gain of Ch\$47,335 million in 2009 when interest rates declined significantly and we sold available-for-sale fixed income investments. This was partially offset by the increase in the inflation rates, which has increased the interest earned from our fixed income portfolio classified as trading included in this line item.

Foreign exchange profit (loss) net totaled a net gain of Ch\$57,233 million in 2010 compared to a gain of Ch\$163,241 million in 2009. This decrease is the result of the lower rate of appreciation of the Chilean peso against the dollar 7.5% in 2010 compared to 19.5% in 2009. The effects on net income from the change in value of our spot foreign currency position should continue to be positive if the peso continues to appreciate as our funding base in foreign currency is larger than our spot asset position in foreign currency.

Foreign exchange transactions totaled a net gain of Ch\$273,997 million in 2010 compared to a gain of Ch\$401,695 million in 2009. This lower result was mainly due to the lower rate of appreciation of the peso in 2010 compared to 2009. This is largely offset by the fair value of foreign exchange derivatives in net gains from trading and fair value as described above. The derivatives included in this line item are mainly cross-currency swaps that hedge the interest rate risk of bonds issued abroad. Excluding derivatives that qualify for hedge accounting, the conversion and fair

value of foreign currency derivatives are for the most part recognized as a gain or loss in the net results from fair value and trading and not as foreign exchange transactions. This distorts the results from fair value and trading and foreign exchange transactions. In order to more easily compare the results from financial transactions, net, we present the following table that separates the results by line of business.

The results from Santander Global Connect and market-making mainly include the results from the sale of derivatives, foreign exchange and fixed income instruments to our client base. Santander Global Connect is a specialized platform designed to facilitate the sale of derivatives to a broad range of companies in all segments and

Table of Contents

through the branch network. In 2010, the results from Santander Global Connect decreased 6.3% mainly as a result of lower demand on behalf of clients of derivative instruments due to more stable market conditions in 2010 compared to 2009. Results from market making decreased 24.4% in 2010 as a result of the rising interest rate environment.

The results from proprietary trading totaled a gain of Ch\$5,879 million in 2010 and decreased 64.1% compared to 2009. This decrease was mainly due to the rise in interest rates, which had a negative effect on our proprietary trading positions compared to the inverse scenario in 2009.

The results from the Financial Management Division and other results totaled a loss of Ch\$597 million in 2010 compared to a gain of Ch\$51,856 million in 2009. The lower gain recognized by the Financial Management Division was mainly due to lower gains from the sale of available-for-sale fixed income instruments in a rising interest rate environment.

Other operating income

	Year ended December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(In million of Chilean pesos)				
Income from assets received in lieu of payment	5,629	1,556	29	261.8	% 5265.5
Net results from sale of investment in other companies	–	–	1,859	–	% –
Operational leases	305	117	1,123	160.7	% (89.6)
Gain on sale of Bank property, plant and equipment	11,863	31,246	7,622	(62.0	%) 309.9
Recovery of generic provisions for contingencies	–	7,040	14,793	(100.0	%) (52.4)
Insurance coverage for earthquake	437	3,175	–	(86.2	%) –
Other	515	474	440	8.6	% 7.7
Sub-total other income	13,120	42,052	23,978	(68.8	%) 75.4
Total other operating income	18,749	43,608	25,866	(57.0	%) 68.6

For the years ended December 31, 2011 and 2010. Total other operating income totaled a gain of Ch\$18,749 million in the year ended December 31, 2011, a 57.0% decrease from the corresponding period in 2010.

The main reason for this decrease was that in 2010, the Bank sold 43 branches and two buildings for a gain of Ch\$31,246 million recognized as income from the sale of Bank property, plant and equipment. These branches are now rented to us. The Bank did not finance this acquisition and the acquirors were non-related parties. In 2011, the Bank sold only 8 branches that are now rented.

Gains from the recovery of provisions not related to any specific risk and non-credit contingencies, such as legal and tax contingencies, decreased to Ch\$0 in 2011 compared to Ch\$7,040 million in 2010. Gains from the recovery of provisions for contingencies in 2010 reversed in 2011, mainly due to the reversal of provisions recognized in the early part of 2010 in anticipation of the potential negative impact of various events such as the February 2010 earthquake and tsunami and changes in our collective bargaining agreements; these negative impacts did not materialize to the extent initially estimated.

The Bank also recognized in 2011 lower insurance claims from earthquake damage to branches and other installations. In 2011, these claims totaled Ch\$437 million compared to Ch\$3,175 million in 2010.

For the years ended December 31, 2010 and 2009. Total other operating income totaled a gain of Ch\$43,608 million in 2010 and 68.6% increase compared to 2009. In 2010, the Bank sold 43 branches and two buildings for a gain of Ch\$31,246 million recognized as income from the sale of Bank property, plant and equipment. These branches are now rented to us. We did not finance this acquisition and the acquirers were non-related parties.

Gains from the recovery of generic provisions not related to any specific risk and non-credit contingencies, such as legal and tax contingencies, decreased 52.4% in 2010. The gains in 2010 result from the reversal of Ch\$7,040 million of generic provisions recognized in previous periods for non-specific risks and non-credit contingencies. We incurred costs in 2010 after the Chilean earthquake, and we reversed a part of the generic provisions we

Table of Contents

recognized in previous periods to minimize the costs we incurred after the earthquake. The figure in 2009 includes the reversal during that year of Ch\$14,793 million of non-specific contingencies, recognized at the beginning of 2009 and previous periods, reversed in order to cover specific credit provisions to loans, which were reflected under provision for loan losses, as a result of recalibration of its credit models. See “—Provision for loan losses” below and see Note 22a of the Audited Consolidated Financial Statements for a detailed description of the change in provisions for contingencies.

We also recognized Ch\$3,175 million from insurance claims from earthquake damage to branches and other installations, which in turn partially offset the impairment recognized in operating expenses as a result of the loss in value of some fixed assets attributable to this same event.

Provision for loan losses

The following table sets forth, for the periods indicated, certain information relating to our provision expenses.

	Year ended December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(in millions of Ch\$)				
Gross provision expenses(1)	(60,874)	(77,348)	(76,588)	(21.3 %)	1.0 %
Charge offs	(291,088)	(207,046)	(295,831)	40.6 %	(30.0 %)
Recoveries of loans previously charged-off	35,825	30,479	39,274	17.5 %	(22.4 %)
Provision expenses, net	(316,137)	(253,915)	(333,145)	24.5 %	(23.8 %)
Period end loans(2)	17,434,782	15,727,282	13,751,276	10.9 %	14.4 %
Past due loans(3)	237,573	206,601	193,250	15.0 %	6.9 %
Non-performing loans(4)	511,357	416,739	409,067	22.7 %	1.9 %
Impaired loans(5)	1,323,355	1,480,476	1,485,737	(10.6 %)	(0.4 %)
Loan loss allowance(6)	488,468	425,447	349,527	14.8 %	21.7 %
Non-performing loans / period end loans(4)	2.93 %	2.65 %	2.97 %		
Past due loans / period end loans	1.36 %	1.31 %	1.41 %		
Loan loss allowances / Total loans	2.80 %	2.71 %	2.54 %		
Coverage ratio non-performing loans(7)	95.52 %	102.09 %	85.44 %		
Coverage ratio past due loans(8)	205.61 %	205.93 %	180.87 %		

(1) Net of the reversal of allowances on loans charged off during the period.

(2) Includes Ch\$23,412 million in 2009, Ch\$69,726 million in 2010 and Ch\$87,688 in interbank loans.

(3) Past due loans all are installments and lines of credit that are over 90 days past due.

(4) Non-performing loans include the aggregate unpaid principal and accrued but unpaid interest on all loans with at least one installment over 90 days overdue.

(5) Impaired loans defined as of December 31, 2011, 2010 and 2009 include: (A) for loans whose allowance is determined on an individual basis, impaired loans include: (1) all loans to a debtor that are rated C1 through D2 and (2) total loans to single debtors with a loan that is non-performing, excluding residential mortgage loans if the non-performance of the mortgage loans is less than 90 days; (B) for loans whose loan loss allowance is determined

on a group basis, impaired loans include: (1) total loans to a debtor, when a loan to that debtor is non-performing or has been renegotiated, excluding performing residential mortgage loans and (2) if the loan that is non-performing or renegotiated is a residential mortgage loan all loans to that debtor are considered impaired. See Note 10(a) of the Consolidated Financial Statements.

(6) Includes Ch\$42 million in 2009, Ch\$54 million in 2010 and Ch\$11 million in allowance for loan losses for interbank loans.

(7) Loan loss allowance divided by non-performing loans.

(8) Loan loss allowance divided by past due loans.

For the years ended December 31, 2011 and 2010. Gross provision expense decreased 21.3% to Ch\$60,874 million in 2011 compared to 2010. This decrease was mainly due to lower gross provisions in consumer lending. In the year ended December 31, 2010, we recognized Ch\$30,466 million in provisions mainly for consumer loans as a result of improvements made to our credit-scoring models. The minimum provision required for clients in most risk profiles was increased for performing consumer loans and this effect was recognized as a larger provision expenses and greater provision for loan losses. This change in our models was a non-recurring event in 2011 and the effect of this non-recurrence in 2011 was offset in part by an increase in gross provision for residential mortgage loans. In June 2011, the Bank modified its provisioning model for residential mortgage loans. As of June

Table of Contents

2011, residential mortgage loans are assigned an allowance level based on credit risk profiles which are determined utilizing a statistical model that considers: (i) a borrower's credit history, (ii) if a client is a new client or an existing client, (iii) if the client is a Bank client or a Banefe client and (iv) if this client has been renegotiated in the system. The total impact of this change on loan loss reserves was Ch\$16,258 million or 0.3% of the Bank's total residential mortgage portfolio in 2011. The 70.7% increase in gross provisions in commercial loans from Ch\$15,994 million in 2010 to Ch\$27,298 million in 2011 was mainly due to the modification and recalibration of the Bank's provisioning model of commercial loans analyzed on a group basis which are mainly comprised of loans to small and mid-sized companies. Previously, loan loss allowance in this category of loans was mainly determined by the number of days a loan was overdue. Currently, provisions are set according to (i) performing status, (ii) if a client has been renegotiated or not, (iii) if a client is a new client or an existing client, and (iv) if the client has collateral in connection with the loan. The total impact of this change on loan loss reserves was Ch\$16,560 million in 2011. We believe our allowance for loan loss is sufficient on the date hereof to cover all known losses in our credit portfolio.

The rise in the ratio of non-performing loans to total loans from 2.65% as of December 31, 2010 to 2.93% as of December 31, 2011 was mainly due to a rise in consumer and residential mortgage non-performing loans of 31.6% and 25.4%, respectively in the year. This rise was due to the 9.0% and 10.0% year-over-year increase in consumer and residential mortgage loans, respectively, as well as tighter renegotiation policies in consumer lending that led to higher non-performing loans. Total impaired loans decreased 10.6% in 2011 compared to 2010 as the positive economic environment improved the overall healthiness of the bank's loan portfolio in 2011.

The following table shows gross provision expense by type of loan:

	Year ended December 31,			% Change	% Change
	2011	2010	2009	2011/2010	2010/2009
	(in millions of Ch\$)				
Gross provision expense by loan product					
Consumer loans	(17,464)	(58,984)	(19,030)	(70.4 %)	210.0 %
Residential mortgage loans	(18,302)	(799)	(3,903)	2190.6 %	(79.5 %)
Commercial loans	(27,298)	(15,994)	(52,340)	70.7 %	(69.4 %)
Contingent loans (off-balance sheet)	2,147	(1,559)	(1,308)	–	19.2 %
Interbank loans	43	(12)	(7)	–	71.4 %
Total gross provisions	(60,874)	(77,348)	(76,588)	(21.3 %)	1.0 %

For a description of the provisions related to our residential mortgage loans and commercial loans analyzed on a group basis, please see “Item 5: F. Selected Statistical Information—Classification of Loan Portfolio—Classification of Loan Portfolio—Loans analyzed on a Group basis—Allowances for residential mortgage loans” and “Item 5: F. Selected Statistical Information—Classification of Loan Portfolio—Classification of Loan Portfolio—Loans analyzed on a Group basis—Small and mid-sized commercial loans.”

Charge-offs increased 40.6% in 2011, totaling Ch\$291,088 million. Consumer loan charge-offs increased 54.5% in the year ended December 31, 2011 compared to the corresponding period in 2010. The rise was mainly due to the growth in consumer lending, which in the same period, increased 9.0% in 2011. The tightening of renegotiation policies for consumer loans also led to a greater amount of impaired consumer loans entering non-performing status and subsequently being charged-off. The ratio of non-performing consumer loans to total consumer loans rose from 3.00% as of December 31, 2010 to 3.62% as of December 31, 2011. Coverage of consumer non-performing loans was 228.05% as of December 31, 2011 compared to 278.62% as of December 31, 2010. The ratio of impaired consumer loans to total consumer loans decreased from 16.6% as of December 31, 2010 to 14.3% as of December 31, 2011. The rise in charge-offs in commercial loans was mainly due greater charge-offs in the SME and middle-market segments. Charge-offs in residential mortgage loans decreased 12.2% in the period being analyzed. The following table shows

charge-offs by type of loan:

65

Table of Contents

	Year ended December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(in millions of Ch\$)				
Charge-offs by loan product					
Consumer loans	(187,937)	(121,621)	(239,005)	54.5 %	(49.1 %)
Residential mortgage loans	(12,776)	(14,549)	(8,708)	(12.2 %)	67.1 %
Commercial loans	(90,375)	(70,876)	(48,118)	27.5 %	47.3 %
Total charge-offs	(291,088)	(207,046)	(295,831)	40.6 %	(30.0 %)

Recoveries on loans previously charged-off increased by 17.5% in the year ended December 31, 2011 compared to the corresponding period in 2010. This was due to the 1,061.6% increase in residential mortgage loan loss recoveries. This was a direct result of a one-time recovery of Ch\$14,390 million in the residential mortgage portfolio. The following table shows recoveries by type of loan:

	Year ended December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(in millions of Ch\$)				
Recovery of loans previously charged-off					
Consumer loans	12,474	22,096	28,268	(43.5 %)	(21.8 %)
Residential mortgage loans	16,135	1,389	2,560	1061.6 %	(45.7 %)
Commercial loans	7,216	6,994	8,446	3.2 %	(17.2 %)
Total recoveries	35,825	30,479	39,274	17.5 %	(22.4 %)

Recoveries of loans previously charged-off are recognized as income in the line item “provision for loan losses” within the Consolidated Statement of Income. We only recognize recoveries on loans previously charged off when interest and/or principal are paid in cash in connection with a loan that has already been charged-off in its entirety. Such recoveries do not have an impact on our allowance for loan losses because these recoveries are for loans that have been already charged-off and recognized as a loss in our income statement and are no longer on our balance sheet.

In some instances, we will sell a portfolio of charged-off loans to a third party. Gain (losses) on these charged-off loans is recognized as net income from financial transactions as disclosed in Note 30 of our Audited Financial Statements. The following table sets forth information about our sale of charged-off loans for the year ended December 31, 2011, 2010 and 2009.

	Year ended December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(in millions of Ch\$)				
Gains on sale of loans previously charged-off					
Sale of charged-off loans	7,324	9,824	8,689	(25.4 %)	13.1 %

The following table sets forth, for the periods indicated, our net provision expense broken down by business segment:

	Year ended December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(in millions of Ch\$)				
Individuals (Commercial banking)	(185,885)	(86,643)	(147,169)	114.5 %	(41.1 %)
Individuals (Santander Banefe)	(62,252)	(27,919)	(82,564)	123.0 %	(66.2 %)
Small and mid-sized companies (SMEs)	(65,028)	(75,742)	(76,143)	(14.1 %)	(0.5 %)
Institutional	503	(1,229)	(327)	-- %	275.8 %

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Companies	(11,592)	(45,769)	(24,626)	(74.7 %)	85.9 %
Total Commercial banking	(324,254)	(237,302)	(330,829)	36.6 %	(28.3 %)
Global banking & markets	7,614	(15,495)	(2,218)	– %	598.6 %
Other	503	(1,118)	(98)	– %	1040.8 %
Total provisions, net	(316,137)	(253,915)	(333,145)	24.5 %	(23.8 %)

66

Table of Contents

We believe that our loan loss allowances are currently adequate for all known and estimated incurred losses.

For the years ended December 31, 2010 and 2009. Net provision expense decreased by 23.8% to Ch\$253,915 million in 2010 compared to 2009. Gross provision expense increased 1.0% to Ch\$77,348 million. This increase was mainly due to higher gross provisions in consumer lending. We recognized Ch\$30,466 million in provisions mainly for consumer loans as a result of improvements made to our credit scoring models. The minimum provision required for clients in most risk profiles was increased for performing consumer loans (See “Item 5: F. Selected Statistical Information–Classification of Loan Portfolio”) and this effect was recognized as a larger Provision Expenses and greater Provision for Loan Losses. The 69.4% decrease in gross provisions for commercial loans was mainly due to the improved economic environment that improved asset quality among our commercial loan clients.

Charge-offs decreased 30.0% in the periods being analyzed, totaling Ch\$207,046 million. This was mainly due to an improvement in the asset quality of our consumer loans. Consumer loan charge-offs decreased 49.1% in 2010 compared to 2009. The ratio of non-performing consumer loans to total consumer loans improved from 3.73% as of December 31, 2009 to 3.00% as of December 31, 2010. Coverage of consumer non-performing loans has also increased from 198.7% as of December 31, 2009 to 278.6% as of December 31, 2010. The rise in charge-offs in residential mortgage and commercial loans were mainly due to impacts of the earthquake.

Recoveries on loans previously charged-off decreased by 22.4% in 2010 compared to 2009. In 2010 and previous periods, we have sold charged-off loans to third parties, recognizing a net gain in financial transactions. The income received from the sale of these charged-off loans is recognized as net income from financial transactions as disclosed in Note 11 of our Audited Consolidated Financial Statements. We view this as a more efficient manner to recover value from the older stock of charged-off loans as this decreases our costs of collections; however, this leads to a decrease in recoveries recognized in this line item.

Recoveries of loans previously charged-off are recognized as income in the line item “Provision for loan losses” within the Consolidated Statement of Income. We only recognize recoveries on loans previously charged off when interest and/or principal are paid in cash in connection with a loan that has already been charged-off in its entirety. Such recoveries do not have an impact on our allowance for loan losses because these recoveries are for loans that have been already charged-off and recognized as a loss in our income statement and are no longer on our statement of financial position.

In some instances, we will sell a portfolio of charged-off loans to a third party. Gain (losses) on sale of these charged-off loans is recognized as net income from financial operations as disclosed in Notes 11 and 30 of our Audited Consolidated Financial Statements.

Operating expenses

The following table sets forth information regarding our operating expenses in the years ended December 31, 2011, 2010 and 2009.

	Year ended December 31,			% Change		% Change	
	2011	2010	2009	2011/2010	2010/2009		
	(in millions of Ch\$)						
Personnel salaries and expenses	(280,613)	(250,265)	(224,484)	12.1	%	11.5	%
Administrative expenses	(166,825)	(147,343)	(136,712)	13.2	%	7.8	%
Depreciation and amortization	(53,466)	(49,403)	(46,623)	8.2	%	6.0	%
Impairment	(116)	(4,925)	(75)	(97.6	%)	6466.7	%
Other operating expenses	(64,208)	(45,402)	(37,364)	41.4	%	21.5	%

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Total operating expenses	(565,228)	(497,338)	(445,258)	13.7	%	11.7	%
Efficiency ratio(1)	41.5	%	37.0	%	34.2	%	

(1) The efficiency ratio is the ratio of total operating expenses to total operating income. Total operating income consists of net interest income, fee income, and other operating income.

Table of Contents

For the years ended December 31, 2011 and 2010. Operating expenses in the year ended December 31, 2011 increased 13.7% compared to the corresponding period in 2010. The efficiency ratio was 41.5% in 2011 compared to 37.0% in 2010.

The 12.1% increase in personnel salaries and expenses was mainly due to higher salaries and headcount. Headcount as of December 31, 2011 totaled 11,566, an increase of 5.1% from 2010. Total salary expenses increased 15.2% in 2011 to Ch\$181,515 million. The other important rise was in severance expenses, which increased 31.9% in 2011 to Ch\$8,277 million, mainly reflecting severance payments at the management level.

Administrative expenses increased 13.2% in the year ended December 31, 2011 compared to the corresponding period in 2010. The main reason for this rise in administrative expenses was: (i) the 18.3% rise in branch rental expenses to Ch\$22,337 million in 2011 due to the Bank having sold branches in 2011 and 2010 and these branches are now rented to us and (ii) greater business activity, as well as the expenses related to IT projects being carried out to improve productivity.

Depreciation and amortization expense increased 8.2%, mainly due to higher amortization expenses of intangible assets such as software and other computer systems.

The rise in operating expenses was partially offset by the 97.6% decrease in impairment charges. These charges in 2010 included impairment charges directly related to the earthquake and its effects on our installations.

The following table sets forth, for the periods indicated, our personnel, administrative and depreciation expenses broken down by business segment.

	Year ended December 31,			% Change	% Change	
	2011	2010	2009	2011/2010	2010/2009	
	(in millions of Ch\$)					
Individuals (Commercial banking)	(251,554)	(224,936)	(214,021)	11.8	% 5.1	%
Individuals (Santander Banefe)	(70,719)	(66,272)	(54,913)	6.7	% 20.7	%
Small and mid-sized companies	(74,962)	(67,059)	(58,741)	11.8	% 14.2	%
Institutional	(11,329)	(10,108)	(6,799)	12.1	% 48.7	%
Companies	(40,680)	(32,623)	(30,628)	24.7	% 6.5	%
Total commercial banking	(449,244)	(400,998)	(365,102)	12.0	% 9.8	%
Global banking and markets	(35,302)	(30,788)	(29,485)	14.7	% 4.4	%
Other	(16,474)	(20,150)	(13,307)	(18.2	%) 51.4	%
Total personnel, administrative expenses, depreciation and amortization and impairment(1)	(501,020)	(451,936)	(407,894)	10.9	% 10.8	%

(1) Excludes other operating expenses.

By business segments, the 10.9% increase in costs in 2011 compared to the corresponding period in 2010 was mainly due to greater expenses incurred as a result of increased business activity associated with an improved economy, the rise in headcount and salaries and the increase in branch rental expenses in all business segments. The decrease in Other is mainly due to the decrease in the impairment charges due to the earthquake recognized in 2010.

The following table sets forth information regarding other operating expenses in the years ended December 31, 2011 and 2010.

	Year ended December 31,	% Change	% Change
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	2011	2010	2009	2011/2010	2010/2009
	(in millions of Ch\$)				
Other operating expenses					
Repossessed asset provision and expenses	(12,782)	(5,986)	(6,128)	113.5 %	(2.3 %)
Credit card expenses	(6,427)	(6,777)	(5,902)	(5.2 %)	14.8 %
Customer service expenses	(8,965)	(7,756)	(8,807)	15.6 %	(11.9 %)

68

Table of Contents

	Year ended December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(in millions of Ch\$)				
Earthquake related expenses	(475)	(5,875)	-	(91.9 %)	-
Provision for contingencies	(8,144)	(775)	(1,088)	950.8 %	(28.8 %)
Other expenses	(27,415)	(18,233)	(15,439)	50.4 %	18.1 %
Total	(64,208)	(45,402)	(37,364)	41.4 %	21.5 %

Other operating expenses were Ch\$64,208 million in 2011, a 41.4% increase compared to the same period in 2010. Other operating expenses include provisions and expenses related to repossessed assets, expenses related to our credit card business, customer service expenses mainly related to our call-center and other expenses such as non-credit charge-offs, the cost of insurance policies (mainly life insurance) for products, and tax paid on interest of foreign debt issued by us. The increase in other operating expenses was mainly due to: (i) higher provisions for repossessed assets that totaled Ch\$10,050 million in 2011, an increase of 179.6%; (ii) provisions for contingencies which totaled Ch\$8,144 million, an increase of 950.8% in 2011, that were mainly provisions set aside for possible non-credit contingencies such as tax, legal and labor contingencies and other non-specific provisions and that increased mainly due to provisions for possible future severance payments and a provision for possible future contingencies related to the Bank's investment in the AFT, the private financial operator of Santiago's mass transport system which may undergo a business restructuring that could negatively affect its profitability; and (iii) other expenses increased 50.4% mainly as a result of a 104.1% rise in operational charge-offs related to ATMs and other equipment that was damaged or vandalized in the year. This was offset by lower earthquake related expenses. See Note 36 to our Audited Financial Statements for more detail on Other operating expenses.

For the years ended December 31, 2010 and 2009. Operating expenses in 2010 increased 11.7% compared to 2009. The efficiency ratio was 37.0% in 2010 compared to 34.2% in 2009, as the increase in operating income was offset by earthquake-related expenses, and greater expenses incurred as a result of stronger business activity.

The 11.5% increase in personnel salaries and expenses was mainly due to higher variable incentives and higher salaries as a result of greater commercial activity and productivity, as well as higher severance payments. Average headcount in the periods being analyzed decreased 2.9%

Administrative expenses increased 7.8%. This was mainly due to higher rent and maintenance expenses of branches, ATM locations and other equipment as a result of higher expenses incurred due to the February 2010 earthquake and tsunami. The rise in administrative expenses was also due to an increase in technology and communication services, an increase in costs of outsourced data processing and higher marketing expenses.

Depreciation and amortization expense increased 6.0%, mainly due to higher amortization expenses of intangible assets such as software and other computer systems.

Operating expenses were also negatively affected by the Ch\$4,925 million impairment charged recognized in 2010. This was mainly due to impairment charges directly related to earthquake-related effects on our installations. This was partially offset by insurance claim revenue recognized in other operating income.

Other operating expenses were Ch\$45,402 million in 2010, a 21.5% increase compared to 2009. The increase in other operating expenses was also due in part to: (i) higher expenses caused by the February 2010 earthquake, which totaled Ch\$5,875 million in 2010, (ii) the 14.8% increase in credit card related expenses in line with greater commercial activity and the increase in the number of alliances for co-branding credit cards and (iii) the 18.1% increase in other expenses which in turn was mainly due to higher operating charge-offs, greater expenses from life insurance and general product insurance policies and greater taxes on expenses paid overseas.

By business segments, the 10.8% increase in costs in 2010 compared to 2009 was mainly due to greater expenses incurred as a result of stronger business activity. This was especially true in the individuals segment in Santander Banefe. In 2009, Santander Banefe decelerated growth and expansion, and in 2010, with the recovery of the economy and better credit risk outlook, Santander Banefe increased its business activity. The increase in other expenses includes the impairment charges due to the earthquake.

Table of Contents

Income tax

	Year ended December 31,			% Change		% Change		
	2011	2010	2009	2011/2010	2010/2009			
	(in millions of Ch\$)							
Income before tax	483,857	592,815	525,534	(18.4	%)	12.8	%	
Income tax	(77,193)	(85,343)	(88,924)	(9.5	%)	(4.0	%)	
Effective tax rate(1)	15.9	%	14.4	%	16.9	%		

(1) The effective tax is the income tax divided by net income before tax.

For the years ended December 31, 2011 and 2010. Our income tax expense decreased by 9.5% in the year ended December 31, 2011 compared to the same period in 2010. The effective tax rate paid was 15.9% in 2011 compared to 14.4% in 2010. The statutory tax rate in Chile in 2011 reached 20% compared to 17% in 2010. The higher effective tax rate in 2011 is mainly due to this rise in the statutory corporate tax rate. The decline in income tax expense is mainly due to the lower income before taxes.

The Chilean government and Congress in 2010 approved a temporary increase in the corporate tax rate to 20% in 2011, 18.5% in 2012 and back to 17% in 2013, as part of the plan to finance the reconstruction of public works in the zones most affected by the February 2010 earthquake and tsunami. Discussions are now in place to leave the corporate tax rate at 20%.

The Bank's effective tax rate tends to be below the statutory rate because for tax purposes the Bank is still required to recognize the effects of price level restatement on equity even though inflation accounting is no longer required by Chilean Bank GAAP.

For the years ended December 31, 2010 and 2009. Our income tax expense decreased by 4.0% in 2010 compared to 2009. The effective tax rate paid was 14.4% in 2010 compared to 16.9% in 2009. The statutory tax rate in Chile has not changed in 2010 and was 17% on income before taxes. The lower effective tax rate is mainly due to the fact that Chilean tax regulations still require corporations to recognize the effects of price level restatement on equity even though inflation accounting is no longer required by Chilean GAAP. In 2009, as inflation was negative, stated net income and taxable net income were similar. In 2010, the higher inflation rate has resulted in a loss for tax purposes from price level restatement of equity and thus a lower effective tax rate.

E. Liquidity and Capital Resources

Sources of Liquidity

Santander Chile's liquidity depends upon its (i) capital, (ii) reserves and (iii) financial investments, including investments in government securities. To cover any liquidity shortfalls and to augment its liquidity position, Santander-Chile has established lines of credit with foreign and domestic banks and also has access to Central Bank borrowings.

The following table sets forth our contractual obligations and commercial commitments by time remaining to maturity. As of the date of the filing of this Annual Report, the Bank does not have significant purchase obligations. As of December 31, 2011, the scheduled maturities of our contractual obligations and of other commercial commitments, including accrued interest, were as follows:

Demand	Total
	140

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Contractual Obligations	(MCh\$)	Up to 1 month (MCh\$)	Between 1 and 3 months (MCh\$)	Between 3 and 12 months (MCh\$)	Subtotal up to 1 year (MCh\$)	Between 1 and 5 years (MCh\$)	More than 5 years (MCh\$)	Subtotal after 1 year M(Ch\$)	(MCh\$)
Deposits and other demand liabilities	4,413,815	–	–	–	4,413,815	–	–	–	4,413,815
Investments under repurchase agreements	–	463,083	78,712	2,586	544,381	–	–	–	544,381
Time deposits and other time liabilities	105,463	4,415,765	2,509,308	1,496,193	8,526,729	371,736	22,649	394,385	8,921,114
Financial derivative contracts	–	64,290	158,204	209,746	432,240	513,944	346,218	860,162	1,292,402

Table of Contents

	Demand	Up to 1	Between 1	Between 3	Subtotal up	Between 1	More than	Subtotal	Total
Contractual Obligations	(MCh\$)	month	and 3	and 12	to 1 year	and 5	5 years	after 1	(MCh\$)
Interbank borrowings	(MCh\$)	(MCh\$)	(MCh\$)	(MCh\$)	(MCh\$)	(MCh\$)	(MCh\$)	year	(MCh\$)
	194,451	7,750	470,749	1,068,014	1,740,964	179,128	–	179,128	1,920,092
Issued debt instruments	–	3,788	15	890,086	893,889	2,286,059	1,443,291	3,729,350	4,623,239
Other financial liabilities	50,840	761	980	3,497	56,078	39,025	81,496	120,521	176,599
Total liabilities	4,764,569	4,955,437	3,217,968	3,670,122	16,608,096	3,389,892	1,893,654	5,283,546	21,891,644

Operational Leases

Certain bank premises and equipment are leased under various operating leases. Future minimum rental commitments as of December 31, 2011, under non-cancelable leases are as follows:

	As of December 31, 2011 (in millions of Ch\$)
Due within 1 year	15,089
Due after 1 year but within 2 years	13,521
Due after 2 years but within 3 years	12,373
Due after 3 years but within 4 years	10,781
Due after 4 years but within 5 years	9,347
Due after 5 years	63,686
Total	124,797

Other Commercial Commitments

As of December 31, 2011, the scheduled maturities of other commercial commitments, including accrued interest, were as follows:

	Up to 1	Between 1	Between 3	Between 1	More than	Total
Other Commercial Commitments	month (in	and 3	and 12	and 5	5 years (in	(in
	millions	months	months	years (in	millions	millions of
	of Ch\$)	(in	(in	millions	of Ch\$)	Ch\$)
		millions	millions	of Ch\$)		
Guarantees	77,688	120,989	314,486	383,712	24,111	920,986
Confirmed foreign letters of credit	21,653	19,091	377	11,768	-	52,889
Letters of credit issued	58,665	85,747	1,552	38,685	-	184,649
Pledges and other commercial commitments	22,253	31,783	27,934	59,849	5,262	147,081
Total other commercial commitments	180,259	257,610	344,349	494,014	29,373	1,305,605

Risk-Weighted Assets and Regulatory Capital

We currently have regulatory capital in excess of the minimum requirement under the current Chilean regulations. According to the General Banking Law, a bank is required to have regulatory capital of at least 8% of its risk weighted assets, net of required loan loss allowances, and paid in capital and reserves (i.e., the basic capital, as defined above) of at least 3% of its total assets, net of required loan loss allowances. For these purposes, the regulatory capital of a bank is the sum of (1) the bank's basic capital, (2) subordinated bonds issued by the bank valued at their placement price for an amount up to 50% of its basic capital; provided that the value of the bonds is required to be decreased by 20% for each year that elapses during the period commencing six years prior to their maturity, and (3) its voluntary allowances for loan losses, for an amount of up to 1.25% of its risk weighted assets. Santander Chile does not have goodwill, but if it did, this value would be required to be deducted from regulatory

Table of Contents

capital. When calculating risk weighted assets, we also include off-balance sheet contingent loans. The merger of Old Santander Chile and Santiago on August 1, 2002 required a special regulatory pre-approval of the SBIF, which was granted on May 16, 2002. The resolution granting this pre-approval imposed a regulatory capital to risk weighted assets ratio of 12% for the merged bank. This requirement was reduced to 11% by the SBIF effective January 1, 2005. For purposes of weighing the risk of a bank's assets, the General Banking Law considers five different categories of assets, based on the nature of the issuer, the availability of funds, and the nature of the assets and the existence of collateral securing such assets.

The following table sets forth our consolidated and risk-weighted assets and regulatory capital as of December 31, 2011 and 2010.

	Consolidated assets as of		Risk-weighted assets	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Ch\$ million)			
Asset Balance (Net of allowances)(3)				
Cash and deposits in bank	2,793,701	1,762,198	-	-
Cash items in process of collection	276,454	374,368	45,737	126,083
Trading investments	409,763	379,670	23,817	57,588
Investments under resale agreements	12,928	170,985	12,928	98,323
Financial derivative contracts	1,158,023	1,452,068	807,233	871,872
Interbank loans	87,541	69,672	17,508	13,934
Loans and accounts receivables from customers	16,823,407	15,215,318	14,746,903	13,350,182
Available for sale investments	1,661,311	1,473,980	99,197	101,875
Investments in other companies	8,728	7,275	8,728	7,275
Intangibles assets	80,739	77,990	80,739	77,990
Property, plant and equipment	153,059	154,985	153,059	154,985
Current taxes	37,253	12,499	3,725	1,250
Deferred taxes	147,754	117,964	14,775	11,796
Other assets	546,470	640,937	426,822	474,135
Off-balance sheet assets			-	
Contingent loans	3,023,330	3,173,789	1,801,971	1,897,977
Total	27,220,461	25,083,698	18,243,142	17,245,265
			Ratio(1) (2)	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Ch\$ million)		%	%
Basic capital	2,001,222	1,831,798	7.35	7.30
Regulatory capital	2,687,393	2,503,898	14.73	14.52

(1) As a percentage of total assets.

(2) As a percentage of risk weighted assets (BIS ratio).

(3) As required by local regulations.

In line with the future adoption of Basel II regulations in Chile, the SBIF has recently proposed to increase the minimum regulatory capital ratio from 8% to 10%, which would require an amendment to the General Banking Law.

Although we currently have a regulatory capital ratio of 14.73%, this change could require us to inject additional capital to our business in the future. According to initial estimates of the impact of market risk on regulatory capital, published by the SBIF, our regulatory capital to risk-weighted assets, net of loan loss allowance and deductions, including an initial estimate of the adjustments for market risk set forth under Basel II was 13.38% as of December 31, 2011. No assurance can be given that these changes will not have a material impact on our capitalization ratio.

Financial Investments

The following table sets forth our investment in Chilean government and corporate securities and certain other financial investments at the dates indicated. Financial investments that have a secondary market are carried at market value. All other financial investments are carried at acquisition cost, plus accrued interest and indexation

Table of Contents

readjustments, as applicable. Interest income from the trading portfolio is no longer included as interest income, but as income from trading and mark-to-market of securities.

a) Trading

	As of December 31,		
	2011	2010	2009
	(in millions of Ch\$)		
Chilean Central Bank and Government Securities			
Chilean Central Bank bonds	311,503	247,019	667,703
Chilean Central Bank notes	60,233	68,985	63,868
Other Chilean Central Bank and government securities	15,789	7,123	29,806
Subtotal	387,525	323,127	761,377
Other Chilean Securities			
Time deposits in Chilean financial institutions	-	-	-
Mortgage bonds of Chilean financial institutions	-	-	11
Chilean financial institutions bonds	-	19,628	-
Chilean corporate bonds	-	11,404	-
Other Chilean securities	-	-	-
Subtotal	-	31,032	11
Foreign Financial Securities			
Other foreign financial instruments	-	-	-
Subtotal	-	-	-
Investments in mutual funds			
Funds managed by related entities	22,238	25,511	37,151
Subtotal	22,238	25,511	37,151
Total	409,763	379,670	798,539

Table of Contents

b) Available for sale

	As of December 31,		
	2011	2010	2009
	(in millions of Ch\$)		
Chilean Central Bank and Government Securities			
Chilean Central Bank bonds	570,573	555,981	1,063,879
Chilean Central Bank notes	563,114	366,210	264,011
Other Chilean Central Bank and government securities	173,839	175,296	212,362
Subtotal	1,307,526	1,097,487	1,540,252
Other Chilean Securities			
Time deposits in Chilean financial institutions	275,022	-	41,407
Mortgage bonds of Chilean financial institutions	66,806	218,112	236,847
Chilean financial institution bonds	-	-	-
Chilean corporate bonds	-	-	11,584
Other Chilean securities	319	147,833	-
Subtotal	342,147	365,945	289,838
Others Financial Securities			
Central Bank and Government Foreign Securities	-	-	-
Other Foreign financial securities	11,638	10,548	-
Subtotal	11,638	10,548	-
Total	1,661,311	1,473,980	1,830,090

c) Held-to-maturity

No financial investments were classified as held-to-maturity as of December 31, 2011, 2010 and 2009.

Table of Contents

The following table sets forth an analysis of our investments as of December 31, 2011 by remaining maturity and the weighted average nominal rates of such investments.

	Within one year	Weighted average Nominal Rate	After one year but within five years	Weighted average Nominal Rate	After five years but within ten years	Weighted average Nominal Rate	After ten years	Weighted average Nominal Rate	Total	Weighted average Nominal Rate
(in millions of Ch\$, except rates)										
Held for Trading										
Central Bank and Government Securities										
Central Bank bonds	264,539	3.5	38,180	2.8	8,198	3.1	586	2.8	311,503	3.4
Central Bank notes	54,286	3.5	5,885	0.3	62	-	-	-	60,233	3.4
Other Chilean Central Bank and Treasury securities										
	-	-	792	-	14,766	3.1	231	-	15,789	3.1
Subtotal	318,825	-	44,857	-	23,026	-	817	-	387,525	-
Other Chilean Securities										
Mortgage finance bonds										
	-	-	-	-	-	-	-	-	-	-
Chilean financial institutions bonds										
	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds										
	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-
Investment in mutual funds										
Mutual funds administered by related parties										
	22,238	0.3	-	-	-	-	-	-	22,238	0.3
Subtotal	22,238	-	-	-	-	-	-	-	22,238	-
Total	341,063	-	44,857	-	23,026	-	817	-	409,763	-

	Within one year	Weighted average Nominal Rate	After one year but within five years	Weighted average Nominal Rate	After five years but within ten years	Weighted average Nominal Rate	After ten years	Weighted average Nominal Rate	Total	Weighted average Nominal Rate
(in millions of Ch\$, except rates)										

Available-for-sale

Investments

Central Bank and

Government Securities

Central Bank bonds	158,968	4.2	327,479	4.5	83,801	5.5	325	-	570,573	4.6
Central Bank notes	543,682	0.4	15,367	2.9	115	2.7	3,950	2.4	563,114	0.5
Others securities	722	2.6	47,218	5.0	125,442	5.2	457	4.6	173,839	5.0
Subtotal	703,372	-	390,064	-	209,358	-	4,732	-	1,307,526	-

Others Financial Securities

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Mortgage finance bonds	419	0.3	1,422	3.8	4,807	3.7	60,158	3.8	66,806	3.8
Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-
Deposit in Chilean										
Financial Institutions	275,022	0.5	-	-	-	-	-	-	275,022	0.5
Others Chilean Securities	24	5.9	295	6.3	-	-	-	-	319	6.2
Central Bank and										
Government	-	-	-	-	-	-	-	-	-	-
Foreign Financial										
Securities										
Others Foreign Securities	-	-	11,638	2.2	-	-	-	-	11,638	2.2
Subtotal	275,465	-	13,355	-	4,807	-	60,158	-	353,785	-
Total	978,837	-	403,419	-	214,165	-	64,890	-	1,661,311	-

Table of Contents

Working Capital

As a bank, we satisfy our working capital needs through general funding, the majority of which derives from deposits and other borrowings from the public. (See “Item 5: E. Liquidity and Capital Resources—Deposits and Other Borrowings”). In our opinion, our working capital is sufficient for our present needs.

Liquidity Management

Liquidity management seeks to ensure that, even under adverse conditions, we have access to the funds necessary to cover client needs, maturing liabilities and capital requirements. Liquidity risk arises in the general funding for our financing, trading and investment activities. It includes the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, the risk of being unable to liquidate a position in a timely manner at a reasonable price and the risk that we will be required to repay liabilities earlier than anticipated.

Our general policy is to maintain liquidity adequate to ensure our ability to honor withdrawals of deposits, make repayments of other liabilities at maturity, extend loans and meet our own working capital needs. Our minimum amount of liquidity is determined by the statutory reserve requirements of the Central Bank. Deposits are subject to a statutory reserve requirement of 9% for demand deposits and 3.6% for Chilean peso, UF-denominated and foreign currency denominated time deposits with a term of less than a year. (See “Item 4: C. Business Overview— Regulation and Supervision”). The Central Bank has statutory authority to increase these percentages to up to 40% for demand deposits and up to 20% for time deposits. In addition, a 100% special reserve (reserva técnica) applies to demand deposits, deposits in checking accounts, other demand deposits received or obligations payable on sight and incurred in the ordinary course of business, other than deposits unconditionally payable immediately. This special reserve requirement applies to the amount by which the total of such deposits exceeds 2.5 times the amount of a bank’s regulatory capital. Interbank loans are deemed to have a maturity of more than 30 days, even if payable within the following 10 days.

The Central Bank also requires us to comply with the following liquidity limits:

- Our total liabilities with maturities of less than 30 days cannot exceed our total assets with maturities of less than 30 days by an amount greater than our capital. This limit must be calculated in local currency and foreign currencies together as one gap.
- Our total liabilities with maturities of less than 90 days cannot exceed our total assets with maturities of less than 90 days by more than twice of our capital. This limit must be calculated in local currency and foreign currencies together as one gap.

We have set other liquidity limits and ratios that minimize liquidity risk. See “Item 11: Quantitative and Qualitative Disclosure About Market Risk.”

Cash Flow

The tables below set forth our main sources of cash. The subsidiaries are not an important source of cash flow for us and therefore have no impact on our ability to meet our cash obligations. No legal or economic restrictions exist on the ability of subsidiaries to transfer funds to us in the form of loans or cash dividends as long as these subsidiaries abide by the regulations of the Ley de Sociedad Anónimas regarding loans to related parties and minimum dividend payments. See our Consolidated Statements of Cash Flows in our Audited Consolidated Financial Statements for a detailed breakdown of the Bank’s cash flow.

	Year ended December 31,		
	2011	2010	2009
	(in millions of Ch\$)		
Net cash provided by (used in) operating activities	1,556,890	(64,037)	1,323,587

The cash generated by operating activities in 2011 was Ch\$1,556,890 million and was mainly due to the strong growth in time deposits and other funding sources that outstripped loan growth in the period. In 2010, operating activities consumed cash of Ch\$64,037 million, mainly due to the increase in loans in line with the rise in economic

Table of Contents

activity partially offset by a rise in deposits and bonds issued. In 2009, operating activities provided net cash of Ch\$1,323,587 million mainly due to the slower economic environment that reduced our loan portfolio and an increase in bond issuances. This was offset by a reduction in time deposits.

	Year ended December 31,		
	2011	2010	2009
	(in millions of Ch\$)		
Net cash used in investment activities	(52,095)	(20,019)	(28,129)

In 2011, the cash used by investing activities was Ch\$52,095 million mainly relating to investments in property, plant, equipment and technology. In 2010, the cash used by investing activities was Ch\$20,019 million mainly relating to investments in property, plant and equipment. This was partially offset by the sale of branches in 2010, Net cash used in investing activities in 2009 totaled Ch\$28,129 million. The largest consumption of cash involved the purchase of fixed and intangible assets offset in part by the sale of fixed assets.

	Year ended December 31,		
	2011	2010	2009
	(in millions of Ch\$)		
Net cash used in financing activities	(289,416)	(258,756)	(172,065)

In 2011, 2010 and 2009, the net cash used by financing activities can be explained by the Bank's annual dividend payment each year.

Deposits and Other Borrowings

The following table sets forth our average daily balance of liabilities for the years ended December 31, 2011, 2010, 2009 and 2008, in each case together with the related average nominal interest rates paid thereon.

(millions of Ch\$, except percentages)	2011			2010			2009		
	Average Balance	% of Total Liabilities	Average Nominal Rate	Average Balance	% of Total Liabilities	Average Nominal Rate	Average Balance	% of Total Liabilities	Average Nominal Rate
Savings accounts	103,085	0.4 %	3.6 %	102,732	0.5 %	1.2 %	100,294	0.5 %	(1.0 %)
Time deposits	9,107,719	37.7 %	4.9 %	7,482,544	35.9 %	3.0 %	8,355,446	41.8 %	2.8 %
Central Bank borrowings	3,097	0.0 %	6.0 %	304,292	1.5 %	0.5 %	297,346	1.5 %	0.9 %
Repurchase agreements	249,174	1.0 %	3.5 %	196,719	0.9 %	1.2 %	486,000	2.4 %	2.9 %
Mortgage finance bonds	174,224	0.7 %	9.2 %	224,436	1.1 %	7.8 %	301,501	1.5 %	2.8 %
Other interest bearing liabilities	6,128,052	25.4 %	5.2 %	5,126,595	24.6 %	4.5 %	3,909,793	19.6 %	2.5 %
Subtotal interest bearing	15,765,351	65.2 %	5.1 %	13,437,318	64.5 %	3.5 %	13,450,380	67.3 %	2.6 %

liabilities

Non-interest
bearing
liabilitiesNon-interest
bearing

deposits	3,575,544	14.8 %	3,152,513	15.1 %	2,475,050	12.4 %
Derivatives	1,457,638	6.1 %	1,323,161	6.3 %	1,387,026	6.9 %
Other non-interest bearing liabilities	1,340,699	5.6 %	1,192,374	5.7 %	1,079,516	5.4 %
Shareholders' equity	1,994,487	8.3 %	1,752,329	8.4 %	1,599,938	8.0 %
Subtotal non-interest bearing liabilities	8,368,368	34.8 %	7,420,377	35.5 %	6,541,530	32.7 %
Total liabilities	24,133,719	100.0 %	20,857,695	100.0 %	19,991,910	100.0 %

Our most important source of funding is our time deposits. Average time deposits represented 37.7% of our average total liabilities and shareholders' equity in 2011. Our current funding strategy is to continue to utilize all sources of funding in accordance with their costs, their availability and our general asset and liability management strategy. Special emphasis is being placed on lengthening the maturities of time deposits with institutional clients

Table of Contents

and increasing in general our deposits from retail customers. We also intend to continue to broaden our customer deposit base and to emphasize core deposit funding. We have also followed the strategy in 2011 of increasing our deposits with our client base in order to improve our funding mix. We believe that broadening our deposit base by increasing the number of account holders has created a more stable funding source.

Composition of Deposits

The following table sets forth the composition of our deposits and similar commitments at December 31, 2011, 2010, 2009 and 2008.

	2011	2010	2009	2008
	(in millions of Ch\$)			
Demand deposits and other demand obligations				
Checking accounts	3,543,776	3,330,352	2,776,607	2,268,991
Other deposits and demand accounts	350,519	368,934	303,495	206,347
Other demand obligations	519,520	537,148	453,432	472,824
Subtotals	4,413,815	4,236,434	3,533,534	2,948,162
Time deposits and other time deposits				
Time deposits	8,816,766	7,154,396	4,219,392	9,476,024
Time saving accounts	102,831	103,191	98,985	102,951
Other time deposits	1,517	1,170	2,856,880	177,291
Subtotals	8,921,114	7,258,757	7,175,257	9,756,266
Total deposits and other commitments	13,334,929	11,495,191	10,708,791	12,704,428

Maturity of Deposits

The following table sets forth information regarding the currency and maturity of our deposits as of December 31, 2011, expressed in percentages of our total deposits in each currency category. UF-denominated deposits are similar to peso-denominated deposits in all respects, except that the principal is readjusted periodically based on variations in the Chilean consumer price index.

	Ch\$		UF		Foreign Currencies		Total	
		%		%		%		%
Demand deposits	0.01	%	0.03	%	0.01	%	0.02	%
Savings accounts	0.02	%	4.76	%	0.00	%	1.15	%
Time deposits:								
Maturing within 3 months	85.07	%	35.96	%	94.83	%	74.60	%
Maturing after 3 but within 6 months	9.43	%	8.81	%	4.08	%	8.56	%
Maturing after 6 but within 12 months	3.88	%	34.28	%	0.53	%	10.73	%
Maturing after 12 months	1.59	%	16.16	%	0.55	%	4.94	%
Total time deposits	99.97	%	95.21	%	99.99	%	98.83	%
Total deposits	100.00	%	100.00	%	100.00	%	100.00	%

The following table sets forth information regarding the maturity of our outstanding time deposits in excess of US\$100,000 as of December 31, 2011.

Table of Contents

	Ch\$	UF	Foreign Currencies	Total
	(in millions of Ch\$)			
Time deposits:				
Maturing within 3 months	4,429,100	685,170	1,035,097	6,149,367
Maturing after 3 but within 6 months	482,166	158,427	45,841	686,434
Maturing after 6 but within 12 months	281,238	957,334	11,812	1,250,384
Maturing after 12 months	368	23,565	-	23,933
Total time deposits	5,192,872	1,824,496	1,092,750	8,110,118

Short-term Borrowings

The principal categories of our short-term borrowings are repurchase agreements and interbank borrowings. The table below presents the amounts outstanding at each year-end indicated and the weighted-average nominal interest rate for each such year by type of short-term borrowing.

	2011			2010			2009		
	Balance	Weighted- Average Nominal Interest Rate		Balance	Weighted- Average Nominal Interest Rate		Balance	Weighted- Average Nominal Interest Rate	
	(in millions of Ch\$, except percentages)								
Obligations arising from repurchase agreements	544,381	0.4	%	294,725	0.2	%	166,852	0.2	%
Obligations with the Central Bank	810	0.5	%	1,307	0.5	%	947,753	0.5	%
Loans from domestic financial institutions	-	0.0	%	-	-		26,301	0.4	%
Foreign obligations	1,740,254	0.5	%	1,458,479	0.8	%	1,812,296	0.7	%
Total short-term borrowings	2,285,445	0.5	%	1,754,511	0.7	%	2,953,202	0.6	%

The following table shows the average balance and the average nominal rate for each short-term borrowing category for the years indicated.

	2011			2010			2009		
	Average Balance	Weighted- Average Nominal Interest Rate		Average Balance	Weighted- Average Nominal Interest Rate		Average Balance	Weighted- Average Nominal Interest Rate	
	(in millions of Ch\$, except percentages)								
Obligations arising from repurchase agreements	249,174	3.5	%	294,725	0.20	%	1,114,605	0.2	%
Obligations with the Central Bank	3,097	6.0	%	1,307	0.50	%	1,850	0.5	%
Loans from domestic financial institutions	24,912	3.0	%	-	-		26,301	0.4	%
Foreign obligations	1,812,802	1.3	%	1,458,479	0.81	%	1,812,296	0.7	%
Total short-term borrowings	2,089,985	1.6	%	1,754,511	0.71	%	2,955,052	0.5	%

The following table presents the maximum month-end balances of our principal sources of short-term borrowings during the years indicated.

79

Table of Contents

	Maximum 2011 Month-End Balance	Maximum 2010 Month-End Balance	Maximum 2009 Month-End Balance
	In millions of Ch\$		
Obligations arising from repurchase agreements	544,381	1,180,620	1,165,241
Obligations with the Central Bank	1,241	1,740	2,711
Loans from domestic financial institutions	244,071	13,923	256,717
Foreign obligations	2,024,146	2,098,648	2,014,913
Total short-term borrowings	2,813,839	3,294,931	3,439,582

Total Borrowings

	As of December 31, 2011		
	Long-term	Short-term	Total
	(in millions of Ch\$)		
Central Bank credit lines for renegotiations of loans (a)	-	810	810
Investment under repurchase agreements	-	544,381	544,381
Mortgage finance bonds (b)	152,536	7,707	160,243
Senior bonds (c)	2,851,785	749,340	3,601,125
Subordinated bonds (d)	725,029	136,842	861,871
Borrowings from domestic financial institutions	-	-	-
Foreign borrowings (e)	179,028	1,740,254	1,919,282
Other obligations (f)	120,521	56,078	176,599
Total borrowings	4,028,899	3,235,412	7,264,311

	As of December 31, 2010		
	Long-term	Short-term	Total
	(in millions of Ch\$)		
Central Bank credit lines for renegotiations of loans (a)	-	1,307	1,307
Investment under repurchase agreements	-	294,725	294,725
Mortgage finance bonds (b)	183,383	10,751	194,134
Senior bonds (c)	2,763,572	547,107	3,310,679
Subordinated bonds (d)	664,383	21,692	686,075
Borrowings from domestic financial institutions	-	-	-
Foreign borrowings (e)p	124,271	1,458,479	1,582,750
Other obligations (f)	122,247	44,042	166,289
Total borrowings	3,857,856	2,378,103	6,235,959

	As of December 31, 2009		
	Long-term	Short-term	Total
	(in millions of Ch\$)		
Central Bank credit lines for renegotiations of loans (a)	-	1,850	1,850
Investment under repurchase agreements	-	1,114,605	1,114,605
Mortgage finance bonds (b)	213,853	50,011	263,864
Senior bonds (c)	1,901,972	166,814	2,068,786
Subordinated bonds (d)	592,026	-	592,026
Borrowings from domestic financial institutions	-	26,301	26,301

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Foreign borrowings (e)	206,343	1,812,296	2,018,639
Other obligations (f)	109,013	37,898	146,911
Total borrowings	3,023,207	3,209,775	6,232,982

80

Table of Contents

(a) Credit lines for renegotiations of loans

Central Bank borrowings include credit lines for the renegotiations of loans and other Central Bank borrowings. These credit lines were provided by the Central Bank for the renegotiations of loans due to the need to refinance debts as a result of the economic recession and crisis of the banking system in the early 1980s. The maturities of the outstanding amounts due under these credit lines, which are considered long-term, are as follows:

	As of December 31, 2011	As of December 31, 2010
	(in millions of Ch\$)	
Due within 1 year	810	1,307
Total	810	1,307

(b) Mortgage finance bonds

These bonds are used to finance the granting of mortgage loans. The outstanding principal amounts of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and bear a real weighted-average annual interest rate of 5.7% as of December 31, 2011. The following table sets forth the remaining maturities of our mortgage finance bonds at December 31, 2011.

	As of December 31, 2011
	(in millions of Ch\$)
Due within 1 year	7,707
Due after 1 year but within 2 years	7,535
Due after 2 years but within 3 years	10,333
Due after 3 years but within 4 years	21,122
Due after 4 years but within 5 years	14,010
Due after 5 years	99,536
Total mortgage finance bonds	160,243

(c) Senior Bonds

The following table sets forth, at the dates indicated, our issued bonds. The bonds are denominated principally in UFs or U.S. dollars, and are principally used to fund the Bank's mortgage portfolio.

	As of December 31,		
	2011	2010	2009
	(in millions of Ch\$)		
Santander bonds denominated in UF	2,001,713	1,952,051	1,660,877
Santander bonds denominated in US\$	1,268,763	936,134	407,909
Santander bonds denominated in CHF\$	119,394	174,297	-
Santander bonds denominated in \$	211,255	248,197	-
Total bonds	3,601,125	3,310,679	2,068,786

Table of Contents

The maturities of these bonds are as follows:

	As of December 31, 2011 (in millions of Ch\$)
Due within 1 year	749,340
Due after 1 year but within 2 years	460,200
Due after 2 years but within 3 years	408,723
Due after 3 years but within 4 years	656,201
Due after 4 years but within 5 years	488,425
Due after 5 years	838,236
Total bonds	3,601,125

In 2011, the Bank issued bonds for US\$ 635 million, UF 5.7 million and Ch\$36,900 million detailed as follows:

Series	Amount	Term	Issue rate	Date of issue	Maturity date
Floating rate bond	USD 500,000,000	5 years	Libor (3 months) + 160 bp	01/19/2011	01/19/2016
Floating rate bond	USD 135,000,000	6 months	Libor (3 months) + 80 bp	11/29/2011	05/29/2012
Totals	USD 635,000,000				
E1	UF 896,000	5 years	3.0 % per annum simple	02/01/2011	01/01/2016
E2	UF 3,048,000	7.5 years	3.5 % per annum simple	02/01/2011	07/01/2018
E3	UF 1,750,000	8.5 years	3.5 % per annum simple	02/01/2011	07/01/2019
Totals	UF 5,694,000				
E4	CLP 36,900,000,000	5 years	6.75 % per annum simple	07/01/2011	06/01/2016
Totals	CLP 36,900,000,000				

(d) Subordinated bonds

The following table sets forth, at the dates indicated, the balances of our subordinated bonds. The following table sets forth, at the dates indicated, our issued subordinated bonds. The bonds are denominated principally in UFs or U.S. dollars, and are principally used to fund the Bank's mortgage portfolio and are considered to be a part of our regulatory capital.

	As of December 31,		
	2011	2010	2009
	(in millions of Ch\$)		
Subordinated bonds denominated in US\$	316,169	244,957	278,087
Subordinated bonds linked to the UF	545,702	441,118	313,939
Total subordinated bonds	861,871	686,075	592,026

Table of Contents

The maturities of these bonds, which are considered long-term, are as follows.

	As of December 31, 2011 (in millions of Ch\$)
Due within 1 year	136,842
Due after 1 year but within 2 years	-
Due after 2 years but within 3 years	179,327
Due after 3 years but within 4 years	10,567
Due after 4 years but within 5 years	29,616
Due after 5 years	505,519
Total subordinated bonds	861,871

In 2011 the Bank issued subordinated bonds on the local market for UF 5.1 million, which is detailed as follows:

Series	Amount	Term	Issue rate	Date of issuance date	Maturity date
G3	UF 3,000,000	25 years	3.9% per annum simple	07/01/2010	07/01/2035
G5	UF 2,100,000	20 years	3.9% per annum simple	05/01/2011	04/01/2031
Totals	UF 5,100,000				

(e) Foreign borrowings

These are short-term and long-term borrowings from foreign banks used to fund our foreign trade business. The maturities of these borrowings are as follows.

	As of December 31, 2011 (in millions of Ch\$)
Due within 1 year	1,740,254
Due after 1 year but within 2 years	87,102
Due after 2 years but within 3 years	91,926
Due after 3 years but within 4 years	-
Due after 5 years	-
Total loans from foreign financial institutions	1,919,282

Table of Contents

(f) Other obligations

Other obligations are summarized as follows:

	As of December 31, 2011 (in millions of Ch\$)
Long term obligations	
Due after 1 years but within 2 years	29,575
Due after 2 years but within 3 years	2,866
Due after 3 years but within 4 years	3,489
Due after 4 years but within 5 years	3,095
Due after 5 years	81,496
Long-term financial obligations subtotals	120,521
Short term obligations:	
Amounts due to credit card operators	50,840
Acceptance of letters of credit	704
Other long-term financial obligations, short-term portion	4,534
Short-term financial obligations subtotals	56,078
Other financial obligations totals	176,599

Other Off-Balance Sheet Arrangements and Commitments

In the ordinary course of our business, we are party to transactions with off balance sheet risk in the normal course of our business. These transactions expose us to credit risk in addition to amounts recognized in the consolidated financial statements. The most important off-balance sheet item are contingent loans. Contingent loans consist of guarantees granted by us in Ch\$, UF and foreign currencies (principally US\$), unused letters of credit and commitments to extend credit such as overdraft protection and credit card lines of credit. Such commitments are agreements to lend to a customer at a future date, subject to the customer compliance with the contractual terms. Since a substantial portion of these commitments is expected to expire without being drawn upon, the total amount of commitments does not necessarily represent our actual future cash requirements. We use the same credit policies in making commitments to extend credit as we do for granting loans. In the opinion of our management, our outstanding commitments do not represent an unusual credit risk.

The following table presents the Bank's outstanding contingent loans as of December 31, 2011, 2010 and 2009:

	As of December 31,		
	2011	2010	2009
	(in millions of Ch\$)		
Issued and documented letters of credit	184,649	209,532	155,956
Confirmed foreign letters of credit	52,889	85,739	35,818
Documented guarantees	920,986	898,751	655,780
Other guarantees	147,081	166,550	169,931
Subtotals	1,305,605	1,360,572	1,017,485
Lines of credit with immediate availability	4,673,525	4,832,359	4,615,787
Other irrevocable obligation	95,150	129,428	-

Totals	6,074,280	6,322,359	5,633,272
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84

Table of Contents

Asset and Liability Management

Please refer to “Item 11: Quantitative and Qualitative Disclosure about Market Risk—Asset and Liability Management” regarding our policies with respect to asset and liability management.

Capital Expenditures

The following table reflects capital expenditures in each of the three years ended December 31, 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	2010	2009
	(in millions of Ch\$)		
Land and Buildings	8,326	7,884	5,730
Machinery and Equipment	8,503	7,781	5,085
Furniture, Vehicles, Other(1)	9,860	3,336	941
Total	26,689	19,001	11,756

(1) Includes assets ceded under operating leases.

The increase in capital expenditures in 2011 was mainly due to higher investments to refurbish branches as well as IT systems.

F. Selected Statistical Information

The following information is included for analytical purposes and should be read in conjunction with our Audited Consolidated Financial Statements as well as the discussion in “Item 5: Operations and Financial Review and Prospects.” The UF is linked to, and is adjusted daily to reflect changes in the previous month’s Chilean consumer price index. See “Item 5: C. Operating Results—Impact of Inflation.” The following tables show, by currency of denomination, average balances and, where applicable, interest amounts and real rates for our assets and liabilities for the years ended December 31, 2011, 2010, and 2009.

Average Balance Sheets, Income Earned from Interest-Earning Assets and Interest Paid on Interest-Bearing Liabilities

The average balances for interest-earning assets and interest-bearing liabilities, including interest and readjustments received and paid, have been calculated on the basis of daily balances for us on an unconsolidated basis. Such average balances are presented in Chilean pesos, UFs and in foreign currencies (principally U.S. dollars). Figures from our subsidiaries have been calculated on the basis of monthly balances. The average balances of our subsidiaries, except Santander S.A. Agente de Valores, have not been categorized by currency. As such it is not possible to calculate average balances by currency for such subsidiaries on the basis of daily, weekly or monthly balances.

The nominal interest rate has been calculated by dividing the amount of interest and principal readjustment due to changes in the UF index (gain or loss) during the period by the related average balance, both amounts expressed in constant pesos. The nominal rates calculated for each period have been converted into real rates using the following formulas:

Where:

Rp = real average rate for peso-denominated assets and liabilities (in Ch\$ and UF) for the period;

Rd = real average rate for foreign currency-denominated assets and liabilities for the period;

85

Table of Contents

- Np = nominal average rate for peso-denominated assets and liabilities for the period;
- Nd = nominal average rate for foreign currency-denominated assets and liabilities for the period;
- D = devaluation rate of the Chilean peso to the U.S. dollar for the period; and
- I = inflation rate in Chile for the period (based on the variation of the Chilean Consumer Price Index).

The real interest rate can be negative for a portfolio of peso-denominated loans when the inflation rate for the period is higher than the average nominal rate of the loan portfolio for the same period. A similar effect could occur for a portfolio of foreign currency denominated loans when the inflation rate for the period is higher than the sum of the devaluation rate for the period and the corresponding average nominal rate of the portfolio.

The formula for the average real rate for foreign currency denominated assets and liabilities (Rd) reflects a gain or loss in purchasing power caused by the difference between the devaluation rate of the Chilean peso and the inflation rate in Chile during the period. The following example illustrates the calculation of the real interest rate for a dollar-denominated asset bearing a nominal annual interest rate of 10.0% (Nd = 0.10), assuming a 5.0% annual devaluation rate (D = 0.05) and a 12.0% annual inflation rate (I = 0.12):

In the example, since the inflation rate was higher than the devaluation rate, the real rate is lower than the nominal rate in dollars. If, for example, the annual devaluation rate were 15.0%, using the same numbers, the real rate in Chilean pesos would be 12.9%, which is higher than the nominal rate in U.S. dollars. Using the same numbers, if the annual inflation rate were greater than 15.5%, the real rate would be negative.

Foreign exchange gains or losses on foreign currency-denominated assets and liabilities are not included in interest income or expense. Similarly, interest on the available for sale investment portfolio does not include trading or mark-to-market gains or losses on these investments. Interest is not recognized on non-performing loans. Non-performing loans that are overdue for 90 days or less have been included in each of the various categories of loans, and therefore affect the various averages. Non-performing loans consist of loans as to which either principal or interest is overdue (i.e., non-accrual loans) and restructured loans earning no interest.

Included in interbank deposits are checking accounts maintained in the Central Bank and foreign banks. Such assets have a distorting effect on the average interest rate earned on total interest-earning assets because currently balances maintained in Chilean peso amounts do not earn interest, and the only balances held in a foreign currency that earn interest are those maintained in U.S. dollars, but those only earn interest on the amounts that are legally required to be held for liquidity purposes. Additionally, this account includes interest earned by overnight investments. Consequently, the average interest earned on such assets is comparatively low. We maintain these deposits in these accounts to comply with statutory requirements and to facilitate international business, rather than to earn income.

The following tables show, by currency of denomination, average balances and, where applicable, interest amounts and real rates for our assets and liabilities for the years ended December 31, 2011, 2010 and 2009.

Table of Contents

	Year ended December 31,									
	2011					2010				
	Average Balance	Interest Earned	Average Real Rate	Average Nominal Rate	Average Balance	Interest Earned	Average Real Rate	Average Nominal Rate	Average Balance	
	(in millions of Ch\$, except for rate data)									
ASSETS										
INTEREST-EARNING ASSETS										
Deposits in Central Bank										
Ch\$	497,897	16,005	(1.2 %)	3.2 %	433,176	6,411	(1.0 %)	1.5 %	207,738	
UF	–	–	– %	– %	–	–	– %	– %	–	–
Foreign currencies	–	–	– %	– %	–	–	– %	– %	–	–
Subtotal	497,897	16,005	(1.2 %)	3.2 %	433,176	6,411	(1.0 %)	1.5 %	207,738	
Financial investments										
Ch\$	1,704,483	71,129	(0.3 %)	4.2 %	1,055,255	25,439	(0.1 %)	2.4 %	939,455	
UF	220,986	21,971	5.3 %	9.9 %	545,775	34,602	3.7 %	6.3 %	547,220	
Foreign currencies	854,965	(25,201)	3.5 %	(2.9 %)	652,464	12,892	(8.0 %)	2.0 %	486,051	
Subtotal	2,780,434	67,899	1.3 %	2.5 %	2,253,464	72,933	(1.5 %)	3.2 %	1,972,726	
Commercial Loans										
Ch\$	4,491,613	409,074	4.5 %	9.2 %	4,024,823	313,063	5.1 %	7.8 %	3,624,473	
UF	3,268,257	272,236	3.7 %	8.4 %	2,791,495	192,518	4.3 %	6.9 %	2,822,742	
Foreign currencies	1,662,095	44,586	9.5 %	2.7 %	932,257	30,479	(6.8 %)	3.3 %	1,053,718	
Subtotal	9,421,965	725,896	5.1 %	7.8 %	7,748,575	536,060	3.4 %	6.9 %	7,500,933	
Consumer loans										
Ch\$	2,526,772	539,961	16.2 %	21.4 %	2,270,711	477,155	18.1 %	21.0 %	2,018,473	
UF	96,286	9,722	5.4 %	10.1 %	97,905	8,209	5.7 %	8.4 %	115,640	
Foreign currencies	14,374	–	6.6 %	– %	10,446	–	(9.8 %)	– %	8,161	
Subtotal	2,637,432	549,683	15.8 %	20.9 %	2,379,062	485,364	17.5 %	20.4 %	2,142,274	
Mortgage loans										
Ch\$	27,811	2,626	4.8 %	9.4 %	28,522	2,263	5.3 %	7.9 %	6,028	
UF	4,800,402	397,408	3.7 %	8.3 %	4,293,315	301,864	4.4 %	7.0 %	3,946,434	
Foreign currencies	–	–	– %	– %	–	–	– %	– %	–	–
Subtotal	4,828,213	400,034	3.7 %	8.3 %	4,321,837	304,127	4.4 %	7.0 %	3,952,462	
Interbank Loans										
Ch\$	73,505	3,486	0.3 %	4.7 %	48,485	934	(0.6 %)	1.9 %	19,532	
UF	–	–	– %	– %	–	–	– %	– %	–	–
Foreign currencies	5,206	–	6.6 %	– %	1,229	–	(9.8 %)	0.0 %	2,521	
Subtotal	78,711	3,486	0.7 %	4.4 %	49,714	934	(0.8 %)	1.9 %	22,053	
Investments under agreements to resell										
Ch\$	23,993	3,678	10.4 %	15.3 %	44,969	6,256	11.1 %	13.9 %	261,288	
UF	35,009	1,949	1.1 %	5.6 %	15,898	428	0.2 %	2.7 %	852	
Foreign currencies	–	–	– %	– %	1,403	22	(8.4 %)	1.6 %	198	
Subtotal	59,002	5,627	4.9 %	9.5 %	62,270	6,706	7.9 %	10.8 %	262,338	
Threshold										

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Ch\$	–	–	– %	– %	–	–	–	– %	– %	–
UF	–	–	– %	– %	–	–	–	– %	– %	–
Foreign currencies	51,385	105	6.8 %	0.2 %	231,385	448	(9.6 %)	0.2 %	205,068	
Subtotal	51,385	105	6.8 %	0.2 %	231,385	448	(9.6 %)	0.2 %	205,068	
Total interest-earning assets										
Ch\$	9,346,074	1,045,959	6.5 %	11.2 %	7,905,911	831,521	7.8 %	10.5 %	7,076,987	
UF	8,420,940	703,286	3.7 %	8.4 %	7,744,388	537,621	4.3 %	6.9 %	7,432,888	
Foreign currencies	2,588,025	19,490	7.4 %	0.8 %	1,829,184	43,841	(7.6 %)	2.4 %	1,755,717	
Subtotal	20,355,039	1,768,735	5.5 %	8.7 %	17,479,483	1,412,983	4.6 %	8.1 %	16,265,592	

Table of Contents

	Year ended December 31,									
	2011			2010			2009			
	Average Balance	Interest Earned	Average Rate	Average Balance	Interest Earned	Average Rate	Average Balance	Interest Earned	Average Rate	
(in millions of Ch\$, except for rate data)										
NON-INTEREST-EARNING ASSETS										
Cash										
Ch\$	448,889	–	–	421,903	–	–	398,396	–	–	–
UF	–	–	–	–	–	–	–	–	–	–
Foreign currencies	16,275	–	–	13,484	–	–	14,482	–	–	–
Subtotal	465,164	–	–	435,387	–	–	412,878	–	–	–
Allowance for loan losses										
Ch\$	(535,656)	–	–	(444,122)	–	–	(315,361)	–	–	–
UF	–	–	–	–	–	–	–	–	–	–
Foreign currencies	–	–	–	–	–	–	–	–	–	–
Subtotal	(535,656)	–	–	(444,122)	–	–	(315,361)	–	–	–
Property, plant and equipment										
Ch\$	159,813	–	–	176,367	–	–	215,789	–	–	–
UF	40	–	–	–	–	–	–	–	–	–
Foreign currencies	–	–	–	–	–	–	–	–	–	–
Subtotal	159,853	–	–	176,367	–	–	215,789	–	–	–
Derivatives										
Ch\$	1,824,381	–	–	1,617,480	–	–	1,708,712	–	–	–
UF	(178,373)	–	–	(124,606)	–	–	(184,072)	–	–	–
Foreign currencies	(39,820)	–	–	(60,410)	–	–	(7,390)	–	–	–
Subtotal	1,606,188	–	–	1,432,464	–	–	1,517,250	–	–	–
Financial investments trading (1)										
Ch\$	203,886	–	–	90,605	–	–	233,977	–	–	–
UF	436,435	–	–	665,607	–	–	726,009	–	–	–
Foreign currencies	9,791	–	–	30,407	–	–	45,029	–	–	–
Subtotal	650,112	–	–	786,619	–	–	1,005,015	–	–	–
Other assets										
Ch\$	979,549	–	–	724,156	–	–	688,310	–	–	–
UF	100,291	–	–	66,279	–	–	42,584	–	–	–
Foreign currencies	353,179	–	–	201,062	–	–	159,853	–	–	–
Subtotal	1,433,019	–	–	991,497	–	–	890,747	–	–	–
Total non-interest earning assets										
Ch\$	3,080,862	–	–	2,586,389	–	–	2,929,823	–	–	–
UF	358,393	–	–	607,280	–	–	584,521	–	–	–
Foreign currencies	339,425	–	–	184,543	–	–	211,974	–	–	–
Total	3,778,680	–	–	3,378,212	–	–	3,726,318	–	–	–
TOTAL ASSETS										
Ch\$	12,426,936	1,045,959	–	10,492,300	831,521	–	10,006,810	923,918	–	–
UF	8,779,333	703,286	–	8,351,668	537,621	–	8,017,409	224,614	–	–
Foreign currencies	2,927,450	19,490	–	2,013,727	43,841	–	1,967,691	59,246	–	–

Total	24,133,719	1,768,735	-	-	20,857,695	1,412,983	-	-	19,991,910	1,207,778
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Table of Contents

	Year ended December 31,									
	2011					2010				
	Average	Interest	Average	Average	Average	Interest	Average	Average	Average	
	Balance	Paid	Real	Nominal	Balance	Paid	Real	Nominal	Balance	
			Rate	Rate			Rate	Rate		
	(in millions of Ch\$, except for rate data)									
LIABILITIES AND SHAREHOLDERS' EQUITY										
INTEREST-BEARING LIABILITIES										
Savings accounts										
Ch\$	1,092	3	(4.0 %)	0.3 %	1,103	3	(2.2 %)	0.3 %	777	1
UF	101,993	3,712	(0.8 %)	3.6 %	101,629	1,231	(1.3 %)	1.2 %	99,517	(1
Foreign currencies	-	-	- %	- %	-	-	- %	- %	-	-
Subtotal	103,085	3,715	0.8 %	3.6 %	102,732	1,234	(1.3 %)	1.2 %	100,294	(1
Time deposits										
Ch\$	5,187,931	288,282	1.1 %	5.6 %	3,914,178	89,808	(0.2 %)	2.3 %	4,442,195	1
UF	2,086,118	143,899	2.4 %	6.9 %	2,107,484	117,230	3.0 %	5.6 %	2,490,859	1
Foreign currencies	1,833,670	13,392	7.4 %	0.7 %	1,460,882	12,997	(9.0 %)	0.9 %	1,422,392	2
Subtotal	9,107,719	445,573	2.7 %	4.9 %	7,482,544	220,035	(1.0 %)	3.0 %	8,355,446	2
Central Bank borrowings										
Ch\$	2,094	177	3.8 %	8.5 %	302,807	1,648	(1.9 %)	0.5 %	295,319	2
UF	1,003	8	(3.5 %)	0.8 %	1,485	10	(1.8 %)	0.7 %	2,027	(1
Foreign currencies	-	-	- %	- %	-	-	- %	- %	-	-
Subtotal	3,097	185	1.4 %	6.0 %	304,292	1,658	(1.9 %)	0.5 %	297,346	2
Repurchase agreements										
Ch\$	214,930	7,922	(0.7 %)	3.7 %	142,572	937	(1.8 %)	0.7 %	461,168	1
UF	18,564	808	(0.1 %)	4.4 %	51,516	1,437	0.3 %	2.8 %	23,915	4
Foreign currencies	15,680	31	6.8 %	0.2 %	2,631	3	(9.7 %)	0.1 %	917	1
Subtotal	249,174	8,761	(0.2 %)	3.5 %	196,719	2,377	(1.4 %)	1.2 %	486,000	1
Mortgage finance bonds										
Ch\$	-	-	- %	- %	-	-	- %	- %	-	-
UF	174,224	16,027	4.6 %	9.2 %	224,436	17,445	5.1 %	7.8 %	301,501	8
Foreign currencies	-	-	- %	- %	-	-	- %	- %	-	-
Subtotal	174,224	16,027	4.6 %	9.2 %	224,436	17,445	5.1 %	7.8 %	301,501	8
Other interest-bearing liabilities										
Ch\$	344,561	64,171	13.6 %	18.6 %	167,944	30,982	15.6 %	18.4 %	141,415	8
UF	2,427,992	223,895	4.6 %	9.2 %	2,086,698	155,009	4.8 %	7.4 %	1,825,455	4
Foreign currencies	3,355,499	34,108	7.7 %	1.0 %	2,871,953	44,524	(8.4 %)	1.6 %	1,942,923	4
Subtotal	6,128,052	322,174	6.8 %	5.2 %	5,126,595	230,515	(2.2 %)	4.5 %	3,909,793	9
Total interest-bearing liabilities										
Ch\$	5,750,608	360,555	1.8 %	6.3 %	4,528,604	123,378	0.2 %	2.7 %	5,340,874	2
UF	4,809,894	388,349	3.5 %	8.1 %	4,573,248	292,362	3.8 %	6.4 %	4,743,274	6
Foreign currencies	5,204,849	47,531	7.6 %	0.9 %	4,335,466	57,524	(8.6 %)	1.3 %	3,366,232	7

Total	15,765,351	796,435	4.2 %	5.1 %	13,437,318	473,264	(1.4 %)	3.5 %	13,450,380	3
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89

Table of Contents

	Year ended December 31,										
	2011			2010			2009				
	Average Balance	Interest Paid	Average Rate	Average Balance	Interest Paid	Average Rate	Average Balance	Interest Paid	Average Rate	Average Balance	Interest Paid
	(in millions of Ch\$, except for rate data)										
NON-INTEREST-BEARING LIABILITIES											
Non-interest bearing demand deposits											
Ch\$	3,546,165	-	-	3,132,540	-	-	2,458,860	-	-	-	-
UF	17,115	-	-	15,226	-	-	13,039	-	-	-	-
Foreign currencies	12,264	-	-	4,747	-	-	3,151	-	-	-	-
Subtotal	3,575,544	-	-	3,152,513	-	-	2,475,050	-	-	-	-
Derivatives											
Ch\$	1,389,878	-	-	1,094,480	-	-	1,059,863	-	-	-	-
UF	35,145	-	-	115,981	-	-	193,392	-	-	-	-
Foreign currencies	32,615	-	-	112,700	-	-	133,771	-	-	-	-
Subtotal	1,457,638	-	-	1,323,161	-	-	1,387,026	-	-	-	-
Other non-interest-bearing liabilities											
Ch\$	637,053	-	-	526,376	-	-	512,216	-	-	-	-
UF	279,367	-	-	350,588	-	-	287,124	-	-	-	-
Foreign currencies	424,279	-	-	315,410	-	-	280,176	-	-	-	-
Subtotal	1,340,699	-	-	1,192,374	-	-	1,079,516	-	-	-	-
Shareholders' Equity											
Ch\$	1,994,487	-	-	1,752,329	-	-	1,599,938	-	-	-	-
UF	-	-	-	-	-	-	-	-	-	-	-
Foreign currencies	-	-	-	-	-	-	-	-	-	-	-
Subtotal	1,994,487	-	-	1,752,329	-	-	1,599,938	-	-	-	-
Total non-interest-bearing liabilities and shareholder's equity											
Ch\$	7,567,583	-	-	6,505,725	-	-	5,630,877	-	-	-	-
UF	331,627	-	-	481,795	-	-	493,555	-	-	-	-
Foreign currencies	469,158	-	-	432,857	-	-	417,098	-	-	-	-
Subtotal	8,368,368	-	-	7,420,377	-	-	6,541,530	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY											
Ch\$	13,318,191	360,555	-	11,034,329	123,378	-	10,971,751	207,840	-	-	-
UF	5,141,521	388,349	-	5,055,043	292,362	-	5,236,829	67,559	-	-	-
Foreign currencies	5,674,007	47,531	-	4,768,323	57,524	-	3,783,330	75,863	-	-	-
Total	24,133,719	796,435	-	20,857,695	473,264	-	19,991,910	351,262	-	-	-

Changes in Net Interest Revenue and Interest Expense: Volume and Rate Analysis

The following table allocates, by currency of denomination, changes in our interest revenue and interest expense between changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their

respective nominal interest rates for 2011 compared to 2010 and 2010 compared to 2009. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities.

Table of Contents

	Increase (Decrease) from 2010 to 2011 Due to Changes in				Increase (Decrease) from 2009 to 2010 Due to Changes in				Net Change from 2009 to 2010
	Volume	Rate	Rate and Volume	Net Change from 2010 to 2011	Volume	Rate	Rate and Volume		
ASSETS									
Interest-earning assets									
Deposits in Central Bank									
Ch\$	1,024	7,417	1,153	9,594	2,917	403	439	3,759	
UF	-	-	-	-	-	-	-	-	-
Foreign currencies	-	-	-	-	-	-	-	-	-
Total	1,024	7,417	1,153	9,594	2,917	403	439	3,759	
Financial investments									
Ch\$	15,391	18,803	11,496	45,690	4,252	(10,322)	(1,273)	(7,343)	
UF	(20,503)	19,606	(11,734)	(12,631)	18	30,117	(40)	30,095	
Foreign currencies	3,967	(32,053)	(10,007)	(38,093)	1,847	3,877	1,328	7,052	
Total	(1,145)	6,356	(10,245)	(5,034)	6,117	23,672	15	29,804	
Commercial loans									
Ch\$	35,316	55,254	5,441	96,011	42,086	(93,881)	(10,168)	(61,963)	
UF	32,163	41,139	6,416	79,718	(950)	82,160	(644)	80,566	
Foreign currencies	24,085	(5,594)	(4,384)	14,107	(6,373)	(18,213)	1,991	(22,595)	
Total	91,564	90,799	7,473	189,836	34,763	(29,934)	(8,821)	(3,992)	
Consumer loans									
Ch\$	53,415	8,725	666	62,806	63,318	(78,410)	(9,734)	(24,826)	
UF	(132)	1,669	(24)	1,513	(965)	3,361	(507)	1,889	
Foreign currencies	-	-	-	-	(1)	-	-	(1)	
Total	53,283	10,394	642	64,319	62,352	(75,049)	(10,241)	(22,938)	
Mortgage loans									
Ch\$	(56)	428	(9)	363	2,013	(60)	(225)	1,728	
UF	34,711	55,027	5,806	95,544	9,719	174,359	15,982	200,060	
Foreign currencies	-	-	-	-	-	-	-	-	
Total	34,655	55,455	5,797	95,907	11,732	174,299	15,757	201,788	
Interbank loans									
Ch\$	481	1,364	707	2,552	376	122	174	672	
UF	-	-	-	-	-	-	-	-	
Foreign currencies	-	-	-	-	-	-	-	-	
Total	481	1,364	707	2,552	376	122	174	672	
Investments Under Agreements to Resell									
Ch\$	(2,916)	630	(292)	(2,578)	(8,861)	25,616	(21,179)	(4,424)	
UF	513	458	550	1,521	540	(8)	(135)	397	
Foreign currencies	(22)	(22)	22	(22)	36	(3)	(17)	16	

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Total	(2,425)	1,066	280	(1,079)	(8,285)	25,605	(21,331)	(4,011)
Threshold								
Ch\$	-	-	-	-	-	-	-	-
UF	-	-	-	-	-	-	-	-
Foreign currencies	(343)	-	-	(343)	123	-	-	123
Total	(343)	-	-	(343)	123	-	-	123
Total interest-earning assets								
Ch\$	102,655	92,621	19,162	214,438	106,101	(156,532)	(41,966)	(92,397)
UF	46,752	117,899	1,014	165,665	8,362	289,989	14,656	313,007
Foreign currencies	27,687	(37,669)	(14,369)	(24,351)	(4,368)	(14,339)	3,302	(15,405)
Total	177,094	172,851	5,807	355,752	110,095	119,118	(24,008)	205,205

Table of Contents

	Increase (Decrease) from 2010 to 2011 Due to Changes in				Increase (Decrease) from 2009 to 2010 Due to Changes in			
	Volume	Rate	Rate and Volume	Net Change from 2010 to 2011	Volume	Rate	Rate and Volume	Net Change from 2009 to 2010
LIABILITIES								
Interest-bearing liabilities								
Savings accounts								
Ch\$	-	-	-	-	5	(9)	(4)	(8)
UF	13	2,449	19	2,481	29	2,195	46	2,270
Foreign currencies	-	-	-	-	-	-	-	-
Total	13	2,449	19	2,481	34	2,186	42	2,262
Time deposits								
Ch\$	28,622	128,493	41,359	198,474	(22,649)	(80,460)	9,276	(93,833)
UF	(948)	27,646	(29)	26,669	(3,267)	119,361	(18,482)	97,612
Foreign currencies	3,591	(2,686)	(510)	395	931	(14,164)	(384)	(13,617)
Total	31,265	153,453	40,820	225,538	(24,985)	24,737	(9,590)	(9,838)
Central Bank borrowings								
Ch\$	(1,549)	24,180	(24,102)	(1,471)	167	(1,081)	1	(913)
UF	(3)	1	-	(2)	4	24	(7)	21
Foreign currencies	-	-	-	-	-	-	-	-
Total	(1,552)	24,181	(24,102)	(1,473)	171	(1,057)	(6)	(892)
Repurchase agreements								
Ch\$	517	4,287	2,181	6,985	(9,339)	(10,177)	6,999	(12,517)
UF	(924)	823	(528)	(629)	493	239	276	1,008
Foreign currencies	13	3	12	28	2	-	-	2
Total	(394)	5,113	1,666	6,384	(8,844)	(9,938)	7,275	(11,507)
Mortgage finance bonds								
Ch\$	-	-	-	-	-	-	-	-
UF	(3,898)	3,162	(682)	(1,418)	(2,168)	15,075	(3,853)	9,054
Foreign currencies	-	-	-	-	-	-	-	-
Total	(3,898)	3,162	(682)	(1,418)	(2,168)	15,075	(3,853)	9,054
Other interest-bearing liabilities								
Ch\$	32,498	336	355	33,189	1,589	17,868	3,352	22,809
UF	25,232	37,536	6,118	68,886	6,047	95,204	13,587	114,838
Foreign currencies	8,397	(16,572)	(2,241)	(10,416)	22,666	(18,029)	(9,361)	(4,724)
Total	66,127	21,300	4,232	91,659	30,302	95,043	7,578	132,923
Total interest-bearing liabilities								
Ch\$	60,088	157,296	19,793	237,177	(30,227)	(73,859)	19,624	(84,462)

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UF	19,472	71,617	4,898	95,987	1,138	232,098	(8,433)	224,803
Foreign currencies	12,001	(19,255)	(2,739)	(9,993)	23,599	(32,193)	(9,745)	(18,339)
Total	91,561	209,658	21,952	323,171	(5,490)	126,046	1,446	122,002

Table of Contents

Interest-Earning Assets: Net Interest Margin

The following table analyzes, by currency of denomination, the levels of average interest-earning assets and net interest earned by Santander-Chile, and illustrates the comparative margins obtained, for each of the years indicated in the table.

	Year ended December 31,					
	2011		2010		2009	
	(in millions of Ch\$)					
Total average interest-earning assets						
Ch\$	9,346,074		7,905,911		7,076,987	
UF	8,420,940		7,744,388		7,432,888	
Foreign currencies	2,588,025		1,829,184		1,755,717	
Total	20,355,039		17,479,483		16,265,592	
Net interest earned (1)						
Ch\$	685,404		708,143		716,078	
UF	314,937		245,259		157,055	
Foreign currencies	(28,041)		(13,683)		(16,617)	
Total	972,300		939,719		856,516	
Net interest margin (2)						
Ch\$	7.3	%	9.0	%	10.1	%
UF	3.7	%	3.2	%	2.1	%
Foreign currencies	(1.1	%)	(0.7	%)	(0.9	%)
Total	4.8	%	5.4	%	5.3	%

(1) Net interest earned is defined as interest revenue earned less interest expense incurred.

(2) Net interest margin is defined as net interest earned divided by total average interest-earning assets.

Return on Equity and Assets; Dividend Payout

The following table presents certain information and selected financial ratios for Santander-Chile for the years indicated.

Ch\$ million	Year ended December 31,					
	2011		2010		2009	
Net income	406,664		507,472		436,610	
Net income attributable to shareholders	401,733		505,393		431,557	
Average total assets	24,133,719		20,857,695		19,991,910	
Average equity	1,994,487		1,752,329		1,599,938	
Net income as a percentage of:						
Average total assets	1.7	%	2.4	%	2.2	%
Average equity	20.4	%	29.0	%	27.3	%
Average equity as a percentage of:						
Average total assets	8.3	%	8.4	%	8.0	%
Proposed cash dividend (1)	261,050		286,294		258,752	
Dividend payout ratio, based on net income attributable to shareholders (1)	65.0	%	56.6	%	60.0	%

(1) Dividend proposed by the Board for shareholders' approval on April 24, 2012. This was calculated according to local Chilean Bank GAAP.

Table of Contents

The following table presents dividends declared and paid by us in nominal terms in the following years:

Year	Dividend Ch\$ mn (1)	Per share Ch\$/share (2)	Per ADR Ch\$/ADR (3)	% over earnings (4)	% over earnings (5)
2009	213,295	1.13	1,176.00	65	52
2010	258,752	1.37	1,426.63	60	60
2011	286,294	1.52	1,578.48	60	57
2012	261,050	1.39	1,439.09	60	65

(1) Millions of nominal pesos.

(2) Calculated on the basis of 188,446 million shares.

(3) Calculated on the basis of 1,039 shares per ADS.

(4) Calculated by dividing dividend paid in the year by net income attributable to shareholders for the previous year under Chilean GAAP.

(5) Calculated by dividing dividend paid in the year by net income attributable to shareholders for the previous year under IFRS.

Loan Portfolio

The following table analyzes our loans by product type. Except where otherwise specified, all loan amounts stated below are before deduction for loan loss allowances. Total loans reflect our loan portfolio, including principal amounts of past due loan and substandard loans. Any collateral provided generally consists of a mortgage on real estate, a pledge of marketable securities, a letter of credit or cash. The existence and amount of collateral generally vary from loan to loan.

	As of December 31,		
	2011	2010	2009
	(in millions of Ch\$)		
Commercial Loans:			
Commercial loans	6,602,372	6,107,117	5,489,595
Foreign trade loans	1,042,024	783,552	636,328
Loans with mortgage guarantee	132,383	67,956	92,911
Factoring operations	188,630	206,140	130,272
Leasing contracts	1,237,675	1,122,916	964,698
Other loans and accounts receivables from customers	84,501	17,948	10,958
Subtotal	9,287,585	8,305,629	7,324,762
Mortgage loans:			
Draft loans	71,878	184,364	175,592
Mortgage finance bonds	113,858	138,094	199,139
Other mortgage mutual loans	4,929,927	4,328,679	3,784,322
Leasing contracts	-	-	-
	-	-	-

Other loans and accounts receivables from customers

Subtotal	5,115,663	4,651,137	4,159,053
Consumer loans:			
Installment consumer loans	1,808,594	1,604,603	1,378,044
Credit card loans	920,852	794,216	586,937
Consumer leasing contracts	3,727	3,735	3,835
Other consumer loans	210,673	298,236	275,233
Subtotal	2,943,846	2,700,790	2,244,049
Subtotal Loans to customers	17,347,094	15,657,556	13,727,864
Interbank loans	87,688	69,726	23,412
Total	17,434,782	15,727,282	13,751,276

Table of Contents

The loan categories are as follows:

Commercial loans

Commercial loans are long-term and short-term loans, including checking overdraft lines for companies granted in Chilean pesos, inflation linked, US\$ linked or denominated in US\$. The interest on these loans is fixed or variable and is used primarily to finance working capital or investments. General commercial loans also includes factoring operations.

Foreign trade loans are fixed rate, short-term loans made in foreign currencies (principally U.S.\$) to finance imports and exports.

Mortgage loans financed with mortgage bonds mainly include mortgage loans (fixed and variable rate) that are inflation-indexed long-term loans with monthly payments of principal and interest secured by a real property mortgage. These are financed by issuing mortgage bonds.

Factoring operations mainly include short-term loans to companies with a fixed monthly nominal rate backed by a company invoice.

Leasing contracts are agreements for the financial leasing of capital equipment and other property.

Other outstanding loans include other loans and accounts payable.

Residential mortgage loans

Draft loans mainly include mortgage loans (fixed and variable rate) that are inflation-indexed long-term loans with monthly payments of principal and interest secured by a real property mortgage. These loans can be endorsed to a third party. These are financed by our general borrowings.

Residential mortgage loans backed by mortgage bonds are inflation-indexed, fixed or variable rate, long-term loans with monthly payments of principal and interest secured by a real property mortgage that are financed with mortgage finance bonds. At the time of approval, these types of mortgage loans cannot be more than 75% of the lower of the purchase price or the appraised value of the mortgaged property or such loan will be classified as a commercial loan. Mortgage bonds are our general obligations, and we are liable for all principal and accrued interest on such bonds. In addition, if the issuer of a mortgage finance bond becomes insolvent, the General Banking Law's liquidation procedures provide that these types of mortgage loans with their corresponding mortgage bonds shall be auctioned as a unit and the acquirer must continue paying the mortgage finance bonds under the same conditions as the original issuer.

Other mortgage mutual loans mainly include mortgage loans (fixed and variable rate) that are inflation-indexed long-term loans with monthly payments of principal and interest secured by a real property mortgage. These are financed by our general borrowings.

Consumer loans

Installment consumer loans are loans to individuals, granted in Chilean pesos, generally on a fixed rate nominal basis, to finance the purchase of consumer goods or to pay for services.

Consumer loans through lines of credit are checking overdraft lines to individuals, granted in Chilean pesos, generally on a fixed rate nominal basis and linked to an individual's checking account.

Table of Contents

Credit card loans include credit card balances subject to nominal fixed rate interest charges.

Consumer leasing contracts are agreements for the financial leasing of automobiles and other property to individuals.

Non-client loans

Interbank loans are fixed rate, short-term loans to financial institutions that operate in Chile.

Maturity and Interest Rate Sensitivity of Loans

The following table sets forth an analysis by type and time remaining to maturity of our loans at December 31, 2011.

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total balance at December 31, 2011
	(in millions of Ch\$)			
General commercial loans	3,003,508	2,713,388	1,352,305	7,069,201
Foreign trade loans	798,814	113,615	58,662	971,091
Leasing contracts	297,122	593,390	350,221	1,240,733
Other outstanding loans	6,560	-	-	6,560
Subtotal commercial loans	4,106,004	3,420,393	1,761,188	9,287,585
Residential loans backed by mortgage bonds	23,231	74,883	46,513	144,627
Other residential mortgage loans	283,338	916,967	3,770,731	4,971,036
Subtotal residential mortgage loans	306,569	991,850	3,817,244	5,115,663
Consumer loans	1,533,072	1,290,758	120,016	2,943,846
Subtotal	5,945,645	5,703,001	5,698,448	17,347,094
Interbank loans	87,688	-	-	87,688
Total loans	6,033,333	5,703,001	5,698,448	17,434,782

The following tables present the interest rate sensitivity of outstanding loans due after one year at December 31, 2011. (See also "Item 5: D. Operating Results—Interest Rates.")

	As of December 31, 2011 (in millions of Ch\$)
Variable Rate	
Ch\$	-
UF	2,121,469
Foreign currencies	208
Subtotal	2,121,677
Fixed Rate	
Ch\$	3,203,179
UF	5,416,458
Foreign currencies	670,008
Subtotal	9,289,645
Total	11,411,322

Loans by Economic Activity

The following table sets forth, at the dates indicated, an analysis of our client loan portfolio based on the borrower's principal economic activity and geographic distribution. Loans to individuals for business purposes are allocated to their economic activity.

Table of Contents

	Domestic loans (*) as of December 31,				Foreign loans as of December 31,			
	2011	2010	2009	2008	2011	2010	2009	2008
	(in millions of Ch\$)							
Commercial loans								
Manufacturing	834,011	838,324	640,395	937,305	-	-	-	-
Mining	266,442	106,119	67,057	323,269	-	-	-	-
Electricity, gas and water	221,039	149,907	144,386	207,542	-	-	-	-
Agriculture and livestock	760,527	679,159	610,909	647,897	-	-	-	-
Forestry	89,353	84,375	71,085	88,554	-	-	-	-
Fishing	144,162	133,930	127,025	170,934	-	-	-	-
Transport	473,414	449,508	362,508	423,856	-	-	-	-
Communications	252,528	214,881	164,077	192,750	-	-	-	-
Construction	980,797	839,316	817,293	887,391	-	-	-	-
Commerce	1,916,400	1,732,800	1,650,903	2,219,987	87,041	69,709	23,409	95,534
Services	384,061	358,314	288,256	395,840	-	-	-	-
Other	2,965,498	2,719,013	2,380,871	1,860,535	-	-	-	-
Subtotals	9,288,232	8,305,646	7,324,765	8,355,860	87,041	69,709	23,409	95,534
Mortgage loans	5,115,663	4,651,137	4,159,053	3,980,556	-	-	-	-
Consumer loans	2,943,846	2,700,790	2,244,049	2,249,138	-	-	-	-
Total	17,347,741	15,657,573	13,727,867	14,585,554	87,041	69,709	23,409	95,534

	Total loans as of December 31,				% of total loans as of December 31,			
	2011	2010	2009	2008	2011	2010	2009	2008
	(in millions of Ch\$)							
Commercial loans								
Manufacturing	834,011	838,324	640,395	937,305	4.78 %	5.33 %	4.66 %	6.39 %
Mining	266,442	106,119	67,057	323,269	1.53 %	0.67 %	0.49 %	2.21 %
Electricity, gas and water	221,039	149,907	144,386	207,542	1.27 %	0.95 %	1.05 %	1.41 %
Agriculture and livestock	760,527	679,159	610,909	647,897	4.36 %	4.32 %	4.44 %	4.40 %
Forestry	89,353	84,375	71,085	88,554	0.51 %	0.54 %	0.52 %	0.60 %
Fishing	144,162	133,930	127,025	170,934	0.83 %	0.85 %	0.93 %	1.16 %
Transport	473,414	449,508	362,508	423,856	2.72 %	2.86 %	2.64 %	2.89 %
Communications	252,528	214,881	164,077	192,750	1.45 %	1.37 %	1.20 %	1.31 %
Construction	980,797	839,316	817,293	887,391	5.63 %	5.34 %	5.95 %	6.04 %
Commerce	2,003,441	1,802,509	1,674,312	2,315,521	11.49 %	11.46 %	12.03 %	15.78 %
Services	384,061	358,314	288,256	395,840	2.20 %	2.28 %	2.10 %	2.70 %
Other	2,965,498	2,719,013	2,380,871	1,860,535	17.00 %	17.29 %	17.34 %	12.68 %
Subtotals	9,375,273	8,375,355	7,348,174	8,451,394	53.77 %	53.26 %	53.35 %	57.57 %
Mortgage loans	5,115,663	4,651,137	4,159,053	3,980,556	29.35 %	29.57 %	30.30 %	27.11 %
Consumer loans	2,943,846	2,700,790	2,244,049	2,249,138	16.88 %	17.17 %	16.35 %	15.32 %
Total	17,434,782	15,727,282	13,751,276	14,681,088	100.00 %	100.00 %	100.00 %	100.00 %

(* As of December 31, 2011, foreign country assets including foreign interbank deposits classified as financial investments totaled US\$1,369 million or 2.9% of our total assets.

Classification of Loan Portfolio

Credit Review Process

The Risk Division, our credit analysis and risk management group, is largely independent of our Commercial Division. Risk evaluation teams interact regularly with our clients. For larger transactions, risk teams in our headquarters work directly with clients when evaluating credit risks and preparing credit applications. Various credit approval committees, all of which include Risk Division and Commercial Division personnel, must verify that the

Table of Contents

appropriate qualitative and quantitative parameters are met by each applicant. Each committee's powers are defined by our Board of Directors.

In addition, Banco Santander Spain is involved in the credit approval process of our largest loans and borrowers. If a single borrower or an economic group owes us an aggregate amount in excess of US\$40 million, any additional loan to such borrower or member of such group must be reported to Banco Santander Spain following the approval of our Executive Credit Committee.

Credit Approval

The Risk Division, our credit analysis and risk management group, is largely independent of our Commercial Division. Risk evaluation teams interact regularly with our clients. For larger transactions, risk teams in our headquarters work directly with clients when evaluating credit risks and preparing credit applications. Various credit approval committees, all of which include Risk Division and Commercial Division personnel, must verify that the appropriate qualitative and quantitative parameters are met by each applicant. Each committee's powers are defined by our Board of Directors.

In addition, Banco Santander Spain is involved in the credit approval process of our largest loans and borrowers. If a single borrower or an economic group owes us an aggregate amount in excess of US\$40 million, any additional loan to such borrower or member of such group must be reported to Banco Santander Spain.

The following table lists our committees from which credit approval is required depending on total risk exposure for loans evaluated on an individual basis:

Approved By	Maximum approval in Thousands of US\$
Executive Credit Committee	>40,000
Loan Credit Committee	40,000
Business Segment Committee	8,000-10,000
Large Companies	10,000
Real estate sector	10,000
Medium-sized companies	8,000
Regional Committee	5,000
Branch committee	300
Companies	300
Mortgage	120
Persons	30

The Executive Credit Committee is comprised of the Chairman of the Board, three additional Board members, the Corporate Legal Counsel, the CEO, the Manager of Global Banking, the Corporate Director of Risk and two senior members of the Credit Risk department who present the loans being reviewed. This committee reviews the loan positions reviewed by the Senior Credit Committee above US\$10 million and approves those loan positions greater than US\$40 million. In addition, any loan position above US\$60 million must also be reviewed by Banco Santander Spain's credit committee.

The Loan Credit Committee is comprised of the CEO, the Manager of the Wholesale segment, the Manager of the Medium-sized companies segment, General Counsel, the Corporate Director of Credit Risk and the Manager of Credit Admissions. The Loan Credit Committee reviews and will either approve or deny transactions up to US\$40 million

that have been previously approved by one of the Business Segment Committees: (i) Large Companies, (ii) Medium-sized Companies and (iii) Real Estate. The Regional Committees have a maximum approval of up to US\$5 million. The Regional Committees oversee the branch networks outside of Santiago. At the branch level, the maximum approval is US\$300,000 for companies, US\$30,000 for individuals and US\$120,000 for mortgages. For the lower level committees, credit granting authority varies according to the seniority and experience of the committee members, and the values indicated represent upper limits. All committees include at least two bank officers from the commercial and credit areas.

Table of Contents

We also have a department designated to monitor the quality of the loan portfolio on a continuous basis. The purpose of this special supervision is to maintain constant scrutiny of the portions of the portfolio that represent the greatest risk and to anticipate any deterioration. Based on this ongoing review of the loan portfolio, we believe that we are able to detect problem loans and make a decision on a client's status. This includes measures such as reducing or extinguishing a loan, or requiring better collateral from the client. The control systems require that these loans be reviewed at least three times per year for those clients in the lowest category of credit watch.

Credit Approval: Loans approved on an individual basis

In preparing a credit proposal for a corporate client whose loans are approved on an individual basis, Santander-Chile's personnel verify such parameters as debt servicing capacity (including, usually, projected cash flows), the company's financial history and projections for the economic sector in which it operates. The Risk Division is closely involved in this process, and prepares the credit application for the client. All proposals contain an analysis of the client's strengths and weaknesses, a rating and a recommendation. Credit limits are determined not on the basis of outstanding balances of individual clients, but on the direct and indirect credit risk of entire financial groups. For example, a corporation will be evaluated together with its subsidiaries and affiliates.

Credit Approval: Loans approved on a group basis

The majority of loans to individuals and small and mid-sized companies are approved by the Standardized Risk Area. The credit evaluation process is based on an evaluation system known as Garra for Banco Santander and Syseva for Santander Banefe, both processes are decentralized, automated and are based on a scoring system which incorporates our Credit Risk Policies.

The following table lists our approval limits for loans evaluated using standardized statistical models. The following table lists our approval limits for loans evaluated using standardized statistical models:

Bank excluding Banefe

Non-mortgage loans

	Non-Mortgage Loans
Approved By	Up to Ch\$ million
Corporate Manager of Standardized Risk	300
Manager Approval Center	150
Segment Risk Manager	100
Risk Manager	80
Senior Analyst	40
Junior Analyst	10

Mortgage loans

	Mortgage Loans
Approved by:	Up to UF
Corporate Manager of Standardized Risk	20,000
Admissions Manager	14,000
Segment Risk Manager	9,000
Risk Manager	9,000

Senior Analyst	5,000
Junior Analyst	3,000

Table of Contents

Santander Banefe

Non-mortgage loans

	Non-Mortgage Loans Up to Ch\$ million
Approved By	
Corporate Manager of Standardized Risk	300
Manager Approval Center	150
Segment Risk Manager	20
Risk Manager	15
Risk Analyst	6

Mortgage loans

	Mortgage Loans Up to UF
Approved By	
Corporate Manager of Standardized Risk	20,000
Admissions Manager	14,000
Segment Risk Manager	4,000
Risk Manager	2,500
Risk Analyst	1,500

Classification of Loan Portfolio

Loans are divided into: (i) consumer loans (including loans granted to individuals for the purpose of financing the acquisition of consumer goods or payment of services); (ii) residential mortgage loans (including loans granted to individuals for the acquisition, construction or repair of residential real estate, in which the value of the property covers at least 100% of the amount of the loan); and (iii) commercial loans (includes all loans other than consumer loans and residential mortgage loans). The models and methods used to classify our loan portfolio and establish credit loss allowances must follow the following guiding principles, which have been established by the SBIF and approved by our Board of Directors.

Loans analyzed on an individual basis

For large commercial loans, leasing and factoring, we assign a risk category level to each borrower and its respective loans. We consider the following risk factors: industry or sector of the borrower, owners or managers of the borrower, borrower's financial situation, its payment capacity and payment behavior to calculate the estimated incurred loan loss.

Estimated Incurred Loan Loss = Loan Loss Allowance

The estimated incurred loss is obtained by multiplying all risk factors defined in the following equation:

$$\text{EIL} = \text{PNP} \times \text{EXP} \times \text{SEV}$$

EIL = Estimated Incurred Loss
 PNP = Probability of Non-Performing
 EXP = Exposure
 SEV = Severity

EIL = Estimated Incurred Loss. The estimated incurred loss is how much could be lost in the event a debtor does not perform the obligations under the loan.

PNP = Probability of Non-Performing. This variable, expressed as a percentage, indicates the probability that a debtor will default next year. This percentage is associated with the internal rating that we give to each debtor, which is determined by analyzing such parameters as debt servicing capacity (including, usually, projected cash

Table of Contents

flows), the company's financial history, the solvency and capacity of shareholders and management, and projections for the economic sector in which it operates. The internal rating can be different from ratings obtained from external third parties.

EXP = Exposure. This corresponds to the value of commercial loans without discounting the value of guarantees or collateral.

SEV = Severity. This is the effective loss rate for debtors in the same segment, which is determined statistically based on the historical effective losses for us for each segment.

Model for loans analyzed on an individual basis from 2008 to 2010

In 2008, 2009 and 2010, for large commercial loans, leasing and factoring, we assign a risk category level to each borrower and its respective loans. We consider the following risk factors: industry or sector of the borrower, owners or managers of the borrower, borrower's financial situation, its payment capacity and payment behavior. Two debtor classes have been determined based on debtors' credit behavior in order to calculate loan loss allowance:

1. Normal debtors, which are classified as A1, A2, A3 or B, are current on their payment obligations and show no sign of deterioration in their credit quality
 - Classifications A1, A2 and A3 correspond to borrowers with no apparent credit risk.
 - Classification B corresponds to borrowers with some credit risk but no apparent deterioration of payment capacity.
2. Deteriorated, which are classified as C1, C2, C3, C3, C4, D1 or D2, include debtors whose loan balances with us of 5% or more have been non-performing for more than three months, whose loans with us have been charged off or administered by our Recovery Unit, or classified as Precontenciosos (PRECO or Deteriorated).

For loans classified as A1, A2, A3 and B, we assign a specific provision level on an individual basis to each borrower and, therefore, the amount of loan loss allowance is determined on a case-by-case basis. The amount of allowances for the remaining classifications is set by the SBIF as described below. All commercial loans for companies, including leasing and factoring, have been individually rated. In determining provisions, we make a distinction between normal debtors and deteriorated debtors.

Model for loans analyzed on an individual basis in 2011

In 2011, following the guidelines of the SBIF, we assign one of the following risk categories to each loan and borrower analyzed on an individual basis:

1. Normal debtors: Classifications A1, A2 and A3 correspond to borrowers with no apparent credit risk.
2. Substandard debtors: Classification B1 – B4 or substandard corresponds to borrowers with some credit risk but no apparent deterioration of payment capacity.
3. Deteriorated debtors: Classification C1, C2, C3, C4, C5 and C6 correspond to borrowers whose loans have deteriorated.

Determination of loan loss allowance according to Borrower Class

Normal and Sub-standard Debtors

The loan loss allowance for each debtor is calculated based on the Estimated Incurred Loss equation ($EIL = PNP * EXP * SEV$). A risk category is assigned to each debtor based on the PNP summarized in the following table:

101

Table of Contents

Classification	PNP Category (%)
	A1 0,04
	A2 0,10
	A3 0,25
	A4 2,00
	A5 4,75
Normal	A6 10,00
	B1 15,00
	B2 22,00
	B3 33,00
Sub-standard	B4 45,00

Deteriorated debtors

For loans classified in the C and D Categories, the Bank must maintain the following levels of allowance:

Classification	Estimated range of loss	Provision
C1	Up to 3%	2%
	Greater than 3% up to 20%	10%
C2	Greater than 20% up to 30%	25%
C3	Greater than 30% up to 50%	40%
C4	Greater than 50% up to 80%	65%
C5	Greater than 80%	90%
C6		

Loans analyzed on a Group basis

Allowances for consumer loans

Consumers are assigned an allowance level on and based on credit risk profiles. These risk profiles utilize a more automated statistical model and consider multiple factors, including such borrower's credit history, including any defaults on obligations to other creditors, demographic, income, the overdue periods on loans from us and other relevant factors. We differentiate between old and new clients when determining a client's risk profile for consumer loans and those that have gone through some type of renegotiation in the past in the financial system. All loans are assigned a provision at the moment a loan is granted depending on the risk profile of the client consistent with the incurred losses of each profile.

In 2010, we continued our policy of continuing to upgrade our models to determine allowances for consumer loans. We also expect, as the Chilean economy strengthens, to see a rise in consumer lending, especially among

middle and low income clients who are entering the banking market. Therefore, this will be accompanied by investments and continuous improvements in our credit scoring models, especially for performing loans. The most important improvements implemented in 2010 were a separation of risk profiles between Santander Banefe, our banking division for middle to low income clients, which is expected to lead consumer loan growth in the coming periods, and the rest of the Bank, as well as, the elimination of the distinction in allowance levels for loans to old and new clients that have been renegotiated. We are continuously improving and recalibrating our credit scoring and provisioning models and this may change the minimum provision standards for the various client profiles as depicted in this document.

The following table sets forth the required allowances for consumer loans for 2010 and 2011.

102

Table of Contents

Allowances for residential mortgage loans

Prior to June 2011, residential mortgage loans were assigned an allowance level based on credit risk profiles which were determined utilizing a statistical model that considered a borrower's credit history, including any defaults on obligations to other creditors, as well as the overdue periods on the loans borrowed from us. Once the rating of the client was determined, the allowance for a mortgage loan was calculated using a risk category, which was directly related to days overdue. The following table sets forth the allowance to loan ratios previously used by the Bank. The ratios represent the percentage of required allowance amount to the aggregate amount of the principal and accrued but unpaid interest on the loan.

Table of Contents

Previous model

Residential mortgage
loans

		Overdue days													
		1-30		31-60		61-120		121-180		181-360		361-720		>720	
Mortgage	Profile 1	0.3	%	0.5	%	1.2	%	2.4	%	6.8	%	14.1	%	28.3	%
	Profile 2	1.5	%	1.6	%	2.5	%	4.4	%	6.8	%	14.1	%	28.3	%

As of June 2011, residential mortgage loans are assigned an allowance level based on credit risk profiles, which are determined utilizing a statistical model that considers: (i) a borrower's credit history, (ii) if a client is a new client or an existing client, (iii) if the client is a Bank client or a Banefe client and (iv) if this client has been renegotiated in the system. The total impact of this change on loan loss reserves was Ch\$16 billion or 0.3% of the Bank's total residential mortgage loan portfolio.

As of June 2011, the model for determining provisions for residential mortgage loans is as follows. The ratios represent the percentage of required allowance amount to the aggregate amount of the principal and accrued but unpaid interest on the loan.

New model - Residential mortgage loans		Performing		Overdue days							
				1-29		30-59		60-89		>90 days	
Mortgage (Bank client)	New client	0.20	%	2.7	%	3.6	%	4.63	%	11.0	%
	Existing client	0.29	%	1.49	%	2.97	%	3.7	%	11.0	%
	Renegotiated client	1.75	%	1.75	%	1.75	%	1.75	%	11.0	%
Mortgage (Banefe client)	New or existing client	0.35	%	2.19	%	3.64	%	4.72	%	11.0	%
	Renegotiated client	1.75	%	1.75	%	1.75	%	1.75	%	11.0	%

Small- and mid-sized commercial loans

Allowances based on group evaluations are permitted for a large number of borrowers whose individual loan amounts are relatively insignificant. These models are intended to be used primarily to analyze commercial loans to individuals and small companies. As of November 2011, the estimated incurred loss for all commercial loans that were analyzed on a group basis (the majority of SMEs and approximately 9% of the Bank's loan book) is now obtained by multiplying all risk factors defined in the following equation:

$$EIL = EXP \times PNP \times SEV$$

EIL = Estimated Incurred Loss
 PNP = Probability of Non-Performing
 EXP = Exposure
 SEV = Severity

EL = Estimated Incurred Loss. The estimated incurred loss is how much could be lost in the event a debtor does not perform the obligations under the loan.

EXP = Exposure. This corresponds to the value of commercial loans without discounting the value of guarantees or collateral.

SEV = Severity. This is the effective loss rate for debtors in the same segment, which is determined statistically based on the historical effective losses for us for each segment. The severity mainly depends on whether the client has a mortgage collateral and what stage of non-performing or collections the client is in.

PNP = Probability of Non-Performing. This variable, expressed as a percentage, indicates the probability that a debtor will default in the next period. In order to calculate this, the Bank sub-divided this portfolio in the following way:

Table of Contents

For each of these categories, the Bank takes into account the client's negative credit behavior in the system, positive credit information in the system, deposit relation with the Bank and the client's sub-segment, which is in most cases a function of the size of the client or economic sector.

Additional reserves

Banks are permitted to establish allowances above the limits described above only to cover specific risks that have been authorized by their Board of Directors. These reserves can only be revised after 12 months and with the approval of the Board of the Directors.

Table of Contents

Analysis of Santander Chile's Loan Classification

The following tables provide statistical data regarding the classification of our loans analyzed on an individual basis at December 31, 2011 and 2010, utilizing the new classification system introduced by the SBIF in 2011 that cannot be replicated for years previous to 2009.

Category	December 31, 2011		2010	
	Amount MCh\$	Percentage %	Amount MCh\$	Percentage %
A1	109,771	0.63	15,531	0.10
A2	1,401,030	8.04	1,372,410	8.73
A3	2,371,890	13.60	1,965,638	12.50
A4	1,555,956	8.92	1,246,939	7.93
A5	510,164	2.93	481,883	3.06
A6	307,875	1.77	164,078	1.04
B1	136,783	0.78	86,100	0.55
B2	67,467	0.39	81,624	0.52
B3	45,330	0.26	100,301	0.64
B4	19,680	0.11	47,955	0.30
C1	28,888	0.17	20,300	0.13
C2	26,896	0.15	59,169	0.38
C3	47,494	0.27	56,430	0.36
C4	40,879	0.23	57,153	0.36
C5	36,163	0.21	47,900	0.30
C6	40,600	0.23	54,921	0.35
Totals	6,746,866	38.69	5,858,332	37.25

The following tables provide statistical data regarding the classification of our loans analyzed on a group basis at December 31, 2011 and 2010 in line with the improvements made to our models in 2010 and 2011.

	2011		2010	
	Amount MCh\$	Percentage %	Amount MCh\$	Percentage %
Commercial				
Normal	2,212,368	12.69	2,072,341	13.18
Impaired	416,039	2.39	444,682	2.83
Subtotals	2,628,407	15.08	2,517,023	16.01
Mortgage				
Normal	4,915,967	28.20	4,508,491	28.66
Impaired	199,696	1.15	142,646	0.91
Subtotals	5,115,663	29.35	4,651,137	29.57
Consumer				
Normal	2,522,156	14.46	2,251,771	14.31
Impaired	421,690	2.42	449,019	2.86
Subtotals	2,943,846	16.88	2,700,790	17.17
Total	17,434,782	100.00	15,727,282	100.00

Table of Contents

The following tables provide statistical data regarding the classification of our loans at December 31, 2009 and 2008.

Category	As of December 31, 2009				Percentage Evaluated Loans	
	Commercial Loans	Consumer Loans	Residential Mortgage Loans	Total Loans		
	(in millions of Ch\$)					
A	–	1,895,241	–	1,895,241	13.8	%
A1	–	–	–	–	–	
A2	3,187,959	–	3,808,195	6,996,154	50.9	%
A3	2,998,956	–	223,928	3,222,884	23.5	%
B	601,080	165,181	10,481	776,742	5.5	%
B-	–	69,150	–	69,150	0.5	%
C	–	74,735	3,636	78,371	0.6	%
C1	224,732	–	18,101	242,833	1.8	%
C2	97,885	–	8,640	106,525	0.8	%
C3	60,679	–	2,012	62,691	0.4	%
C4	56,985	–	27,294	84,279	0.6	%
D	–	39,742	–	39,742	0.3	%
D1	80,574	–	42,438	123,012	0.9	%
D2	39,324	–	14,328	53,652	0.4	%
Totals	7,348,174	2,244,049	4,159,053	13,751,276	100.0	%

Category	As of December 31, 2008				Percentage Evaluated Loans	
	Commercial Loans	Consumer Loans	Residential Mortgage Loans	Total Loans		
	(in millions of Ch\$)					
A	–	1,811,060	3,562,617	5,373,677	36.7	%
A1	–	–	–	–	–	%
A2	6,463,445	–	–	6,463,445	44.0	%
A3	1,351,054	–	–	1,351,054	9.2	%
B	208,954	203,375	199,087	611,416	4.2	%
B-	–	75,281	79,930	155,211	1.1	%
C	–	94,507	64,972	159,479	1.1	%
C1	220,434	–	–	220,434	1.5	%
C2	26,738	–	–	26,738	0.2	%
C3	34,296	–	–	34,296	0.2	%
C4	36,100	–	–	36,100	0.2	%
D	–	64,915	73,950	138,865	0.9	%
D1	48,711	–	–	48,711	0.3	%
D2	61,662	–	–	61,662	0.4	%
Total loans	8,451,394	2,249,138	3,980,556	14,681,088	100.0	%

Classification of Loan Portfolio Based on the Borrower's Payment Performance

Accrued interest and UF indexation adjustments from overdue loans are recognized only when, and to the extent, received.

Past due loans include, with respect to any loan, only the portion of principal or interest that is overdue for 90 or more days, and do not include the installments of such loan that are not overdue or that are overdue for less than 90 days, unless legal proceedings have been commenced for the entire outstanding balance according to the terms of

Table of Contents

the loan, in which case the entire loan is considered past due within 90 days of the beginning of such proceedings. Non-performing loans include the principal and interest of any loan with one installment that is 90 days overdue, and do not accrue interest.

Impaired loans as of December 31, 2008 include: (i) all non-performing loans, (ii) all renegotiated consumer loans, and (iii) all commercial loans that are at risk of default. In 2009 and 2010, impaired loans include: (A) for loans whose allowance is determined on an individual basis, impaired loans include: (i) all loans to a debtor that are rated C1 through D2 and (ii) total loans to single debtors with a loan that is non-performing (B) for loans whose loan loss allowance is determined on a group basis, impaired loans include: (i) total loans to a debtor, when a loan to that debtor is non-performing or has been renegotiated, excluding performing residential mortgage loans and (ii) if the loan that is non-performing or renegotiated is a residential mortgage loan all loans to that debtor are considered impaired. In 2011, impaired loans include: (A) for loans whose allowance is determined on an individual basis, impaired loans include: (i) all loans to a debtor that are rated B3 and B4 and all deteriorated debtors and (ii) total loans to single debtors with a loan that is non-performing. (B) for loans whose loan loss allowance is determined on a group basis, impaired loans include: (i) total loans to a debtor, when a loan to that debtor is non-performing or has been renegotiated, excluding performing residential mortgage loans and (ii) if the loan that is non-performing or renegotiated is a residential mortgage loan all loans to that debtor are considered impaired. See Note 10 of the Audited Consolidated Financial Statements. Renegotiated loans, on which payments are not overdue, are not ordinarily classified as non-performing loans, but do not accrue interest.

The term for charging-off loans must now be calculated from the beginning of arrears (one installment is 90 days overdue) and once this term is reached, the entire loan is charged-off. The following is a table showing the principal types of loans and their respective terms for charge-offs as stipulated by the new accounting standards:

Type of contract	Term
Leasing Operations	
	6
Consumer leasing	months
	12
Other leasing operations	months
Property leasing (commercial or residential)	36
	months
Other Operations	
Consumer credits with or without real guarantees	6
	months
Other operations without real guarantees	24
	months
Commercial credits with real guarantees	36
	months
	48
Mortgage loans for housing	months

We may write off any loan (commercial or consumer) before the first installment becomes overdue only in accordance with special procedures established by the SBIF. In certain circumstances, we must write off an overdue loan (commercial or consumer) sooner than the terms set forth above. Loans are written off against the loan loss reserve to the extent of any required allowances for such loans; the remainder of such loans is written off against income.

In general, legal collection proceedings are commenced with respect to consumer loans once they are overdue for 90 days and, with respect to mortgage loans, once they are past due for 120 days. Legal collection proceedings are always

commenced within one year of such loans becoming past due, unless we determine that the size of the past due amount does not warrant such proceedings. In addition, the majority of our commercial loans are short-term, with single payments at maturity. Past due loans are required to be covered by individual loan loss reserves equivalent to 100.0% of any unsecured portion thereof.

The following table sets forth all of our past due loans, non-performing loans, and impaired loans as of December 30, 2011, 2010, 2009 and 2008. Amounts shown as past due include only installments that are past due and not the aggregate principal amount of such loans. Amounts shown as non-performing include the portion of the loan that is overdue for more than 90 days and includes the aggregate principal amount of such loans.

Table of Contents

	As of December 31							
	2011		2010		2009		2008	
	(in millions of Ch\$, except percentages)							
Past due loans(1)	237,573		206,601		193,250		160,824	
Non-performing loans(2)	511,357		416,739		409,067		383,458	
Impaired loans (3)	1,323,355		1,480,476		1,485,737		870,259	
Allowance for loan losses(4)	488,468		425,447		349,527		274,240	
Total loans(5)	17,434,782		15,727,282		13,751,276		14,681,088	
Past due loans expressed as a percentage of total loans	1.36	%	1.31	%	1.41	%	1.10	%
Allowance for loan losses / loans	2.80	%	2.71	%	2.54	%	1.87	%
Non-performing loans as a percentage of total loans	2.93	%	2.65	%	2.97	%	2.61	%
Loan loss allowance as a percentage of past due loans	205.61	%	205.93	%	180.87	%	170.52	%
Loan loss allowance as a percentage of non-performing loans	95.52	%	102.09	%	85.44	%	71.52	%

(1) All installments and lines of credit more than 90 days overdue. Does not include the aggregate principal amount of such loans.

(2) Non-performing loans include the principal and interest of any loan with one installment that is 90 days overdue, and do not accrue interest.

(3) Impaired loans as of December 31, 2008 include: (i) all non-performing loans, (ii) all renegotiated consumer loans, and (iii) all commercial loans that are at risk of default. In 2009 and 2010, impaired loans include: (A) for loans whose allowance is determined on an individual basis, impaired loans include: (i) all loans to a debtor that are rated C1 through D2 and (ii) total loans to single debtors with a loan that is non-performing; and (B) for loans whose loan loss allowance is determined on a group basis, impaired loans include: (i) total loans to a debtor, when a loan to that debtor is non-performing or has been renegotiated, excluding performing residential mortgage loans and (ii) if the loan that is non-performing or renegotiated is a residential mortgage loan, all loans to that debtor are considered impaired. In 2011, impaired loans include: (A) for loans whose allowance is determined on an individual basis, impaired loans include: (i) all loans to a debtor that are rated B3 and B4 and all deteriorated debtors and (ii) total loans to single debtors with a loan that is non-performing; and (B) for loans whose loan loss allowance is determined on a group basis, impaired loans include: (i) total loans to a debtor, when a loan to that debtor is non-performing or has been renegotiated, excluding performing residential mortgage loans and (ii) if the loan that is non-performing or renegotiated is a residential mortgage loan, all loans to that debtor are considered impaired. See Note 10 of the Audited Consolidated Financial Statements. As a result, impaired loans in 2008 are not necessarily comparable to 2009, 2010 and 2011 impaired loans. The change in classification categories for loan analyzed on an individual basis in 2011 did not affect comparability with 2009 and 2010 impaired loan figures. Renegotiated loans, on which payments are not overdue, are not ordinarily classified as non-performing loans, but do not accrue interest.

(4) Includes allowance for interbank loans.

(5) Includes interbank loans.

We suspend the accrual of interest and readjustments on all overdue loans. Interest revenue and expense are recorded on an accrual basis using the effective interest method. However, when a given operation or transaction is past due by 90 days or more, when a given operation originated from a refinancing, renegotiation or when the Bank believes that the debtor poses a high risk of default, the interest pertaining to these transactions are not recorded directly in the Consolidated Statement of Income unless they have been actually received. See Note 1h and Note 28 of the Audited

Consolidated Financial Statements. These interest and adjustments balances are generally referred to as “suspended” and are recorded in suspense accounts which are not part of the Consolidated Statements of Financial Position. Instead, they are reported as part of the complementary information thereto. See Note 28 of the Audited Consolidated Financial Statements. This interest is recognized as income, when collected, as a reversal of the related impairment losses.

The Bank ceases accruing interest on the basis of contractual terms on the principal amount of any asset that is classified as an impaired asset. Thereafter, the bank recognizes as interest income the accretion of the net present value of the written down amount of the loan due to the passage of time based on the original effective interest rate of the loan. On the other hand, any collected interest for any assets classified as impaired are accounted for on a cash basis.

Table of Contents

At the period end, the detail of income from suspended interest is as follows:

	Year ended December 31,			
	2011	2010	2009	2008
Suspended interest	Ch\$ million			
Commercial loans	34,770	26,020	25,157	25,936
Mortgage loans	12,055	7,457	8,296	3,406
Consumer loans	21,131	16,780	32,117	25,706
Totals	67,956	50,257	65,570	55,048

Analysis of Impaired and Non-Performing Loans

The following table analyzes our impaired loans. Impaired loans include: (i) all loans to a single client that are evaluated on a group basis, including performing loans, that have a loan classified as non-performing, (ii) all renegotiated consumer loans and (iii) all commercial loans at risk of default. See Note 10(a) of the Audited Consolidated Financial Statements.

	As of							
	December 31, 2011		December 31, 2010		December 31, 2009		December 31, 2008	
	(Ch\$ million)							
Total loans	17,434,782		15,727,282		13,751,276		14,681,088	
Allowance for loan losses	488,468		425,447		349,527		274,240	
Impaired loans(1)	1,323,355		1,480,476		1,485,737		870,259	
Impaired loans as a percentage of total loans	7.59	%	9.41	%	10.80	%	5.93	%
Amounts non-performing	511,357		416,739		409,067		400,942	
To the extent secured	264,355		214,786		206,271		187,239	
To the extent unsecured	247,002		201,953		202,796		213,703	
Amounts non-performing as a percentage of total loans	2.93	%	2.65	%	2.97	%	2.73	%
To the extent secured(2)	1.52	%	1.37	%	1.50	%	1.28	%
To the extent unsecured	1.41	%	1.28	%	1.47	%	1.45	%
Loans loss allowances as a percentage of:								
Total loans	2.80	%	2.71	%	2.54	%	1.87	%
Total amounts non-performing	95.52	%	102.10	%	85.40	%	68.40	%
Total amounts non-performing-unsecured	197.76	%	210.67	%	172.35	%	128.33	%

(1) Impaired loans as of December 31, 2008 include: (i) all non-performing loans, (ii) all renegotiated consumer loans, and (iii) all commercial loans that are at risk of default. In 2009 and 2010, impaired loans include: (A) for loans whose allowance is determined on an individual basis, impaired loans include: (i) all loans to a debtor that are rated C1 through D2 and (ii) total loans to single debtors with a loan that is non-performing; and (B) for loans whose loan loss allowance is determined on a group basis, impaired loans include: (i) total loans to a debtor, when a loan to that debtor is non-performing or has been renegotiated, excluding performing residential mortgage loans and (ii) if the loan that is non-performing or renegotiated is a residential mortgage loan, all loans to that debtor are considered impaired. In 2011, impaired loans include: (A) for loans whose allowance is determined on an individual basis, impaired loans include: (i) all loans to a debtor that are rated B3 and B4 and all deteriorated debtors and (ii) total loans to single debtors with a loan that is non-performing; and (B) for loans whose loan loss allowance is determined on a group basis, impaired loans include: (i) total loans to a debtor, when a loan to that debtor is non-performing or has been renegotiated, excluding performing residential mortgage loans and (ii) if the

loan that is non-performing or renegotiated is a residential mortgage loan, all loans to that debtor are considered impaired. See Note 10 of the Audited Consolidated Financial Statements. As a result, impaired loans in 2008 are not necessarily comparable to 2009, 2010 and 2011 impaired loans. The change in classification categories for loan analyzed on an individual basis in 2011 did not affect comparability with 2009 and 2010 impaired loan figures. Renegotiated loans, on which payments are not overdue, are not ordinarily classified as non-performing loans, but do not accrue interest.

(2) Security generally consists of mortgages on real estate, pledges of marketable securities, letters of credit or cash.

A breakdown of the loans included in the previous table which have been classified as impaired are as follows:

Table of Contents

Impaired loans As of December 31, 2011	Commercial	Residential mortgage	Consumer	Total
Non-performing loans	251,881	152,911	106,565	511,357
Commercial loans at risk of default (1)	285,930	-	-	285,930
Other impaired loans consisting mainly of renegotiated loans (2)	164,158	46,785	315,125	526,068
Total	701,969	199,696	421,690	1,323,355

Impaired loans As of December 31, 2010	Commercial	Residential mortgage	Consumer	Total
Non-performing loans	213,872	121,911	80,956	416,739
Commercial loans at risk of default (1)	444,129	—	—	444,129
Other impaired loans consisting mainly of renegotiated loans (2)	230,810	20,735	368,063	619,608
Total	888,811	142,646	449,019	1,480,476

Impaired loans As of December 31, 2009	Commercial	Residential mortgage	Consumer	Total
Non-performing loans	195,163	130,119	83,785	409,067
Commercial loans at risk of default (1)	405,513	-	-	405,513
Other impaired loans consisting mainly of renegotiated loans (2)	273,662	2,029	395,466	671,157
Total	874,338	132,148	479,251	1,485,737

Impaired loans As of December 31, 2008	Commercial	Residential mortgage	Consumer	Total
Non-performing loans	170,478	120,586	109,877	400,942
Commercial loans at risk of default (1)	217,041	-	-	217,041
Other impaired loans consisting mainly of renegotiated loans (2)	19,697	274	232,306	252,276
Total	407,216	120,860	342,183	870,259

(1) Total loans to a debtor, whose allowance level is determined on an individual basis with a risk of defaulting.

(2) Renegotiated loans for loans whose loan loss allowance is analyzed on a group basis.

We in certain instances renegotiate loans that have one or more installment that is non-performing. The type of concession we most often give when renegotiating a loan is a reduction in interest payment or a forgiveness of principal. The following table shows the success rate for renegotiated consumer and mortgage loans. The success rate for consumer loans is defined for each reported period as: (i) (the total amount of loans renegotiated in that period minus the amount of such renegotiated loans that are classified as non-performing loans as of December 31, 2011, minus the amount of such renegotiated loans that have been charged off as of December 31, 2011) divided by (ii) (the total amount of such renegotiated loans). The success rate for residential mortgage loans is defined for each reported period as: (i) (the total amount of loans renegotiated in that period minus the amount of such renegotiated loans that are classified as non-performing loans as of December 31, 2011 divided by (ii) (the total amount of such renegotiated loans). A charge-off of a residential mortgage loan is not generally included in measuring the success rate of mortgage renegotiations since the period to charge-off a mortgage loan is 48 months after an installment is overdue.

As of December 31, 2011 Period of renegotiation	Success rate Consumer Loans	Success rate Residential mortgage loans
1Q 2010	83.8%	89.4%
2Q 2010	73.0%	87.8%
3Q 2010	79.7%	n/d(1)
4Q 2010	100.0%	92.1%
1Q 2011	71.3%	100.0%

(1) No data available for 3Q 2010 as few mortgage loans were re-negotiated in that period.

Table of Contents

As of December 31, 2011 Period of renegotiation	Success rate Consumer Loans	Success rate Residential mortgage loans
2Q 2011	73.7%	100.0%
3Q 2011	100.0%	100.0%
4Q 2011	100.0%	100.0%

Analysis of Loan Loss Allowances

The following table analyzes our loan loss allowances and changes in the allowances attributable to write-offs, provisions, allowances released, allowances on loans acquired. Loan loss allowances must be debited IN the full amount of all charge-offs (irrespective of whether the charged-off loan was fully provisioned) and simultaneously credited the same amount through the taking of a new provision. The net effect of these two entries, which are included in the table below under “charge-offs” and “allowances established,” respectively, is to leave the loan loss allowances unchanged following the charge-off of a loan. Subsequently, at the end of each calendar month, loan loss allowances are released to the extent not needed. Such releases, which are included in the table below under “allowances released,” therefore include any amounts relating to provisions originally made in respect of loans that have been charged off.

	Year Ended December 31,							
	2011		2010		2009		2008	
	(in millions of Ch\$, except percentages)							
Loan loss allowances at beginning of the year	425,393		349,485		274,240		230,404	
Release of allowances upon charge-offs (1)	(291,088)		(207,046)		(295,831)		(274,372)	
Allowances established (2)	455,305		310,552		398,416		326,121	
Allowances released (3)	(101,153)		(27,598)		(27,298)		(7,913)	
Loan loss allowances at end of year (4)	488,457		425,393		349,527		274,240	
Ratio of charge-offs to average loans	1.67	%	1.30	%	2.18	%	2.12	%
Loan loss allowances at end of period as a percentage of total loans	2.80	%	2.71	%	2.54	%	1.87	%

(1) Reflects release of loan loss allowance equal to the entire amount of loans charged off, including any portion of such loans with respect to which no allowance had been established prior to the charge-off.

(2) Includes, in addition to provisions made in respect of increased risk of loss during the period, provisions made to replace allowances released upon charge-off of loans. See Note (1) to this table.

(3) Represents the amount of loan loss allowances released during the year as a consequence of reduction in the level of risk existing in the loan portfolio, including as a result of improvement in the credit risk classification of borrowers, and the release of loan loss allowances as a consequence of the full charge-off of loans for which partial allowances were previously established. See Note 10(d) of the Audited Consolidated Financial Statements.

(4) Excludes interbank loans.

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Based on available information regarding our borrowers, we believe that our loan loss allowances are sufficient to cover known potential losses and losses inherent in a loan portfolio of the size and nature of our loan portfolio.

Charge-offs by loan product

Charge-offs by loan product	Year ended December 31,				% Change		% Change		% Change	
	2011	2010	2009	2008	2011/2010	2010/2009	2009/2008			
	(in millions of Ch\$)									
Consumer loans	(187,937)	(121,621)	(239,005)	(236,405)	54.5	%	(49.1	%)	1.1	%
Residential mortgage loans	(12,776)	(14,549)	(8,708)	(5,032)	(12.2	%)	67.1	%	73.1	%
Commercial loans	(90,375)	(70,876)	(48,118)	(32,935)	27.5	%	47.3	%	46.1	%
Total charge-offs	(291,088)	(207,046)	(295,831)	(274,372)	40.6	%	(30.0	%)	7.8	%

The following table shows recoveries by type of loan:

Table of Contents

Recovery of loans
previously
charged-off

	Year ended December 31,				% Change		% Change		% Change	
	2011	2010	2009	2008	2011/2010		2010/2009		2009/2008	
	(in millions of Ch\$)									
Consumer loans	12,474	22,096	28,268	26,718	(43.5	%)	(21.8	%)	5.8	%
Residential mortgage loans	16,135	1,389	2,560	1,932	1061.6	%	(45.7	%)	32.5	%
Commercial loans	7,216	6,994	8,446	9,244	3.2	%	(17.2	%)	(8.6	%)
Total recoveries	35,825	30,479	39,274	37,894	17.5	%	(22.4	%)	3.6	%

Based on information available regarding our borrowers, we believe that our loan loss allowances are sufficient to cover known potential losses and losses inherent in a loan portfolio of the size and nature of our loan portfolio.

Table of Contents

Allocation of the Loan Loss Allowances

The following tables set forth, as of December 31 of each of the four years listed below, the proportions of our required minimum loan loss allowances that were attributable to our commercial, consumer and residential mortgage loans at each such date.

	As of December 31, 2011				As of December 31, 2010				As of December 31, 2009				As of December 31, 2008	
	Allowance amount as a percent-age of loans	Allowance amount as a percent-age of total allocated loans	Allowance amount as a percent-age of total allocated loans	Allowance category	Allowance amount as a percent-age of loans	Allowance amount as a percent-age of total allocated loans	Allowance amount as a percent-age of total allocated loans	Allowance category	Allowance amount as a percent-age of loans	Allowance amount as a percent-age of total allocated loans	Allowance amount as a percent-age of total allocated loans	Allowance category		Allowance amount as a percent-age of loans
	Ch\$ million				Ch\$ million				Ch\$ million				Ch\$ million	
Commercial loans														
Commercial loans	161,289	2.4 %	0.9 %	33.0 %	132,775	2.2 %	0.8 %	31.2 %	124,275	2.3 %	0.9 %	35.6 %	84,297	2.3 %
Foreign trade loans	19,764	1.9 %	0.1 %	4.0 %	18,888	2.4 %	0.1 %	4.4 %	23,027	3.6 %	0.2 %	6.6 %	12,588	2.9 %
General purpose mortgage loans	3,384	2.6 %	0.0 %	0.7 %	4,350	6.4 %	0.0 %	1.0 %	3,570	3.8 %	0.0 %	1.0 %	3,574	4.2 %
Factoring transactions	1,861	1.0 %	0.0 %	0.4 %	2,083	1.0 %	0.0 %	0.5 %	2,386	1.8 %	0.0 %	0.7 %	1,855	2.2 %
Leasing transactions	19,266	1.6 %	0.1 %	3.9 %	14,742	1.3 %	0.1 %	3.5 %	7,839	0.8 %	0.1 %	2.2 %	6,473	0.8 %
Other Loans and accounts receivables from customers	4,238	5.0 %	0.0 %	0.9 %	9,664	53.8 %	0.1 %	2.3 %	5,342	48.7 %	0.0 %	1.5 %	5,342	63.3 %
Subtotals	209,802	2.3 %	1.2 %	42.9 %	182,502	2.2 %	1.2 %	42.9 %	166,439	2.3 %	1.2 %	47.6 %	114,129	2.3 %
Mortgage loans														
Loans with letters of credit	707	0.6 %	0.0 %	0.1 %	446	0.3 %	0.0 %	0.1 %	576	0.3 %	0.0 %	0.2 %	968	1.1 %
Mortgage mutual loans	1,241	1.7 %	0.0 %	0.3 %	11,319	6.1 %	0.1 %	2.7 %	9,040	4.5 %	0.1 %	2.6 %	4,400	5.0 %
Other mortgage mutual loans	33,685	0.7 %	0.2 %	6.9 %	5,567	0.1 %	0.0 %	1.3 %	6,918	0.2 %	0.1 %	2.0 %	7,262	0.8 %

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Subtotals	35,633	0.7 %	0.2 %	7.3 %	17,332	0.4 %	0.1 %	4.1 %	16,534	0.4 %	0.1 %	4.8 %	12,633
Consumer loans													
Installment consumer loans	193,874	10.7 %	1.1 %	39.7 %	176,219	11.0 %	1.1 %	41.4 %	130,532	9.5 %	0.9 %	37.3 %	106,300
Credit card balances	43,922	4.8 %	0.3 %	9.0 %	36,156	4.6 %	0.2 %	8.5 %	24,433	4.2 %	0.2 %	7.0 %	28,162

Table of Contents

	As of December 31, 2011					As of December 31, 2010					As of December 31, 2009					As of
	Allowance amount as a percent-age of loans	Allowance amount as a percent-age of total allocated	Allowance amount as a percent-age of total allocated	Allowance amount as a percent-age of total allocated	Allowance amount as a percent-age of total allocated	Allowance amount as a percent-age of loans	Allowance amount as a percent-age of total allocated	Allowance amount as a percent-age of total allocated	Allowance amount as a percent-age of total allocated	Allowance amount as a percent-age of total allocated	Allowance amount as a percent-age of loans	Allowance amount as a percent-age of total allocated	Allowance amount as a percent-age of total allocated	Allowance amount as a percent-age of total allocated	Allowance amount as a percent-age of total allocated	
	Total	in category	total	total	total	Total	in category	total	total	total	Total	in category	total	total	Total	
	Ch\$ million	Ch\$ million	Ch\$ million	Ch\$ million	Ch\$ million	Ch\$ million	Ch\$ million	Ch\$ million	Ch\$ million	Ch\$ million	Ch\$ million	Ch\$ million	Ch\$ million	Ch\$ million	Ch\$ million	
Consumer leasing contracts	109	2.9%	0.0%	0.0	%	121	3.2%	0.0%	0.0	%	9	0.2%	0.0%	0.0	%	
Other consumer loans	5,117	2.4%	0.0%	1.1	%	13,063	4.4%	0.1%	3.1	%	11,538	4.2%	0.1%	3.3	%	
Subtotals	243,022	8.3%	1.4%	49.8	%	225,559	8.4%	1.4%	53.0	%	166,512	7.4%	1.2%	47.6	%	
Totals loans to clients	488,457	2.8%	2.8%	100.0%		425,393	2.7%	2.7%	100.0%		349,485	2.5%	2.5%	100.0%	274,205	
Interbank	11	0.0%	0.0%	0.0	%	54	0.1%	0.0%	0.0	%	42	0.2%	0.0%	0.0	%	
Totals	488,468	2.8%	2.8%	100.0%		425,447	2.7%	2.7%	100.0%		349,527	2.5%	2.5%	100.0%	274,240	

Table of Contents

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors

We are managed by our Board of Directors, which, in accordance with our by-laws, consists of 11 directors and two alternates who are elected at annual ordinary shareholders' meetings. Except as noted below, the current members of the Board of Directors were elected by the shareholders in the ordinary shareholders' meeting held on April 26, 2011. Members of the Board of Directors are elected for three-year terms. Except as noted below, the term of each of the current board members expires in April of 2014. Cumulative voting is permitted for the election of directors. The Board of Directors may appoint replacements to fill any vacancies that occur during periods between elections. If any member of the Board of Directors resigns before his or her term has ended, and no other alternate director is available to take the position at the next annual ordinary shareholders' meeting a new replacing member will be elected. Our executive officers are appointed by the Board of Directors and hold office at its discretion. Scheduled meetings of the Board of Directors are held monthly. Extraordinary meetings can be held when called in one of three ways: by the Chairman of the Board of Directors, by three directors with the consent of the Chairman of the Board of Directors or by the majority of directors. None of the members of our Board of Directors has a service contract which entitles any Director to any benefits upon termination of employment with Santander-Chile.

Our current directors are as follows:

Directors	Position	Committees	Term Expires
Mauricio Larraín Garcés	Chairman and Director	Asset and Liability Committee Executive Credit Committee Marketing and Communications Committee University Committee Strategy Committee Human Resources Committee	April 2014
Jesús Zabalza Lotina	First Vice Chairman and Director	Strategy Committee	April 2014
Oscar Von Chrismar Carvajal	Second Vice Chairman and Director	Asset and Liability Committee Executive Credit Committee Market Committee Strategy Committee Technology Committee Marketing and Communications Committee Clients and Service Quality Committee Integral Risk Management and Internal Control Committee Human Resources Committee	April 2014
Carlos Olivos Marchant	Director	Audit Committee	April 2014
Víctor Arbulú Crousillat	Director	Audit Committee	April 2014
Marco Colodro Hadjes	Director	Asset and Liability Committee Executive Credit Committee Market Committee Integral Risk Management and Internal Control Committee	April 2014

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Lucía Santa Cruz Sutil	Director	University Committee Marketing and Communications Committee	April 2014
Roberto Méndez Torres	Director	Executive Credit Committee Marketing and Communications Committee University Committee Strategy Committee Clients and Service Quality Committee	April 2014

Table of Contents

Directors	Position	Committees	Term Expires
Vittorio Corbo Lioi	Director	Asset and Liability Committee Market Committee	April 2014
Roberto Zahler Mayanz	Director	Asset and Liability Committee Market Committee	April 2014
Lisandro Serrano Spoerer	Director	Audit Committee Analysis and Resolution Committee	April 2014
Juan Manuel Hoyos Martínez de Irujo	Alternate Director	Strategy Committee	April 2014
Raimundo Monge Zegers	Alternate Director	Asset and Liability Committee Strategy Committee Transparency Committee	April 2014

Mauricio Larraín Garcés is our Chairman. He is a member of the Asset and Liability Committee, the Executive Credit Committee, the Marketing and Communications Committee, the Strategy Committee, the University Committee and the Human Resources Committee. He is also President of Santander Chile Holding S.A. and Universia Chile S.A. He is a Director of the Asociación de Bancos e Instituciones Financieras de Chile and the Santiago Stock Exchange. He is also a member of the Council of Paz Ciudadana and was a former President of ICARE. He is General Director of ESE Business School from Universidad de los Andes. Mr. Larraín began working at Santander-Chile in 1989. Previously, he was Intendente (Director) of the Superintendency of Banks, Manager of External Debt at the Banco Central de Chile and a Senior Finance Specialist at the World Bank in Washington. He holds degrees in Law from Universidad Católica de Chile and from Harvard University.

Jesús María Zabalza Lotina became a Director and Vice-Chairman of the Board on October 28, 2008. He currently is a Director of Grupo Santander's Latin America Division and a Board member of Banco Santander Mexico. He is a member of the Strategy Committee. Mr. Jesús Zabalza is a patron of the Fundación Padre Garralda. Previously, Mr. Zabalza was Director of Retail Banking in Madrid of Banco BBVA. He was also on the Board of e-La Caixa, Telefónica Factoring S.A, Adeslas y Terra. Mr. Zabalza holds a degree in Industrial Engineering from the University of Bilbao.

Oscar von Chrismar Carvajal became Executive Vice-Chairman of the Board on January 1, 2010 after having served as the chief executive officer of Santander-Chile since August 2003. Mr. Von Chrismar is a member of the Asset and Liability Committee, Executive Credit Committee, Market Committee, Strategy Committee, Technology Committee, Marketing and Communications Committee, Clients and Service Quality Committee, Integral Risk Management and Internal Control Committee and the Human Resources Committee. Prior to assuming the chief executive officer post, he was the Manager of Global Banking. Prior to the merger, he was the former chief executive officer of Old Santander-Chile since September 1997, after being General Manager of Banco Santander-Peru since September 1995. Mr. von Chrismar is also a board member of Banco Santander Argentina, Banco Santander Peru and Banco Santander Colombia. He is also the Alternate Director of Universia Chile S.A. Prior to that, Mr. von Chrismar was the manager of the Finance Division of Santander-Chile, a position that he had held since joining Santander-Chile in 1990. Mr. von Chrismar holds an Engineering degree from the Universidad de Santiago de Chile.

Carlos Olivos Marchant is Director since 2007 and has been a Board member since the merger was consummated in 2002. He is Chairman of the Audit Committee. He was Chairman of the Board of Santiago since 1987 until the date of the merger, and he was Chairman of that board between May 1999 until the merger. He is a partner in the law firm Guerrero, Olivos, Novoa y Errazuriz. Mr. Olivos holds a law degree from the Universidad de Chile and a Masters of Jurisprudence from New York University School of Law.

Vittorio Corbo Lioi is one of Chile's leading economists. In 2003, Mr. Corbo was named President of Chile's Central Bank. Following the end of his tenure there, Mr. Corbo has been named to various boards and is currently a Senior Investigator at the Centro de Estudio Públicos (CEP), a local think tank. Previously, Mr. Corbo between 1991

Table of Contents

and 1995 was an economic advisor to the Bank and a member of the Board of Santander Chile between 1995 and 2003. Mr. Corbo is a member of the Asset and Liability Committee and the Market Committee. Mr. Corbo has a Business Administration Degree from the Universidad de Chile and a Ph.D. in Economics from MIT.

Víctor Arbulú Crousillat became a Director on May 6, 1999. He is a member of the Audit Committee and has been designated as a Financial Expert. He was a Managing Director of JPMorgan, member of its European management committee and Chief Executive Officer for Spain and Portugal from 1988 until 1998. He has worked for JPMorgan for over 25 years in various positions in Europe, North America and Latin America. Mr. Arbulú also worked for the Inter-American Development Bank. He is also Director of Aurum S.A. Mr. Arbulú holds a degree in Engineering and a Masters of Business Administration.

Marco Colodro Hadjes became a Director on April 19, 2005. Mr. Colodro is a member of the Asset and Liability Committee, Executive Credit Committee, Market Committee, and the Integral Risk Management and Internal Control Committee. Mr. Colodro was President of the Board of Telefónica Chile and a Director of Codelco. He is a former chairman of TVN (national television network) and former vice chairman of Banco del Estado (state bank). He was also owner of Agencia de Valores Alfa S.A. Prior to that, he was Foreign Trade Director at the Central Bank of Chile. Mr. Colodro holds a degree in Economics from the Universidad de Chile, and has done post-graduate studies at the University of Paris.

Lucía Santa Cruz Sutil became a Director on August 19, 2003. Ms. Santa Cruz was a member of our Audit Committee until May 2010. She is a member of the University Committee and the Marketing and Communications Committee. Ms. Santa Cruz holds a degree in History and a Masters Degree in Philosophy from Oxford University. She is the Dean of the College of Liberal Arts of the Universidad Adolfo Ibañez. Ms. Santa Cruz is also a Director of Universia Chile S.A. She is also on the Board of Compañía de Seguros Generales y de Vida La Chilena Consolidada and Fundación Minera Escondida. She is also on the Advisory Board of Nestle Chile and the Fundación Educacional Santa Teresa de Avila. She is also a member of the Self-Regulation Committee for Insurance Companies in Chile.

Roberto Méndez Torres is a former member of the Board of Old Santander-Chile, to which he was appointed in 1996. He is a member of the Executive Credit Committee, the Marketing and Communication Committee, the Strategy Committee, the University Committee and the Clients and Service Quality Committee. He is a professor of Economics at Universidad Católica de Chile. He has been Advisor to Grupo Santander-Chile since 1989. Mr. Méndez is President and Director of Adimark Chile Gfk and on the Board of the Chilean and German Chamber of Commerce. He is also Vice-Chairman of Universia S.A. He graduated with a degree in Business from Universidad Católica de Chile, and holds an MBA and a Ph.D. from the Graduate School of Business at Stanford University.

Roberto Zahler Mayanz became a Director on August 31, 1999. He is a member of the Asset and Liability Committee and the Market Committee. Currently, he is President of Zahler & Co, a consulting firm. He is also Director of Air Liquide-Chile and member of the CLAAF or the Latin American Committee for Financial Affairs. He was formerly President of the Board of Siemens Chile. He was also a visiting professor at the IMF's Research Department. Between 1991 and 1996, he was President of the Central Bank of Chile and Vice-President from 1989 to 1991. He also serves as a consultant for the World Bank, the IDB, the IMF and the International Bank of Settlements. Mr. Zahler has also provided technical assistance to various Central Banks and Finance Ministries in most countries of Latin America, Indonesia and Kosovo. Mr. Zahler holds a degree in Business Administration from the Universidad de Chile and a Masters in Economics from the University of Chicago.

Lisandro Serrano Spoerer was elected to the Board in January 2011. He is a member of the Audit Committee and the Analysis and Resolution Committee. He is currently Dean of the Universidad Gabriel Mistral. He is also a member of the Self-Regulation Committee of the Santiago Stock Exchange and a board member of various. Previously, he worked at PricewaterhouseCoopers from 1977 to 2003 where he was a partner in the tax division and later a Principal

partner. He was also member of the board of the Hong Kong & Shanghai Bank branch in Chile. Mr. Serrano holds a degree in law and an MBA from the Pontificia Universidad Católica de Chile.

Juan Manuel Hoyos Martínez de Irujo was the Managing Director of McKinsey & Company in Spain from 1997 to 2003 where he was also President of the Client Committee of McKinsey's Board. He began his career at McKinsey where he was named partner in 1984 and Director in 1991. Currently, he is in charge of partner

Table of Contents

development worldwide and continues to serve on the Board. His consulting career has been focused in the areas of strategy and organization of corporations, especially in the telecommunications, banking and metallurgy sectors. He has worked with companies in Spain, the United States, Latin America, the United Kingdom, Portugal and Africa. He is currently a member of our Strategy Committee. He received an economics degree from the Universidad Complutense de Madrid and holds an MBA in Finance and Accounting from Columbia University.

Raimundo Monge Zegers became an Alternate Director on April 29, 2003. He is currently a member of the Strategy Committee, the Asset and Liability Committee and the Transparency Committee. He is Corporate Director of Strategic and Financial Planning for Grupo Santander-Chile and is CEO of Santander-Chile Holding S.A. and Santander Inversiones Ltda. He is also President of Santander S.A. Sociedad Securitizadora and Santander Factoring S.A. He is a Director of Aurum S.A., Santander Asset Management Chile S.A. and Bansa Santander S.A. Mr. Monge has a degree in business from the Universidad Católica de Chile and an MBA from the University of California, Los Angeles.

Senior Management

Our senior managers are as follows:

Senior Manager	Position	Date Appointed
Claudio Melandri	Chief Executive Officer	January 1, 2010
Miguel Mata	Chief Financial Officer	November 1, 2011
Gabriel Montoya	Corporate Financial Controller	April 1, 2009
José Manuel Manzano	Chief Risk Officer	March 1, 2012
Javier Montero	Corporate Director of Internal Audit	May 1, 2010
Fred Meller	Global Banking and Markets	January 1, 2011
Fernando Cloppet	Manager Commercial Banking	March 1, 2012
Francisco Murillo	Manager Human Resources & Administration	March 1, 2012
Felipe Contreras	Chief Accounting Officer	October 1, 2008
Pablo Correa	Manager Corporate Communications	March 1, 2012
Juan Fernández	Manager Clients and Service Quality	June 1, 2011
Luis Camarena	Manager Credit Risk	March 1, 2012
Juan Pedro Santa María	General Counsel	July 30, 2009

Claudio Melandri became the Chief Executive Officer of Santander-Chile in January 2010 after being our Retail Banking Manager since February 21, 2008. He started his career at Santander-Chile in 1990 becoming a regional branch manager and manager of Santander-Chile's branch network. He was also a Vice-President at Banco Santander Venezuela from 2005 to 2007. In 2007, he was appointed Corporate Director of Human Resources of Banco Santander-Chile. He is also on the Board of Santander Seguros de Vida S.A., Santander Asset Management S.A. Administradora General de Fondos and Santander Seguros Generales S.A. Mr. Melandri has a Business Degree from the Universidad Tecnológica Metropolitana in Chile.

Miguel Mata became CFO for Santander-Chile on November 2011. Prior to that he served in several staff positions related to Business Strategy. Mr. Mata joined Santander-Chile in 2002 when Santander-Chile merged with Banco Santiago. Previously he was Financial Controller for Banco Santiago. He has been working in the banks industry since 1990, when he joined Banco O'Higgins, one of the predecessors of Banco Santiago. Mr. Mata holds a degree in Engineering from Universidad Católica de Chile.

Gabriel Montoya B. was appointed Financial Controller of Santander Chile in April 2009 and has been working for Santander Spain and its affiliates since 1997. Between 2005-2009, Mr. Montoya was Director of the MIS America Project and was responsible for implementing management information systems in Chile, Mexico, Puerto Rico, Argentina and Brazil. Previous to that Mr. Montoya was Financial Controller of Santander Puerto Rico, Head of Financial Control for the Americas Division of Santander and various other management positions in Santander Colombia. Mr. Montoya has a Business Administration Degree from Universidad del Rosario and an Executive Administration Diploma from the Universidad de los Andes, both in Colombia.

Table of Contents

José Manuel Manzano became Chief Risk Office in March 2012. Prior to that he was Corporate Director of Risk since July 2007, and Corporate Director of Human Resources for Santander-Chile since October 31, 2002. Previously, he served as Manager of Human Resources for Old Santander-Chile since 1999. He was also General Manager of Santander Fund Management and Managing Director of Bancassurance. He is also a Director of Santander Chile Holding. Mr. Manzano holds an MBA and a degree in Business from Universidad Católica de Chile.

Javier Montero is the Corporate Director of Internal Auditing, a position he has held since May 1, 2010. Prior to that he was Manager of Internal Auditing in the Financial Risk Department at Banco Santander Chile since 2006. Mr. Montero has worked for Grupo Santander since 2000 in the Internal Auditing Division of Grupo Santander. Mr. Montero has a Business Degree and an Auditing degree from Universidad San Pablo in Madrid.

Fred Meller became Manager of Global Banking & Market in January 2011. Prior to that he was Manager of Market Making for Europe and UK for Santander-Spain. Previously, he served as Treasurer for Santander-Chile since 2008. He was also General Manager of Santander Agente de Valores and Director of Deposito Central de Valores Chile. Mr. Meller holds a degree in Business Administration from Universidad Central de Chile.

Fernando Copplet became Manager of Commercial Banking in March 2012. Prior to that he was Director of Retail Banking Development for Latam America in Grupo Santander. Previous to that he was Corporate Director of Commercial Banking at Santander Puerto Rico and Manager of the Branch network of Santander Rio in Argentina. He joined Banco Rio in 1987. Mr. Copplet holds a degree in Foreign Trade from FAEC-UCES institute in Argentina.

Francisco Murillo was appointed Manager of Human Resources and Administration on March 1, 2012. Prior to that he was Manager of Retail Banking of Santander-Chile since May 1, 2010. Mr. Murillo has worked in Grupo Santander Chile since 1993. Previously he served as Corporate Director of Human Resources, Corporate Director of Santander Asset Management and President of Bansafer AFP. He was also the former CEO and Chief Investment Officer of Bansafer AFP. Mr. Murillo is President of Santander Asset Management S.A. Administradora General de Fondos, President of Santander Asset Management Chile S.A., Director of Aurum S.A., Director of Santander Chile Holding, Director of Santander Factoring and CEO of Aurum S.A. Mr. Murillo has a Business Degree from the Universidad Adolfo Ibáñez.

Felipe Contreras F. was named Chief Accounting Officer of Santander Chile in October 2008. He has worked for 14 years in our Accounting Department, most recently as Manager of the Consolidation and Reporting Departments, overseeing our Chilean, U.S. and Spanish GAAP reporting requirements. He recently was in charge of our recent transition to International Financial Reporting Standards. Mr. Contreras is a Public Accountant from the University of Santiago and is currently a candidate to a Masters in Advanced Finance from the Universidad Adolfo Ibáñez.

Pablo Correa became Manager of Corporate Communications and Public Policy in March 2012. Prior to that he was Capital Markets Coordinator in the Ministry of Finance. Prior to that he was Chief Economist of Santander Chile from 2006 until 2010 and an advisor to the Minister of Finance and the IBD from 2005 to 2006. Mr. Correa has an economics Degree from Universidad Católica de Chile and a Masters degree from the Harvard Kennedy School of Government.

Juan Fernández is our manager of Quality and Client Service since June 2011. Previously he was our Administration and Operations. He is the former Manager of Administration and Cost Control of Old Santander-Chile, a position he held from April 1999 until August 2002, when the merger with Santiago was consummated. Mr. Fernández is also Director of Santander Chile Holding S.A., Aquanima Chile S.A., Santander Factoring S.A., Isban Chile S.A., Bansa Santander S.A., Santander Consumer Chile S.A., Multinegocios S.A. and Santander S.A. Corredores de Bolsa. Previously Mr. Fernández served as Manager for Accounting and Administration of Old Santander-Chile since January 1993. Prior to that, Mr. Fernández held positions at Banchile Agencia de Valores y Subsidiarias, and at

JPMorgan in Santiago and Madrid.

Luis Camarena became Manager of Credit Risk in March 2012. Previously he was Vicepresident of Risk at Banco Santander Colombia since January 2011. Prior to that, he served as Executive Director of Risk of Wholesale

120

Table of Contents

Banking and Executive Director of Wholesale Banking at Banco Santander México since 2002. He has also worked at Banca Serfin in México, where he served at different positions since 1988. Mr. Camarena holds a degree in Business Administration from the Universidad Iberoamericana de México.

Juan Pedro Santa María is our General Counsel, a position he has held since July 30, 2009 after being General Counsel of Grupo Santander Chile. He is also a Director of Santander Chile Holding S.A., Santander Factoring S.A., Bansa Santander S.A., Director of Aurum S.A. and Director of Santander Asset Management Chile S.A. Mr. Santa María, a lawyer, previously worked at Banco O'Higgins and Banco Santiago. He has been Chairman of the Law Committee at the Asociación de Bancos e Instituciones Financieras de Chile for the last twenty years. He has a degree in Law from the Pontificia Universidad Católica de Chile.

B. Compensation

For the year ended December 31, 2011, the aggregate amount of compensation paid by us to all of our directors was Ch\$1,002 million in monthly stipends. For the year ended December 31, 2011, the aggregate amount of compensation paid by us to all of our executive officers and our management members was Ch\$33,082 million (US\$63.6 million). At our annual shareholder meeting held on April 24, 2012, shareholders approved a monthly stipend per director of UF 230 (US\$9,833), UF 460 (US\$19,666) for the Chairman of the Board and UF 345 (US\$14,750) for the Vice-Chairman of the Board. This amount will be increased by UF 30 per month (US\$1,283) if a Board member is named to one or more committees of the Board. The additional amount will be UF 60 (US\$2,565) for the President of a committee and UF 45 (US\$1,924) for the Vice-President of a committee. Shareholders also approved the Audit Committee 2012 remuneration for its members. The remuneration is a 33% additional compensation over the monthly stipend received by a regular board member, or UF 77 (US\$3,292), totaling a monthly stipend of UF 307 (US\$13,125). This remuneration is in line with the new Chilean corporate governance law. In addition, we pay certain directors professional service fees for the consulting services that they rendered to us in their fields of expertise. For the year ended December 31, 2011, payments to our directors for consulting fees totaled Ch\$309 million (US\$0.59 million).

Banco Santander Chile and its affiliates have designed variable-compensation plans for their employees, based on performance targets and objectives, the achievement of which are evaluated and paid on a quarterly and/or annual basis. There are also multi-year variable-compensation plans designed to retain and motivate executives, whose compensation depends on the achievement of overall group-wide and individual targets over the course of a time period exceeding one year.

Long-term incentive policy

Stock-based benefits

Banco Santander Chile and its subsidiaries have designed variable-compensation plans for their employees, based on performance targets and objectives, the achievement of which are evaluated and paid on a quarterly and/or annual basis. There are also multi-year variable-compensation plans designed to retain and motivate executives, whose compensation depends on the achievement of overall wide and individual targets over the course of a time period exceeding one year.

Stock performance plan

This consists of a multi-year incentive plan with compensation in the Parent Company's shares. The plan's beneficiaries are the Executive Directors, other members of Top Management and other Bank employees designated by the Parent Company's Board of Directors or, by delegation from it, the Executive Committee. The shares are distributed if the

following conditions are met:

- i. The share price reaches the top 10 as compared to 30 other global banks.
- ii. Earnings per share reach the top 10 as compared to 30 other global banks.
- iii. The Bank has achieved its commercial and financial budget objectives in the last two years.
- iv. The executive has achieved his/her personal goals during the last two years and has continued to work at the Bank until the end of the program.

121

Table of Contents

This plan involves cycles of shares given to the beneficiaries. Each cycle has a three-year length, so a cycle will begin every year and, from 2007 onward, another cycle will simultaneously terminate. The objective is to establish an adequate sequence between the end of the incentive program linked to the previous plan (PI06) and the successive cycles of this plan. Accordingly, the first two cycles began in July 2007, the first cycle had a two-year length (PI09), and the second cycle has a standard three-year length (PI10). In June 2009 and 2010 the third-cycle (PI11) and fourth-cycle (PI12) incentive plans were approved by the Parent Company. These new plans consist of three-year cycles and are linked to the fulfillment of the predetermined objectives. In 2010, the beginning of the fifth cycle was approved (PI13). In 2011 the beginning of the sixth cycle was approved (PI14). This new cycle has a standard term of three years and began to impact on the Consolidated Statements of Income in 2011.

For each cycle and beneficiary who remains employed at the Bank throughout the plan's term, the Parent determines a maximum number of shares that may be granted. The objectives to be fulfilled, which will determine the number of shares to be granted, were defined by comparing the Santander Group's performance with that of a reference group of financial institutions. These objectives are linked to two parameters: Total Shareholder Return (TSR) and Increase in Earnings per Share (EPS), each of which has a 50% weighting in the determination of the percentage of shares to be granted.

The final number of shares to be granted in each cycle is determined by the degree of fulfillment of the objectives on the third anniversary of each cycle (with the exception of the first cycle, for which the second anniversary is used), and the shares will be delivered within seven months from the date the cycle ends. The TSR and the growth of EPS for Santander and the reference financial institutions will be calculated at that time, which will yield 50% of the amount of shares to be granted according to the following scale and based on the relative position of the Parent Company:

The achievement of objectives chart for the I09, I10, and I11 plans is as follows:

Santander's position in the TSR Ranking	Maximum percentage of shares earned	Santander's position in the EPS growth ranking	Maximum percentage of shares earned
1st to 6th	50%	1st to 6th	50%
7°	43%	7°	43%
8°	36%	8°	36%
9°	29%	9°	29%
10°	22%	10°	22%
11°	15%	11°	15%
12th and above	0%	12th and above	0%

For the I12 and I13 plans only TSR is measured:

Santander's position in the TSR Ranking	Maximum percentage of shares earned
1st to 5th	100%
6°	82.5%
7°	65.0%

8°	47.5%
9°	30.0%
10th and above	0.0%

For the I14 plan only TSR is measured:

Santander's Maximum position in percentage the TSR of shares Ranking earned

1st to 5th	100.0%
6°	86.05%
7°	72.0%
8°	58.0%
9°	44.0%
10°	30.0%
11th to 17th	0.0%

Table of Contents

If Banco Santander, S.A. is within the first quartile (including the 25th percentile) for each of the measures considered (TSR and EPS growth), the maximum percentage of shares will be earned; if it is at the median (including the 50th percentile), 30% of the maximum percentage of shares will be earned. If it is below the median, all the share distributions will be voided.

As of December 31, 2011 the aforementioned objectives were achieved in their entirety, so the Bank recorded a cost for the period of Ch\$ 2,261 million, which corresponds to the fair value of Plan I10 (which ended on June 30, 2011), Plan I11, Plan I12, Plan I13, and Plan I14 for the shares granted; this sum was charged to income in the specific period in which the beneficiaries provided their services to Banco Santander Chile. This program had no diluting effects on the non - controlling interests. This fair value was calculated as described below:

The fair value of the 50% which is linked to the TSR was determined by Santander Group on the basis of the Monte Carlo valuation model with 10,000 simulations ran to determine the TSR for each of the reference Group companies, considering the aforementioned variables. The results (each of which represents the distribution of a number of shares) are classified in descending order through the calculation of the weighted average, and this amount is discounted at the risk-free interest rate.

	PI10	PI11	PI12	PI13	PI14
Expected volatility (*)	15.67%	19.31%	42.36%	49.65%	51.35%
Historical annual dividend return	3.24%	3.47%	4.88%	6.34%	6.06%
Risk-free interest rate	4.49%	4.83%	2.04%	3.33%	4.07%

(*) Determined on the basis of historical volatility over the course of the period (two or three years).

In view of the high correlation between the TSR and EPS, it can reasonably be concluded that the TSR value is also valid for EPS in a high percentage of cases. Accordingly, it was determined that the fair value of the portion of the plans linked to the Bank's relative EPS position, for example the remaining 50% of the shares granted, was the same as the 50% corresponding to TSR. Since this valuation does not refer to market conditions, the number of shares expected to be granted will be re-examined and adjusted on a per-annum basis.

Below is a table which provides a detail of the foregoing:

	Number of shares	Exercise price €	Group of employees	Number of individuals	Date of commencement of the exercise	Date of termination of exercise period
Plans in force on December 31, 2009	3,082,145			1,205		
Options granted (Plan I10)	1,519,169	-	Managers	477	07/01/2007	06/30/2010
Options granted (Plan I10)	70,000	-	Other non-managerial positions	67	07/01/2007	06/30/2010
Options granted (Plan I11)	1,057,204	-	Managers	322	07/01/2008	06/30/2011
Options granted (Plan I11)	71,042	-	Other non-managerial positions	106	07/01/2008	06/30/2011
	327,882	-	Managers	157	07/01/2009	06/30/2012

Options granted (Plan I12)						
Options granted (Plan I12)	36,848	-	Other non-managerial positions	76	07/01/2009	06/30/2012
Plans in force on December 31, 2010	3,066,095					
Options granted (Plan I10)	237,976	-	Managers	162	07/01/2007	06/30/2010
Options granted (Plan I10)	9,070	-	Other non-managerial positions	19	07/01/2007	06/30/2010
Options granted (Plan I11)	557,772	-	Managers	167	07/01/2008	06/30/2011
Options granted (Plan I11)	31,171	-	Other non-managerial positions	47	07/01/2008	06/30/2011

Table of Contents

	Number of shares	Exercise price €	Group of employees	Number of individuals	Date of commencement of the exercise	Date of termination of exercise period
Options granted (Plan I12)	564,339	-	Managers	170	07/01/2009	06/30/2012
Options granted (Plan I12)	43,787	-	Other non-managerial positions	63	07/01/2009	06/30/2012
Options granted (Plan I13)	310,902	-	Managers	166	07/01/2010	06/30/2013
Options granted (Plan I13)	65,148	-	Other non-managerial positions	68	07/01/2010	06/30/2013
Options granted (Plan I10) exercised	(1,757,145)	-	Managers	162		
Options granted (Plan I10) exercised	(79,070)	-	Other non-managerial positions	19		
Plans in force on December 31, 2011	3,102,503					
Options granted (Plan I11)	315,716	-	Managers	174	07/01/2008	06/30/2011
Options granted (Plan I11)	16,868	-	Other non-managerial positions	47	07/01/2008	06/30/2011
Options granted (Plan I12)	591,686	-	Managers	157	07/01/2009	06/30/2012
Options granted (Plan I12)	79,631	-	Other non-managerial positions	77	07/01/2009	06/30/2012
Options granted (Plan I13)	650,474	-	Managers	166	07/01/2010	06/30/2013
Options granted (Plan I13)	136,303	-	Other non-managerial positions	68	07/01/2010	06/30/2013
Options granted (Plan I14)	295,503	-	Not distributed		07/01/2011	06/30/2014
Options granted (Plan I11)	(1,930,691)	-	Other non-managerial positions	174		
Options granted (Plan I11)	(119,082)	-	Managers	47		
Plan I12	1,644,173					
Plan I13	1,162,827					
Plan I14	295,503					

Pension Plans

During the second half of 2009, the Bank granted an additional benefit to its principal executives, consisting of a pension plan whose purpose is to endow them with funds for a better supplementary pension upon their retirement. For this purpose, the Bank will match the voluntary contributions made by the beneficiaries for their future pensions with an equivalent contribution. While for the beneficiary there is no limit on the voluntary contributions, the limit on

the Bank's matching contribution is equal to 6% of the total gross base salary minus 1.02 times the maximum amount a beneficiary is legally allowed to contribute to their pension plan. The Bank may increase or decrease this cap for each beneficiary depending on the evolution of their professional careers. The executives will be entitled to receive this benefit only when they fulfill all of the following conditions:

- Aimed at Group management
 - The general requisite to apply for this benefit is that the employee must be working at the Bank at age 60.
 - The Santander Group will take on insurance (pension fund) on the employee's behalf for which it will pay a premium contribution periodically.
- The Santander Group will be responsible for granting the benefits directly.

If the working relationship between the manager and the respective company ends, before the designated beneficiaries fulfill the abovementioned requirements, the beneficiaries will have no rights under this benefit plan. In the event of the executive's death or total or partial disability, the designated beneficiaries will be entitled to receive this benefit. The Bank will make the contributions to this benefit plan on the basis of mixed collective insurance policies whose beneficiary is the Bank. The life insurance company with whom such policies are executed is not an entity linked or related to the Bank or any other Santander Group company.

Table of Contents

During the second half of 2009, the Bank made a contribution of Ch\$4,726 million, and a contribution of Ch\$267 million in 2010. The rights owned by the Bank for the Plan at the end of the 2010 period total Ch\$5,170 million. The rights owned by the Bank for the Plan at the end of the 2011 period totaled Ch\$5,508 million.

The amount of defined benefit agreements has been quantified by the Bank, based on the following criteria:

1. Calculation method:

Use of the projected unit credit method which considers each working year as generating an additional amount of rights over benefits and values each unit separately. It is calculated in function of the fund contributions considered as a main variable, factors associated with the legal annual pension limit, seniority, age and yearly income for each unit valued individually.

2. Updated actuarial assumptions:

Actuarial assumptions with respect to demographic and financial variables are non-biased and mutually compatible with each other. The most significant actuarial assumptions considered in the calculations were:

	Post-employment plans 2011	Post-employment plans 2010
Mortality table	RV-2004	RV-2004
Disability table	PDT 1985	PDT 1985
Turnover rates	5.0%	5.0%

Assets related to the pension fund contributed by the Bank into the insurance company with respect to defined benefit plans are presented as net of associated commitments. The period's activity for post-employment benefits is as follows:

	2011 MCh\$	2010 MCh\$
Plan assets	5,508	5,170
Commitments for defined-benefit plans for active personnel	(2,160)	(953)
Incurred by inactive personnel	-	-
Minus:		
Unrealized actuarial (gain) losses	-	-
Balances at the period end	3,348	4,217

The period's flow for post-employment benefits is as follows:

	2011 MCh\$	2010 MCh\$
a) Fair value of plan assets		
Balance at beginning of period	5,170	4,925
Expected return of insurance contracts	403	202
Employer contributions	(65)	43
Actuarial (gain) losses	-	-
Premiums paid	-	-

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Benefits paid	-	-
Fair value of plan assets at end of period	5,508	5,170
b) Present value of obligations		
Present value of obligations at beginning of the period	(953)	-
Net incorporation of Group companies	-	-
Service cost	(1,207)	(941)

125

Table of Contents

Interest cost	-	-
Curtailment/settlement effect	-	-
Benefits paid	-	-
Past service cost	-	-
Actuarial (gain) losses	-	(12)
Other	-	-
Present value of obligations at end of the period	(2,160)	(953)
Net balance at the period end	3,348	4,217

Expected rate of return on plan assets and reimbursement rights:

	2011	2010
Expected rate of return on plan's assets	UF + 2.50% annual	UF + 2.50% annual
Expected rate of return on reimbursement rights	UF + 2.50% annual	UF + 2.50% annual

Plan expenses:

	2011 MCh\$	2010 MCh\$
Current period service cost	1,207	941
Interest cost	-	-
Expected return on plan assets	(403)	(202)
Expected return on insurance contracts linked to the Plan:	-	-
Extraordinary allocations	-	-
Actuarial (gains)/losses recorded in the period	-	12
Past service cost	-	-
Other	-	-
Totals	804	751

C. Board Practices

Audit Committee

Board member	Position in Committee
Carlos Olivos	Chairman
Víctor Arbulú	First Vice Chairman and Financial Expert
Lisandro Serrano	Second Vice Chairman

Table of Contents

The Audit Committee (Comité de Directores y Auditoría) is comprised of three members of the Board of Directors. The General Counsel is the Committee Secretary. The Chief Executive Officer, General Auditor and other persons from the Bank can be invited to the meetings if necessary and are present on specific matters. This Committee's primary responsibility is to support the Board of Directors in the continuous improvement of our system of internal controls, which includes reviewing the work of both the external auditors and the Internal Audit Department. The committee is also responsible for analyzing observations made by regulatory entities of the Chilean financial system about us and for recommending measures to be taken by our management in response. This committee also performs functions of a remuneration committee as established in Chilean Law, and reviews annually the salary and bonus programs for the executive officers of the Bank. The external auditors are recommended by this committee to our Board of Directors and appointed by our shareholders at the annual shareholders' meeting.

This committee is also responsible for:

- Presenting to the Board of Directors a list of candidates for the selection of an external auditor.
 - Presenting to the board of directors a list of candidates for the selection of rating agencies.
 - Overseeing and analyzing the results of the external audit and the internal reviews.
 - Coordinating the activities of internal auditing with the external auditors' review.
 - Analyzing the interim and year-end financial statements and reporting the results to the Board of Directors.
 - Analyzing the external auditors' reports and their content, procedures and scope.
 - Analyzing the rating agencies' reports and their content, procedures and scope.
 - Obtaining information regarding the effectiveness and reliability of the internal control systems and procedures.
 - Analyzing the information systems performance, and its sufficiency, reliability and use in connection with decision-making processes.
 - Obtaining information regarding compliance with the company's policies regarding the due observance of laws, regulations and internal rules to which the company is subject.
 - Investigating suspicious and fraudulent activities (including conflicts).
 - Analyzing the reports of the inspection visits, instructions and presentations of the Superintendency of Banks.
 - Obtaining information, analyzing and verifying the company's compliance with the annual audit program prepared by the internal audit department.
 - Informing the Board of Directors of accounting changes and their effects.
- Examining on an annual basis the compensation plans of high level executives and managers.

Asset and Liability Committee

Board member	Position in Committee
Mauricio Larraín	Chairman
Oscar von Chrismar	Vice-Chairman
Vittorio Corbo	Second Vice-Chairman
Marco Colodro	Member
Roberto Zahler	Member
Raimundo Monge	Member

Table of Contents

The Comité de Activos y Pasivos or the Asset and Liability Committee (the “ALCO”), following guidelines set by the Board of Directors and Santander Spain’s Global Risk Department, is responsible for establishing Santander-Chile’s policies, procedures and limits with respect to market risks and monitoring the overall performance in light of the risks assumed. The ALCO constantly monitors whether these policies are adhered to. Santander-Chile’s Market Risk and Control Department and the Financial Management Division perform the day-to-day risk management functions required for the trading and non-trading activities of Santander-Chile.

The Asset and Liabilities Management Committee includes the Chairman of the Board and five additional members of the Board, the Chief Executive Officer, the Corporate Financial Controller, the Manager of the Financial Management Division, the Manager of Market Risk, the Manager of the Treasury Division, and other senior members of management. Senior members of Santander-Chile’s Finance Division have a formal meeting each month with the Asset and Liabilities Management Committee and outside consultants.

Market Committee

Board member	Position in Committee
Oscar von Chrismar	Chairman
Roberto Zahler	Vice-Chairman
Vittorio Corbo	Second Vice-Chairman
Mauricio Larraín	Member
Marco Colodro	Member

The Comité de Mercados or the Market Committee is responsible for establishing Santander-Chile’s policies, procedures and limits with respect to its trading portfolio, market risks and monitoring the overall performance in light of the risks assumed. The ALCO constantly monitors whether these policies are fulfilled. Santander-Chile’s Market Risk and Control Department carry out the day-to-day risk management functions required for the trading and non-trading activities of Santander-Chile.

The Market Committee includes the Vice-Chairman of the Board, three additional members of the Board, the Chief Executive Officer, the Manager of Global Banking and Markets, the Manager of the Treasury Division, the Manager of Proprietary Trading, the Manager of the Financial Management Division, the Manager of Market Risk, the Financial Controller and other senior members of management.

Integral Risk Management and Internal Control Committee

Board member	Position in Committee
Oscar von Chrismar	Chairman
Marco Colodro	Member

The Integral Risk Management and Internal Control Committee is responsible for revising and following all risks that may affect us, including reputation risk. This Committee includes two Board members.

Executive Credit Committee

Board member	Position in Committee
Mauricio Larraín	Chairman
Oscar von Chrismar	Vice-Chairman
Marco Colodro	Second Vice-Chairman
Roberto Méndez	Member

Table of Contents

The Executive Credit Committee is comprised of the Chairman of the Board, three additional Board members, the General Counsel, the CEO, the Manager of Commercial Banking, the Manager of Credit Risk, the Manager of Corporate Banking, the Manager of Middle Market and two senior members of the Credit Risk department that present the loans being reviewed for approval. This committee confirms the loan positions reviewed by the Senior Loan Committee, with approval rights up to the maximum exposure permitted by the General Banking Law.

Marketing and Communications Committee

Board member	Position in Committee
Mauricio Larraín	Chairman
Roberto Méndez	Vice-Chairman
Lucía Santa Cruz	Second Vice-Chairman
Oscar Von-Chrismar	Member

The Marketing and Communications Committee is comprised of the Chairman of the Board and three additional Board members, the CEO, the Manager of Retail Banking, the Manager of Human Resources, the Manager of Corporate Communications, the Manager of Marketing and other senior managers. This committee reviews and confirms all matters related to products, corporate image and communications.

University Committee

Board member	Position in Committee
Mauricio Larraín	Chairman
Roberto Méndez	Vice-Chairman
Lucía Santa Cruz	Second Vice-Chairman

The University Committee reviews our support for higher education and integrates this with the growth of the Institutional business segment and retail banking for college graduates.

Strategy Committee

Board member	Position in Committee
Mauricio Larraín	Chairman
Oscar von Chrismar	Vice Chairman
Jesús Zabalza	Member

Juan Member
 Manuel
 Hoyos
 Roberto Member
 Méndez
 Raimundo Member
 Monge

The Strategy Committee is in charge of our strategic planning process and follow-up.

D. Employees

As of December 31, 2011, on a consolidated basis we had 11,566 employees, 8,772 of whom were bank employees, 375 of whom were employees of our subsidiaries and 2,419 were employees of Special Purpose Entities. We have traditionally enjoyed good relations with our employees and their unions. Of the total headcount of us and our subsidiaries, 7,538 or 65.2% were unionized. In May 2010, a new collective bargaining agreement was signed, which went into effect on January 1, 2011 and that will expire on December 31, 2014, but this may be negotiated ahead of schedule with the consent of management and the union. We generally apply the terms of our collective bargaining agreement to unionized and non-unionized employees. The following chart summarizes the number of employees employed by the bank.

Employees	As of December 31, 2011
Executives	677
Professionals	4,947
Administrative	5,942
Total	11,566

Table of Contents

E. Share Ownership

No director or executive officer owns more than 1% of the shares of Santander-Chile. As of December 31, 2011, the following directors and executives held shares in Santander-Chile:

Directors	Shares
Mauricio Larraín Garcés	568
Carlos Olivos Marchant Senior Managers	1,237,410
Juan Fernández	35,536

Santander-Chile currently does not have any arrangements for involving employees in its capital and there is no systematic arrangement for grant of options or shares or securities of Banco Santander-Chile to them.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Banco Santander Spain controls Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones Ltda. and Santander-Chile Holding, which are controlled subsidiaries. In February 2011, Banco Santander Spain sold 1.91% of its ownership of us through Teatinos Siglo XXI Inversiones Ltda in the market. In December 2011, Banco Santander Spain sold 7.82% of its ownership of us through Teatinos Siglo XXI Inversiones Ltda in the market. This gives Banco Santander Spain control over 67.2% of our shares and actual participation when excluding non-controlling shareholders that participate in Santander Chile Holding is 67.78%.

Shareholder	Number of Shares	Percentage
Santander Chile Holding	66,822,519,695	35.46 %
Teatinos Siglo XXI Inversiones Ltda.	59,770,481,573	31.72 %

Banco Santander Spain is in a position to cause the election of a majority of the members of Santander-Chile's Board of Directors, to determine its dividend and other policies and to determine substantially all matters to be decided by a vote of shareholders. Banco Santander Spain holds ordinary shares to which no special voting rights are attached. Each share represents one vote and there are no shareholders with different voting rights.

The number of outstanding shares of Santander-Chile (of which there is only one class, being ordinary shares) at December 31, 2011, was 188,446,126,794 shares, without par value. Santander-Chile's shares are listed for trading on the Chilean Stock Exchanges and on the NYSE in connection with the registration of ADRs. The market capitalization of Santander-Chile at the same date on the Chilean stock exchange was Ch\$7,047,885 million and US\$13,730 million on the NYSE. At December 31, 2011, Santander-Chile had 12,376 holders registered in Chile, including JP Morgan as Depositary (the "Depositary") of Santander-Chile's American Depositary Share Program. As of December 31, 2011, there were a total of 30 ADR holders on record. Since some of these ADRs are held by nominees, the number of record holders may not be representative of the number of beneficial holders.

Other than the information disclosed in this section, there are no arrangements to the knowledge of Santander-Chile, which can result in a change of control of Santander-Chile.

B. Related Party Transactions

The Chilean Companies Law requires that our transactions with related parties be on a market basis, that is, on similar terms to those customarily prevailing in the market. We are required to compare the terms of any such

Table of Contents

transaction to those prevailing in the market at the date the transaction is to be entered into. Directors of companies that violate this provision are liable for losses resulting from such violations.

In addition, under the Chilean Companies Law, a company may not enter into a transaction with related parties unless (i) such transaction has received the prior approval of the company's Board of Directors and (ii) the terms of such transaction are consistent with the terms of transactions of a similar type prevailing in the market. If it is not possible to make this determination, the board may appoint two independent evaluators. The evaluators' final conclusions must be made available to shareholders and directors for a period of 20 business days, during which shareholders representing 5% or more of the issued voting shares may request the board to call a shareholders' meeting to resolve the matter, with the agreement of two thirds of the issued voting shares required for approval. For purposes of this regulation, the law considers the amount of a proposed transaction to be material if (1) it exceeds 1% of the company's net worth (provided that it also exceeds 20,000UF) or (2) it exceeds 20,000 UF.

All resolutions approving such transactions must be reported to the company's shareholders at the next annual shareholders' meeting. Violations of this provision may result in administrative or civil liability to the corporation, the shareholders and/or third parties who suffer losses as a result of such violation.

Loans granted to related parties

In addition to subsidiaries and associated entities, the Bank's "related parties" include the "key personnel" of the Bank's executive staff (members of the Bank's Board and the Managers of Banco Santander Chile and its subsidiaries, together with their close relatives), as well as the entities over which the key personnel could exert significant influence or control.

Table of Contents

The Bank also considers the companies that are part of the Santander Group worldwide as related parties, given that all of them have a common parent, i.e., Banco Santander S.A. (located in Spain).

The table below shows loans and receivables and contingent loans with related parties. For more information, see “Note 37—Transactions with Related Parties” in our Audited Consolidated Financial Statements appearing elsewhere in this Annual Report:

	As of December 31,											
	2011				2010				2009			
	Companies of the Group	Associated companies	Key personnel	Other	Companies of the Group	Associated companies	Key personnel	Other	Companies of the Group	Associated companies	Key personnel	Other
MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Loans and accounts receivables												
Commercial loans	39,708	663	2,234	62,512	36,966	670	2,478	14,015	11,331	914	2,840	108,372
Mortgage loans	-	-	15,657	-	-	-	15,157	-	-	-	12,754	-
Consumer loans	-	-	1,808	-	-	-	2,182	-	-	-	1,744	-
Loans and accounts receivables	39,708	663	19,699	62,512	36,966	670	19,817	14,015	11,331	914	17,338	108,372
Provision for loan losses	(54)	(1)	(39)	(23)	(112)	(1)	(87)	(14)	(13)	(1)	(11)	(298)
Net loans	39,654	662	19,660	62,489	36,854	669	19,730	14,001	11,318	913	17,327	108,074
Guarantees	25,311	-	18,244	1,241	7,641	-	18,649	1,359	4,552	-	45,550	596
Contingent loans												
Personal guarantees	-	-	-	-	-	-	-	-	-	-	15,900	-
Letters of credit	187	-	-	-	2,964	-	-	-	1,868	-	-	-
Guarantees	12,778	-	-	569	12,307	-	-	84	134,644	-	-	259
Contingent loans	12,965	-	-	569	15,271	-	-	84	136,512	-	15,900	259
Provisions for contingent loans	(63)	-	-	(1)	(1)	-	-	-	(21)	-	-	-

Net contingent loans	12,902	-	-	568	15,270	-	-	84	136,491	-	15,900	259
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The largest related party loan was rendered by the Bank to Santander Investment Chile Ltda. for Ch\$16,760 million (US\$32 million). The loan is in Chilean nominal pesos at a rate of 0.57% per month and was due in January 2012.

Table of Contents

Under the Chilean General Banking Law, Chilean banks are subject to certain lending limits, including the following:

- a bank may not extend to any person or legal entity (or group of related entities), directly or indirectly, unsecured loans in an amount that exceeds 5.0% of the bank's regulatory capital, or secured loans in an amount that exceeds 25.0% of its regulatory capital. In the case of foreign export trade finance, this 5.0% ceiling is raised to: 10.0% for unsecured financing, 30.0% for secured financing. This ceiling is raised to 15.0% for loans granted to finance public works under the concessions system contemplated in the Decree with Force of Law 164 of 1991, of the Ministry of Public Works, provided that either the loan is secured on the concession, or the loan is granted as part of a loan syndication;
- a bank may not grant loans bearing more favorable terms than those generally offered by banks in the same community to any entity (or group of related entities) that is directly or indirectly related to its owners or management;
- a bank may not extend loans to another bank in an aggregate amount exceeding 30.0% of its regulatory capital;
- a bank may not directly or indirectly grant a loan, the purpose of which is to allow the borrower to acquire shares in the lending bank;
- a bank may not lend, directly or indirectly, to a Director or any other person who has the power to act on behalf of the bank, or to certain related parties; and
- a bank may not grant loans to individuals or legal entities involved in the ownership or management of the bank, whether directly or indirectly (including holders of 1.0% or more of its shares), on more favorable terms than those generally offered to non-related parties. Loans may not be extended to senior executives and to companies in which such individuals have a participation of 5.0% or more of the equity or net earnings in such companies. The aggregate amount of loans to related parties may not exceed a bank's regulatory capital.
- We are not aware of any loans to any related parties exceeding the above lending limits.

The largest related party loan was rendered by the Bank to Santander Investment Chile Ltda. for Ch\$16,760 million (US\$32 million). The loan is in Chilean nominal pesos at a rate of 0.57% per month and was due in January 2012.

Table of Contents

The table below shows assets and liabilities with related parties:

	2011				As of December 31, 2010				2009			
	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$
Assets												
Cash and deposits in banks	178,567	-	-	-	34,104	-	-	-	-	-	-	-
Trading investments	-	-	-	-	-	-	-	-	-	-	-	-
Investments under resale agreements	-	-	-	-	-	-	-	-	-	-	-	-
Financial derivative contracts	506,880	-	-	-	541,737	-	-	-	405,411	-	-	-
Available for sale investments	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	4,617	-	-	-	22,072	-	-	-	117,060	-	-	-
Liabilities												
Deposits and other demand liabilities	5,057	4,009	1,425	16,782	9,905	6,014	1,311	4,128	1,503	6,238	502	925
Investments under repurchase agreements	137,191	-	-	-	47,636	-	-	-	-	-	-	-
Time deposits and other time liabilities	248,206	368	3,627	41,732	320,622	-	1,657	48,749	411,295	-	1,126	21,652
Financial derivative contracts	396,538	-	-	-	317,601	-	-	-	245,574	-	-	-
Issued debt instruments	1,683	-	-	-	9,392	-	-	-	89,258	-	-	-
Other financial liabilities	58,848	-	-	-	153,913	-	-	-	55,156	-	-	-
Other liabilities	1,339	-	-	-	2,782	-	-	-	310	-	-	-

Table of Contents

Other transactions with related parties

During the years ended December 31, 2011, 2010 and 2009, the Bank had the following significant income (expenses) from services provided to (by) related parties:

	2011				As of December 31, 2010				2009		
	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Companies of the Group MCh\$	Associated Companies MCh\$	Key personnel MCh\$
Income (expense) recorded											
Income and expenses from interests and readjustments	(17,892)	54	1,289	(3,683)	(10,093)	55	1,279	7	(23,344)	42	30
Income and expenses from fees and services	387	38	110	196	70,359	48	102	93	56,822	71	7
Net income from financial and foreign exchange operations(*)	(38,744)	-	(5)	(392)	86,457	-	(4)	4,098	129,046	-	-
Other operating revenues and expenses	519	-	-	-	(4,866)	-	-	-	(4,294)	-	-
Key personnel compensation and expenses	-	-	(33,082)	-	-	-	(29,879)	-	-	-	(28,663)
Administrative and other expenses	(13,303)	(25,509)	-	-	(20,738)	(21,777)	-	-	(13,107)	(16,666)	-
Totals	(69,033)	(25,417)	(31,688)	(3,879)	121,119	(21,674)	(28,502)	4,198	145,123	(16,553)	(28,277)

* Reflects derivative contracts that hedge Group positions in Chile.

Only transactions with related parties equal to or greater than UF 5,000 are included individually in the table above. Transactions with related parties between UF 1,000 and up to UF 5,000 are included in other transactions with related parties. All transactions were conducted at arm's length.

C. Interests of Experts and Counsel

Not applicable.

135

Table of Contents

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Information

See Item 18.

Legal Proceedings

We are subject to certain claims and are party to certain legal and arbitration proceedings in the normal course of our business, including claims for alleged operational errors. We do not believe that the liabilities related to such claims and proceedings are likely to have, in the aggregate, a material adverse effect on our consolidated financial condition or results of operations. For the years ended December 31, 2010 and 2011, the Disclosure Committee of Santander Chile has defined a significant legal proceeding as that implying an estimated incurred loss greater than an established cutoff amount. This cut-off amount is calculated as 16% of 5% of net interest income plus net fee income plus net financial transactions plus provision expenses plus administrative expenses and depreciation. This amount is then further reduced by 30% for prudence. As of December 31, 2011, this cutoff totaled Ch\$3,161 million (US\$6.1 million). As of December 31, 2011, there were no legal proceedings exceeding that amount. There are no material proceedings in which any of our directors, any members of our senior management, or any of our affiliates is either a party adverse to us or our subsidiaries or has a material interest adverse to us or our subsidiaries.

Upon the recommendation of our legal advisors, we estimate that our aggregate liability if all legal proceedings were determined adversely to us could result in significant losses not estimated by us. As of December 31, 2011, we have set aside Ch\$789 million (US\$1.5 million) as provisions for these legal actions. These provisions are presented under the Other provisions item in our financial statements.

Dividends and dividend policy

See “Item 3: A. Selected Financial Data—Dividends.”

B. Significant Changes

None.

Table of Contents

ITEM 9. THE OFFER AND LISTING

A. Historical Trading Information

The table below shows, for the periods indicated, the annual, quarterly and monthly high and low closing prices (in nominal Chilean pesos) of the shares of our common stock on the Santiago Stock Exchange and the annual, quarterly and monthly high and low closing prices (in U.S. dollars) as reported by the NYSE.

	Santiago Stock Exchange Common Stock		NYSE ADS(2)	
	High (Ch\$ per share(1))	Low	High (US\$ per ADS)	Low
Annual Price History				
2007	27.10	21.25	55.30	41.76
2008	24.86	16.51	54.60	28.16
2009	31.00	18.23	64.78	31.22
2010	47.37	30.74	99.44	59.40
2011	43.65	31.94	96.44	62.69
Quarterly Price History				
2009				
1st Quarter	23.00	18.23	38.84	31.22
2nd Quarter	23.90	19.44	46.69	34.01
3rd Quarter	30.41	23.34	57.94	44.97
4th Quarter	31.00	26.96	64.78	52.64
2010				
1st Quarter	34.99	30.74	70.63	60.59
2nd Quarter	36.36	31.03	71.88	59.40
3rd Quarter	47.37	34.73	99.44	66.73
4th Quarter	45.20	41.61	97.02	91.28
2011				
1st Quarter	43.65	35.63	93.75	76.06
2nd Quarter	42.23	39.80	93.81	86.25
3rd Quarter	42.93	34.53	96.44	70.65
4th Quarter	38.80	31.94	82.54	62.69
Monthly Price History				
September 2011	41.04	41.04	91.76	91.76
October 2011	38.70	38.70	82.54	82.54
November 2011	38.80	31.94	80.38	62.69
December 2011	37.49	32.19	75.70	65.14
January 2012	40.17	37.23	84.55	75.68
February 2012	38.67	36.13	82.57	77.50
March 2012	41.00	37.69	88.22	78.83

B. Plan of Distribution

Not applicable

137

Table of Contents

C. Nature of Trading Market

Nature of Trading Market

Shares of our common stock are traded on the Chilean Stock Exchanges. Each ADS represents 1,039 shares of common stock. ADRs have been issued pursuant to the Deposit Agreement, dated as of August 4, 2008, among Santander-Chile, the Depositary and all holders from time to time of ADRs. As of December 31, 2011, 37,812,798 ADSs were outstanding (equivalent to 39,287,497,122 shares of common stock or 20.85% of the total number of issued shares of common stock).

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The legal predecessor of Santander-Chile was Banco Santiago (Santiago). Santiago was incorporated by public deed dated September 7, 1977 granted at the Notary Office of Alfredo Astaburuaga Gálvez. Santiago received its permission to incorporate and function as a bank by Resolution No. 118 of the Superintendency of Banks on October 27, 1977. The Bank's by-laws were approved by Resolution No. 103 of the Superintendency of Banks on September 22, 1977. In January 1997, Santiago merged with Banco O'Higgins' with Santiago as the surviving entity. In 1999, Santiago became a controlled subsidiary of Banco Santander Spain.

On May 24, 2007, we have changed our by-laws insofar as our official name shall be Banco Santander-Chile (formerly: Banco Santander Chile) and that the Bank may also use the following names: Banco Santander Santiago, Santander Santiago, Banco Santander, or Santander (formerly only: Banco Santander Santiago and Santander Santiago.)

Shareholder rights in a Chilean bank that is also an open stock (public) corporation are governed by (1) the corporation's estatutos, which effectively serve the purpose of both the articles or certificate of incorporation and the by-laws of a company incorporated in the United States, (2) the General Banking Law and (3) to the extent not inconsistent with the General Banking Law, by the provisions of Chilean Companies Law applicable to open stock corporations, except for certain provisions that are expressly excluded. Article 137 of the Chilean Companies Law provides that all provisions of the Chilean Companies Law take precedence over any contrary provision in a

corporation's estatutos. Both the Chilean Companies Law and our estatutos provide that legal actions by shareholders against us (or our officers or directors) to enforce their rights as shareholders or by one shareholder against another in their capacity as such are to be brought in Chile in arbitration proceedings, notwithstanding the plaintiff's right to submit the action to the ordinary courts of Chile.

The Chilean securities markets are principally regulated by the Superintendency of Securities and Insurance under the Chilean Securities Market Law and the Chilean Companies Law. In the case of banks, compliance with these laws is supervised by the Superintendency of Banks. These two laws provide for disclosure requirements, restrictions on insider trading and price manipulation and protection of non-controlling investors. The Chilean

Table of Contents

Securities Market Law sets forth requirements relating to public offerings, stock exchanges and brokers, and outlines disclosure requirements for companies that issue publicly offered securities. The Chilean Companies Law sets forth the rules and requirements for establishing open stock corporations while eliminating government supervision of closed (closely-held) corporations. Open stock (public) corporations are those with 500 or more shareholders, or companies in which 100 or more shareholders own at least 10.0% of the subscribed capital (excluding those whose individual holdings exceed 10.0%), and all other companies that are registered in the Securities Registry of the Superintendency of Securities and Insurance.

Santander-Chile is a bank providing a broad range of commercial and retail banking services, as well as a variety of financial services. Our objects and purposes can be found in Article 4 of our estatutos.

Board of Directors

The Board of Directors has 11 regular members and 2 alternate members, elected by shareholder vote at General Shareholders' Meetings. The directors may be either shareholders or non-shareholders of the Company. There is no age limit for directors.

A director remains in office for three years and may be reelected indefinitely. If for any reason, the General Shareholders' Meeting where the newly appointments of directors are to be made is not held, the duties of those serving as such shall be extended until their replacements are designated, in which case, the Board of Director shall convene a Meeting at the earliest possible time in order to effect the appointments.

The directors are entitled to compensation for the performance of their duties. The amount of their compensation is determined annually by the General Shareholders' Meeting. In addition, payments in the form of wages, fees, travel accounts, expense accounts, dues as representatives of the Board of Directors and other cash payments, payments in kind or royalties of any sort whatsoever, may be paid to certain directors for the performance of specific duties or tasks in addition to their functions as directors imposed upon them specifically by the General Shareholders' Meeting. Any special compensation is authorized or approved at the General Shareholders' Meeting, and for that purpose, a detailed and separate entry shall be made in the Annual Report, which shall expressly indicate the complete name of each of the directors receiving special compensation.

Without prejudice to any other incapacity or incompatibility established by law, the following may not be directors: (a) those persons who have been sentenced or are being tried, either as principals or accessories, for crimes punishable with a penalty of temporary or permanent suspension from or incapacity to hold public office; (b) those persons who have been declared bankrupt and have not been rehabilitated; (c) members of the House of Representatives and the Senate; (d) directors or employees of any other financial institution; employees appointed by the President of the Republic and employees or officers of (i) the State, (ii) any public service, public institution, semi-public institution, autonomous entity or state-controlled company (any such entity a "Public Entity") or (iii) any enterprise, corporation or public or private entity in which the State or a Public Entity has a majority interest, has made capital contributions, or is represented or participating, provided that persons holding positions in teaching activities in any of the above entities may be directors; and (f) the Bank's employees, which shall not prevent a director from holding on a temporary basis and for a term not to exceed ninety days the position of General Manager. Chief Executive Officers may not be elected as directors.

For purposes of the appointment of directors, each shareholder shall have the right to one vote per share for purposes of appointing a single person, or to distribute his votes in between candidates as he may deem convenient, and the persons obtaining the largest number of votes in the same and single process shall be awarded positions, until all positions have been filled. The election of the regular and alternate board members shall be carried out separately. For purposes of the casting of the vote, the Chairman and the Secretary, together with any other persons that may have

been previously designated by the Meeting to sign the minutes thereof, shall issue a certificate giving evidence of the oral votes of shareholders attending, following the order of the list of attendance being taken.

Each shareholder shall be entitled, however, to cast his vote by means of a ballot signed by him, stating whether he signs for his own account or as a representative. This entitlement notwithstanding, in order to expedite the voting process, the Chairman of the Bank or the Superintendency, as the case may be, is entitled to order that the vote be taken alternatively or by oral vote or by means of ballots. At the time of polling, the Chairman may instruct that the

Table of Contents

votes be read aloud, in order for those in attendance to count for themselves the number of votes issued and verify the outcome of the voting process.

The Secretary tabulates the votes and the Chairman announces those who have obtained the largest majorities until all the director positions have been filled. The Secretary places the documents evidencing the outcome of the count, duly signed by the persons charged with the duty of verifying the number of votes issued, together with the ballots delivered by the shareholders who did not vote orally, in an envelope which shall be closed and sealed with the corporate seal and shall remain deposited with the Bank for a least two years.

Every appointment of directors, or any changes in the appointment of directors, shall be transcribed into a public deed before a notary public, published in a newspaper of Santiago and notified to the Superintendency of Banks and Financial Institutions, by means of the filing of a copy of the respective public deed. Likewise, the appointments of General Manager, Manager and Deputy Managers shall be communicated and transcribed into a public deed.

If a director ceases to be able to perform his or her duties, whether by reason of conflict of interest, limitation, legal incapacity or bankruptcy, impossibility, resignation or any other legal cause, the vacancy shall be filled as follows: (a) the positions of regular directors shall be filled by an alternate director; and (b) the positions of alternate directors vacated upon the application of (a) above, and the positions of regular directors if a regular director's position can not be filled pursuant to clause (a) because both alternate members have already become regular members, shall be filled by the Board of Directors on its first meeting after the vacancy occurs. Board members appointed pursuant to clause (b) will remain in the position until the next General Shareholders' Meeting, where the appointment may be ratified, in which case, the replacement director will remain in his or her position until the expiration of the term of the director he or she replaced.

The alternate directors may temporarily replace regular directors in case of their absence or temporary inability to attend a board meeting, or in a definitive manner in case of vacancy. The alternate board members are always entitled to attend and speak at board meetings. They will be entitled to vote at such meetings only when a regular member is absent and such alternate member acts as the absent member's replacement.

During the first meeting following the General Shareholders' Meeting, the Board of Directors shall elect in separate votes from among its members, a Chairman, a First Vice Chairman and a Second Vice Chairman. In the event of a tie, the appointment shall be decided by lottery.

The Board of Directors meet in ordinary sessions at least once a month, held on pre-set dates and times determined by the Board. Extraordinary meetings are held whenever called by the Chairman, whether at his own will or upon the request of three or more directors, so long as the Chairman determines in advance that the meeting is justified, except if the request is made by the absolute majority of the directors in office, in which case the meeting shall be held without such prior determination. The extraordinary meetings may only address those matters specifically included in the agenda for the extraordinary meeting, except that, if the meeting is attended by all the directors in office, they may agree otherwise by a unanimous vote. Extraordinary meetings shall be called by means of a written instrument signed by the Chairman or the Secretary or his alternate and delivered to each of the directors at least three days prior to the date set for the meeting.

The quorum for the Board of Directors' Meeting is six of its members. Resolutions shall be adopted by the affirmative vote of the absolute majority of the attending directors. In the event of a tie, the person acting as the Chairman of the meeting shall cast a deciding vote.

Directors having a vested interest in a negotiation, act, contract or transaction that is not related to the bank business, either as principal or as representative of another person, shall communicate such fact to the other directors. If the

respective resolutions are approved by the Board, it shall be in accordance to the prevailing fair market conditions and director's interest must be disclosed at the next General Shareholders' Meeting.

The discussions and resolutions of the Board of Directors shall be recorded in a special book of minutes maintained by the Secretary. The relevant minutes shall be signed by the directors attending the meeting and by the Secretary, or his alternate. If a director determines that the minutes for a meeting are inaccurate or incomplete, he is entitled to record an objection before actually signing the minutes. The resolutions adopted may be carried out prior

Table of Contents

to the approval of the minutes at a subsequent meeting. In the event of death, refusal or incapacity for any reason of any of the directors attending to sign the minutes, such circumstance shall be recorded at the end of the minutes stating the reason for the impediment.

The directors are personally liable for all of the acts they effect in the performance of their duties. Any director who wishes to disclaim responsibility for any act or resolution of the Board of Directors must to record his opposition in the minutes, and the Chairman must report the opposition at the following General Shareholders' Meeting.

The Board will represent the Bank in and out of court and, for the performance of the Bank's business, a circumstance that will not be necessary to prove before third parties, it will be empowered with all the authorities and powers of administration that the law or the by-laws do not set as exclusive to the General Shareholders' Meeting, without being necessary to grant any special power of attorney, even for those acts that the law requires to do so. This provision is notwithstanding the judicial representation of the Bank that is part of the General Manager's authorities. The Board may delegate part of its authority to the General Manager, to the Managers, Deputy Managers or Attorneys of the Bank, a Director, a Commission of Directors, and for specifically determined purposes, in other persons.

Meetings and Voting Rights

An ordinary annual meeting of shareholders is held within the first four months of each year. The ordinary annual meeting of shareholders is the corporate body that approves the annual financial statements, approves all dividends in accordance with the dividend policy determined by our Board of Directors, elects the Board of Directors and approves any other matter that does not require an extraordinary shareholders' meeting. The last ordinary annual meeting of our shareholders was held on April 26, 2011. Extraordinary meetings may be called by our Board of Directors when deemed appropriate, and ordinary or extraordinary meetings must be called by our Board of Directors when requested by shareholders representing at least 10.0% of the issued voting shares or by the Superintendency of Banks. Notice to convene the ordinary annual meeting or an extraordinary meeting is given by means of three notices which must be published in a newspaper of our corporate domicile (currently Santiago) or in the Official Gazette in a prescribed manner, and the first notice must be published not less than 15 days nor more than 20 days in advance of the scheduled meeting. Notice must also be mailed 15 days in advance to each shareholder and given to the Superintendency of Banks and the Chilean Stock Exchanges. Currently, we publish our official notices in the El Mercurio newspaper of Santiago.

The quorum for a shareholders' meeting is established by the presence, in person or by proxy, of shareholders representing at least an absolute majority of the issued shares. If a quorum is not present at the first meeting, the meeting can be reconvened (in accordance with the procedures described in the previous paragraph) and, upon the meeting being reconvened, shareholders present at the reconvened meeting are deemed to constitute a quorum regardless of the percentage of the shares represented. The shareholders' meetings pass resolutions by the affirmative vote of an absolute majority of those voting shares present or represented at the meeting. The vote required at any shareholders' meeting to approve any of the following actions, however, is a two-thirds majority of the issued shares:

- a change in corporate form, spin-off or merger;
- an amendment of the term of existence, if any, and the early dissolution of the bank;
- a change in corporate domicile;
- a decrease of corporate capital previously approved by the Superintendency of Banks, provided it is not reduced below the legal minimum capital;

- a decrease in the number of directors previously approved by the Superintendency of Banks;
- the approval of contributions and appraisal of properties other than cash, in those cases where it is permitted by the General Banking Act;

Table of Contents

- the amendment of authority of the general shareholders' meeting or the restriction of the authority of the Board of Directors;
- the transfer of 50.0% or more of the corporate assets, regardless of whether it includes liabilities, or the implementation or amendment of any business plan that contemplates the transfer of 50.0% or more of the corporate assets;
 - a change in the manner of distribution of profits established in the by-laws;
 - any non-cash distribution in respect of the shares;
 - the repurchase of shares of stock in the Bank; or
- the approval of material related-party transactions when requested by shareholders representing at least 5.0% of the issued and outstanding shares with right to vote if they determine that the terms and conditions of those transactions are not favorable to the interests of the bank or if two independent assessments of those transactions requested by the Board materially differ from each other.

Shareholders may accumulate their votes for the election of directors and cast all of their votes in favor of one person.

In general, Chilean law does not require a Chilean open stock corporation to provide the level and type of information that U.S. securities laws require a reporting company to provide to its shareholders in connection with a solicitation of proxies. However, shareholders are entitled to examine the books of the bank within the 15-day period before the ordinary annual meeting. Under Chilean law, a notice of a shareholders' meeting listing matters to be addressed at the meeting must be mailed not fewer than 15 days prior to the date of such meeting, and, in cases of an ordinary annual meeting, shareholders holding a prescribed minimum investment must be sent an Annual Report of the bank's activities which includes audited financial statements. Shareholders who do not fall into this category but who request it must also be sent a copy of the bank's Annual Report. In addition to these requirements, we regularly provide, and management currently intends to continue to provide, together with the notice of shareholders' meeting, a proposal for the final annual dividend.

The Chilean Corporations Law provides that whenever shareholders representing 10.0% or more of the issued voting shares so request, a Chilean company's Annual Report must include, in addition to the materials provided by the Board of Directors to shareholders, such shareholders' comments and proposals in relation to the company's affairs. Similarly, the Chilean Corporations Law provides that whenever the Board of Directors of an open stock corporation convenes an ordinary shareholders' meeting and solicits proxies for that meeting, or distributes information supporting its decisions, or other similar material, it is obligated to include as an annex to its Annual Report any pertinent comments and proposals that may have been made by shareholders owning 10.0% or more of the company's voting shares who have requested that such comments and proposals be so included.

Only shareholders registered as such with us on the fifth business day prior to the date of a meeting are entitled to attend and vote their shares. A shareholder may appoint another individual (who need not be a shareholder) as his proxy to attend and vote on his behalf. Every shareholder entitled to attend and vote at a shareholders' meeting has one vote for every share subscribed. Each share represents one vote and there are no special classes of shares with different rights. Our by-laws do not include any condition that is more significant than required by law to change the right of shareholders.

Capitalization

Under Chilean law, the shareholders of a company, acting at an extraordinary shareholders' meeting, have the power to authorize an increase in such company's capital. When an investor subscribes for issued shares, the shares are registered in such investor's name, even if not paid for, and the investor is treated as a shareholder for all purposes except with regard to receipt of dividends and the return of capital, provided that the shareholders may, by amending the by-laws, also grant the right to receive dividends or distributions of capital. The investor becomes eligible to receive dividends and returns of capital once it has paid for the shares (if it has paid for only a portion of such shares, it is entitled to reserve a corresponding pro-rata portion of the dividends declared and/or returns of

Table of Contents

capital with respect to such shares unless the company's by-laws provide otherwise). If an investor does not pay for shares for which it has subscribed on or prior to the date agreed upon for payment, the company is entitled under Chilean law to auction the shares on the stock exchange and collect the difference, if any, between the subscription price and the auction proceeds. However, until such shares are sold at auction, the subscriber continues to exercise all the rights of a shareholder (except the right to receive dividends and return of capital).

Article 22 of the Chilean Corporations Law states that the purchaser of shares of a company implicitly accepts its by-laws and any agreements adopted at shareholders' meetings.

Approval of Financial Statements

Our Board of Directors is required to submit our audited financial statements to the shareholders annually for their approval. The approval or rejection of such financial statements is entirely within our shareholders' discretion. If our shareholders reject our financial statements, our Board of Directors must submit new financial statements not later than 60 days from the date of such rejection. If our shareholders reject our new financial statements, our entire Board of Directors is deemed removed from office and a new Board of Directors is elected at the same meeting. Directors who individually approved such rejected financial statements are disqualified for re-election for the ensuing period.

Registrations and Transfers

We act as our own registrar and transfer agent, as is customary among Chilean companies. In the case of jointly owned shares, an attorney-in-fact must be appointed to represent the joint owners in dealings with us.

Dividend, Liquidation and Appraisal Rights

Under the Chilean Corporations Law, Chilean companies are generally required to distribute at least 30.0% of their earnings as dividends.

In the event of any loss of capital, no dividends can be distributed so long as such loss is not recovered. Also, no dividends of a bank above the legal minimum can be distributed if doing so would result in the bank exceeding its ratio of risk-weighted assets to regulatory capital or total assets.

Dividends that are declared but not paid by the date set for payment at the time of declaration are adjusted from the date set for payment to the date such dividends are actually paid, and they accrue interest.

We may declare a dividend in cash or in shares. When a share dividend is declared above the legal minimum (which minimum must be paid in cash), our shareholders must be given the option to elect to receive cash. Our ADS holders may, in the absence of an effective registration statement under the Securities Act or an available exemption from the registration requirement thereunder, effectively be required to receive a dividend in cash. See "Item 10: B. Memorandum and Articles of Association—Preemptive Rights and Increases of Share Capital." A dividend entitlement lapses after 5 years and the funds go to the Chilean Treasury.

In the event of our liquidation, the holders of fully paid shares would participate equally and pro rata, in proportion to the number of paid-in shares held by them, in the assets available after payment of all creditors. The holders of fully paid shares would not be required to contribute additional capital to the Bank in the event of our liquidation.

In accordance with the General Banking Law, our shareholders do not have appraisal rights.

Ownership Restrictions

Under Article 12 of the Chilean Securities Market Law and the regulations of the Superintendency of Banks, shareholders of open stock corporations are required to report the following to the Superintendency of Securities and Insurance and the Chilean Stock Exchanges:

- any direct or indirect acquisition or sale of shares that results in the holder's acquiring or disposing, directly or indirectly, 10.0% or more of an open stock corporation's share capital; and

Table of Contents

- any direct or indirect acquisition or sale of shares or options to buy or sell shares, in any amount, if made by a holder of 10.0% or more of an open stock corporation's capital or if made by a director, liquidator, main officer, general manager or manager of such corporation.

In addition, majority shareholders must include in their report whether their purpose is to acquire control of the company or if they are making a financial investment. A beneficial owner of ADSs representing 10.0% or more of our share capital will be subject to these reporting requirements under Chilean law.

Under Article 54 of the Chilean Securities Market Law and the regulations of the Superintendency of Securities and Insurance, persons or entities intending to acquire control, directly or indirectly, of an open stock corporation, regardless of the acquisition vehicle or procedure, and including acquisitions made through direct subscriptions or private transactions, are also required to inform the public of such acquisition at least 10 business days before the date on which the transaction is to be completed, but in any case, as soon as negotiations regarding the change of control begin (i.e., when information and documents concerning the target are delivered to the potential acquiror) through a filing with the Superintendency of Securities and Insurance, the stock exchanges and the companies controlled by and that control the target and through a notice published in two Chilean newspapers, which notice must disclose, among other information, the person or entity purchasing or selling and the price and conditions of any negotiations.

Prior to such publication, a written communication to such effect must be sent to the target corporation, to the controlling corporation, to the corporations controlled by the target corporation, to the Superintendency of Securities and Insurance, and to the Chilean stock exchanges on which the securities are listed.

In addition to the foregoing, Article 54A of the Chilean Securities Market Law requires that within two business days of the completion of the transactions pursuant to which a person has acquired control of a publicly traded company, a notice shall be published in the same newspapers in which the notice referred to above was published and notices shall be sent to the same persons mentioned in the preceding paragraphs.

The provisions of the aforementioned articles do not apply whenever the acquisition is being made through a tender or exchange offer.

Title XXV of the Chilean Securities Market Law on tender offers and the regulations of the Superintendency of Securities and Insurance provide that the following transactions must be carried out through a tender offer:

- an offer which allows a person to take control of a publicly traded company, unless (i) the shares are being sold by a controlling shareholder of such company at a price in cash which is not substantially higher than the market price and the shares of such company are actively traded on a stock exchange and (ii) those shares are acquired (a) through a capital increase, (b) as a consequence of a merger, (c) by inheritance or (d) through a forced sale; and
- an offer for a controlling percentage of the shares of a listed company if such person intends to take control of the parent company (whether listed or not) of such listed company, to the extent that the listed company represents 75.0% or more of the consolidated net worth of the parent company.

In addition, Article 69bis of the Companies Law requires that whenever a controlling shareholder acquires two thirds of the voting shares of a listed company, such controlling shareholder must offer to purchase the remaining shares from the non-controlling shareholders in a tender offer.

Article 200 of the Chilean Securities Market Law prohibits any shareholder that has taken control of a publicly traded company to acquire, for a period of 12 months from the date of the transaction in which it gained control of the publicly traded company, a number of shares equal to or greater than 3.0% of the outstanding issued shares of the

target without making a tender offer at a price per share not lower than the price paid at the time of taking control. Should the acquisition from the other shareholders of the company be made on a stock exchange and on a pro rata basis, the controlling shareholder may purchase a higher percentage of shares, if so permitted by the regulations of the stock exchange.

Table of Contents

Title XV of the Chilean Securities Market Law sets forth the basis to determine what constitutes a controlling power, a direct holding and a related party. The Chilean Securities Market Law defines control as the power of a person or group of persons acting (either directly or through other entities or persons) pursuant to a joint action agreement, to direct the majority of the votes at the shareholders' meetings of the corporation, to elect the majority of members of its Board of Directors, or to influence the management of the corporation significantly. Significant influence is deemed to exist in respect of the person or group of persons with an agreement to act jointly that holds, directly or indirectly, at least 25.0% of the voting share capital, unless:

- another person or group of persons acting pursuant to joint action agreement, directly or indirectly, controls a stake equal to or greater than the percentage controlled by such person or group of persons;
- the person or group does not control, directly or indirectly, more than 40.0% of the voting share capital and the percentage controlled is lower than the sum of the shares held by other shareholders holding more than 5.0% of the share capital (either directly or pursuant to a joint action agreement); or
- in cases where the Superintendency of Securities and Insurance has ruled otherwise, based on the distribution or atomization of the overall shareholding.

According to the Chilean Securities Market Law, a joint action agreement is an agreement among two or more parties which, directly or indirectly, own shares in a corporation at the same time and whereby they agree to participate with the same interest in the management of the corporation or in taking control of the same. The law presumes that such an agreement exists between:

- a principal and its agents;
- spouses and relatives within certain degrees of kinship;
- entities within the same business group; and
- an entity and its controller or any of the members of the controller.

Likewise, the Superintendency of Securities and Insurance may determine that a joint action agreement exists between two or more entities considering, among other things, the number of companies in which they participate and the frequency with which they vote identically in the election of directors, appointment of managers and other resolutions passed at extraordinary shareholders' meetings.

According to Article 96 of the Chilean Securities Market Law, a business group is a group of entities with such ties in their ownership, management or credit liabilities that it may be assumed that the economic and financial action of such members is directed by, or subordinated to, the joint interests of the group, or that there are common credit risks in the credits granted to, or in the acquisition of securities issued by, them. According to the Chilean Securities Market Law, the following entities are part of the same business group:

- a company and its controller;
- all the companies with a common controller together with that controller;
- all the entities that the Superintendency of Securities and Insurance declares to be part of the business group due to one or more of the following reasons:

- a substantial part of the assets of the company is involved in the business group, whether as investments in securities, equity rights, loans or guaranties;
- the company has a significant level of indebtedness and the business group has a material participation as a lender or guarantor;
- any member of a group of controlling entities of a company mentioned in the first two bullets above and there are grounds to include it in the business group; or

Table of Contents

- the company is controlled by a member of a group of controlling entities and there are grounds to include it in the business group.

Article 36 of the General Banking Law states that as a matter of public policy, no person or company may acquire, directly or indirectly, more than 10.0% of the shares of a bank without the prior authorization of the Superintendency of Banks, which may not be unreasonably withheld. The prohibition would also apply to beneficial owners of ADSs. In the absence of such authorization, any person or group of persons acting in concert would not be permitted to exercise voting rights with respect to the shares or ADSs acquired. In determining whether or not to issue such an authorization, the Superintendency of Banks considers a number of factors enumerated in the General Banking Law, including the financial stability of the purchasing party.

According to Article 35bis of the General Banking Law, the prior authorization of the Superintendency of Banks is required for:

- the merger of two or more banks;
- the acquisition of all or a substantial portion of a banks' assets and liabilities by another bank;
- the control by the same person, or controlling group, of two or more banks; or
- a substantial increase in the existing control of a bank by a controlling shareholder of that bank.

This prior authorization is only required when the acquiring bank or the resulting group of banks would own a significant market share in loans, defined by the Superintendency of Banks to be more than 15.0% of all loans in the Chilean banking system. The intended purchase, merger or expansion may be denied by the Superintendency of Banks; or, if the acquiring bank or resulting group would own a market share in loans determined to be more than 20.0% of all loans in the Chilean banking system, the purchase, merger, or expansion may be conditioned on one or more of the following:

- the bank or banks maintaining regulatory capital higher than 8.0% and up to 14.0% of risk-weighted assets;
- the technical reserve established in Article 65 of the General Banking Law being applicable when deposits exceed one and a half times the resulting bank's paid-in capital and reserves; or
- the margin for interbank loans be reduced to 20.0% of the resulting bank's regulatory capital.

If the acquiring bank or resulting group would own a market share in loans determined by the Superintendency of Banks to be more than 15% but less than 20%, the authorization will be conditioned on the bank or banks maintaining a regulatory capital not lower than 10% of their risks weighted assets for the period specified by the Superintendency of Banks, which may not be less than one year. The calculation of the risk weighted assets is based on a five category risk classification system applied to a bank's assets that is based on the Basel Committee recommendations.

According to the General Banking Law, a bank may not grant loans to related parties on terms more favorable than those generally offered to non-related parties. Article 84 No. 2 of the General Banking Law and the regulations issued by the Superintendency of Banks creates the presumption that natural persons who are holders of shares and who beneficially own more than 1.0% of the shares are related to the bank and imposes certain restrictions on the amounts and terms of loans made by banks to related parties. This presumption would also apply to beneficial owners of ADSs representing more than 1.0% of the shares. Finally, according to the regulations of the Superintendency of Banks, Chilean banks that issue ADSs are required to inform the Superintendency of Banks if any person, directly or

indirectly, acquires ADSs representing 5.0% or more of the total amount of shares of capital stock issued by such bank.

Article 16bis of the General Banking Law provides that the individuals or legal entities that, individually or with other people, directly control a bank and who individually own more than 10.0% of its shares must send to the Superintendency of Banks reliable information on their financial situation in the form and in the opportunity set forth in Resolution No. 3,156 of the Superintendency of Banks.

Table of Contents

There are no limitations for non-resident or foreign shareholders to hold or exercise voting rights on the securities.

Preemptive Rights and Increases of Share Capital

The Chilean Corporations Law provides that whenever a Chilean company issues new shares for cash, it must offer its existing shareholders the right to purchase a number of shares sufficient to maintain their existing ownership percentages in the company. Pursuant to this requirement, preemptive rights in connection with any future issue of shares will be offered by us to the Depositary as the registered owner of the shares underlying the ADSs. However, the Depositary will not be able to make such preemptive rights available to holders of ADSs unless a registration statement under the Securities Act is effective with respect to the underlying shares or an exemption from the registration requirements thereunder is available.

We intend to evaluate, at the time of any preemptive rights offering, the practicality under Chilean law and Central Bank regulations in effect at the time of making such rights available to our ADS holders, as well as the costs and potential liabilities associated with registration of such rights and the related shares of common stock under the Securities Act, and the indirect benefits to us of thereby enabling the exercise by all or certain holders of ADSs of their preemptive rights and any other factors we consider appropriate at the time, and then to make a decision as to whether to file such registration statement. We cannot assure you that any registration statement would be filed. If we do not file a registration statement and no exemption from the registration requirements under the Securities Act is available, the Depositary will sell such holders' preemptive rights and distribute the proceeds thereof if a premium can be recognized over the cost of such sale. In the event that the Depositary is not able, or determines that it is not feasible, to sell such rights at a premium over the cost of any such sale, all or certain holders of ADSs may receive no value for such rights. Non-U.S. holders of ADSs may be able to exercise their preemptive rights regardless of whether a registration statement is filed. The inability of all or certain holders of ADSs to exercise preemptive rights in respect of shares of common stock underlying such ADSs could result in such holders not maintaining their percentage ownership of the common stock following such preemptive rights offering unless such holder made additional market purchases of ADSs or shares of common stock.

Under Chilean law, preemptive rights are exercisable or freely transferable by shareholders during a period that cannot be less than 30 days following the grant of such rights. During such period, and for an additional 30-day period thereafter, a Chilean corporation is not permitted to offer any unsubscribed shares for sale to third parties on terms which are more favorable than those offered to its shareholders. At the end of such additional 30-day period, a Chilean open stock corporation is authorized to sell unsubscribed shares to third parties on any terms, provided they are sold on a Chilean stock exchange. Unsubscribed shares that are not sold on a Chilean stock exchange can be sold to third parties only on terms no more favorable for the purchaser than those offered to shareholders.

C. Material Contracts

On December 3, 2007, we entered into a long-term contract with Produban for the operation of certain of our systems, providing us with information data processing, technology services and hardware infrastructure to run our core transactional systems. On April 4, 2008, the Superintendency of Bank authorized the transfer of the Bank's data processing center from IBM Chile to Produban, a subsidiary of Banco Santander, S.A. located in Madrid, Spain. This contract also includes an improvement in transactional capacities, services and back-up requirement compared to previous services. We agreed to pay Produban approximately €55 million (US\$77 million) in the next five years. In 2011, we paid Produban Ch\$11,724 million (US\$22,5 million) (Ch\$ 11,225 million in 2010).

On December 30, 2009, Banco Santander Chile sold the building located at calle Bandera N°201 to "IM Trust Administradora General de Fondos para el Fondo de Inversión Privado Inmobiliario Banderas" a private real estate investment fund. The total payment for this transaction amounted to Ch\$11,102 million. The building's book value at

the time of the sale was Ch\$4,030 million, yielding an income of Ch\$7,072 million from the sale, included in other operating income line in the Consolidated Income Statement.

In April 2010, Banco Santander Chile sold 5 offices. At the time of sale, the total accounting value of these assets was Ch\$4,927 million and their selling price was Ch\$11,547 million, generating a Ch\$6,620 million profit.

Table of Contents

In June 2010, Banco Santander Chile sold 11 offices. At the time of sale, the total accounting value of these assets was Ch\$8,138 million and their selling price was Ch\$14,546 million, generating a Ch\$6,408 million profit.

In July 2010, Banco Santander Chile sold a piece of property. At the time of sale, the total accounting value of this good was Ch\$380 million and its selling price was Ch\$376 million, generating a Ch\$4 million loss, included in the other operating expenses line.

In October 2010, Banco Santander Chile tendered the sale of 16 offices. The sale was awarded by Compañía de Seguros CorpSeguros S.A. for Ch\$18,479 million (UF 861,320), which generated an approximate profit for Ch\$10,229 million. Its accounting value was Ch\$8,250 million (UF 387,227). The bill of sale was signed on October 2010.

In November 2010, Banco Santander Chile sold a piece of property. At the time of sale, the total accounting value of this good was Ch\$158 million and its selling price was Ch\$220 million, generating a Ch\$62 million profit.

In December 2010, Banco Santander Chile sold 11 offices. At the time of sale, the total accounting value of these assets was Ch\$4,257 million and their selling price was Ch\$11,934 million, generating a Ch\$7,677 million profit.

In March 2011, Banco Santander Chile sold one office. At the time of sale, its carrying value was Ch\$48 million, its selling price was Ch\$165 million, resulting in a Ch\$117 million profit.

In November 2011, Banco Santander Chile sold six branch offices. The book value of the branches was Ch\$5,504 million, and their selling price was Ch\$13,556 million, resulting in a gain of Ch\$8,052 million.

In December 2011, Banco Santander Chile sold one branch office. The book value of the branch was Ch\$685 million, and its selling price was Ch\$3,609 million, resulting in a gain of Ch\$2,924 million.

D. Exchange Controls

The Central Bank is responsible for, among other things, monetary policies and exchange controls in Chile. Appropriate registration of a foreign investment in Chile grants the investor access to the Formal Exchange Market. See “Item 3: A. Selected Financial Data—Exchange Rates.” Foreign investments can be registered with the Foreign Investment Committee under Decree Law No. 600 or can be registered with the Central Bank under the Central Bank Act. The Central Bank Act is an organic constitutional law requiring a “special majority” vote of the Chilean Congress to be amended. Since April 18, 2001, all exchange controls in Chile have been eliminated.

Previously, Chilean law mandated that holders of shares of Chilean companies that were not residents of Chile register as foreign investors under one of the foreign investment regimes contemplated by Chilean law in order to receive dividends, sale proceeds or other amounts with respect to their shares remitted outside Chile through the Formal Exchange Market. Under the Foreign Investment Contract (as defined herein), the Depositary, on behalf of ADS holders, is granted access to the Formal Exchange Market to convert cash dividends from Chilean pesos to U.S. dollars and to pay such U.S. dollars to ADS holders outside Chile, net of taxes, and no separate registration by ADR holders is required. As of April 19, 2001, the Central Bank deregulated the Exchange Market, eliminating the need to obtain approval from the Central Bank in order to remit dividends, but at the same time eliminating the possibility of guaranteeing access to the Formal Exchange Market. It is important to point out that this does not affect the current Foreign Investment Contract, which was signed prior to April 19, 2001, and still permits access to the Formal Exchange Market based on the prior approval of the Central Bank. Therefore the holders of ADRs of Santander-Chile are still subject to the Foreign Investment Contract, including its clauses referring to the prior exchange rules including the now extinct Chapter XXVI of the Compendium.

On January 3, 2011, Chile's Central Bank announced plans to increase its total international reserves by US\$12 billion in 2011. The Central Bank bought US\$50 million a day from January 5 to December 16 completing the program. We expect the effect of any new similar purchases will be to devalue the peso against the dollar, although actual outcomes could differ due to macroeconomic and other factors. As of April 30, 2012, there have been no further announcements from the Central Bank regarding a new program.

Table of Contents

E. Taxation

The following discussion summarizes certain material Chilean tax and United States federal income tax consequences to beneficial owners arising from the ownership and disposition of our common stock or ADSs. The summary does not purport to be a comprehensive description of all potential Chilean tax and United States federal income tax considerations that may be relevant to a decision to own or dispose of our common stock or ADSs and is not intended as tax advice to any particular investor. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Chile and the United States. There is currently no income tax treaty between the United States and Chile. However, the U.S. government and the government of Chile signed on February 4, 2010 the Proposed 2010 Income Tax Treaty between the United States of America and the Republic of Chile (the “Proposed U.S.-Chile Treaty”), which is now subject to ratification by the U.S. Senate. If the Proposed U.S.-Chile Treaty becomes effective, U.S. investors should consult their tax advisers as to the applicability of the treaty in their particular circumstances.

Material Tax Consequences of Owning Shares of Our Common Stock or ADSs

Chilean Taxation

The following is a summary of certain Chilean tax consequences of the ownership and disposition of shares of our common stock or of ADSs evidenced by ADRs by Foreign Holders (as defined herein). The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to own or dispose of shares of our common stock or ADSs and does not purport to address the tax consequences applicable to all categories of investors, some of whom may be subject to special rules. Holders of shares of our common stock or ADSs are advised to consult their own tax advisers concerning the Chilean and other tax consequences of the ownership and disposition of shares of our common stock or of ADSs evidenced by ADRs.

The description of Chilean tax laws set forth below is based on Chilean laws in force as of the date of this Annual Report and is subject to any changes in such laws occurring after the date of this Annual Report. These changes can be made on a retroactive basis.

For purposes of this summary, the term “Foreign Holder” means either (1) in the case of an individual, a person who is not resident or domiciled in Chile; or (2) in the case of a legal entity, a legal entity that is not domiciled in Chile, unless the shares of our common stock or ADSs are assigned to a branch or a permanent establishment of such entity in Chile. For purposes of Chilean taxation, (a) an individual holder is resident in Chile if he or she has resided in Chile for more than six months in one calendar year, or a total of more than six months in two consecutive fiscal years and (b) an individual is domiciled in Chile if he or she resides in Chile with the actual or presumptive intent of staying in Chile.

Taxation of Dividends

Cash dividends paid by us with respect to shares of our common stock held by a Foreign Holder, including shares represented by ADSs, will be subject to a 35% Chilean withholding tax, which is withheld and paid over by us (the “Withholding Tax”). If we have paid corporate income tax (the “First Category Tax”) on the income from which the dividend is paid, a credit for the First Category Tax effectively reduces the rate of Withholding Tax. When a credit is available, the Withholding Tax is computed by applying the 35% rate to the pre-tax amount needed to fund the dividend and then subtracting from the tentative withholding tax so determined the amount of First Category Tax actually paid on the pre-tax income. For purposes of determining the rate at which First Category Tax was paid, dividends are treated as paid from our oldest retained earnings.

The effective rate of Withholding Tax to be imposed on dividends paid by us will vary depending upon the amount of First Category Tax paid by us on the earnings underlying the dividends. The effective rate for the First Category Tax attributed to earnings generated during the fiscal year 2008, 2009 and 2010 was 17.0%. The rates for 2011, 2012 and 2013 and onwards are 20%, 18.5% and 17%, respectively. However, the government may change the relevant law and set the rate for First Category Tax at 20%. The example below illustrates the effective Chilean Withholding Tax burden on a cash dividend received by a Foreign Holder, assuming a Withholding Tax rate of 35%, an effective First Category Tax rate of 20% and a distribution of all of the net proceeds available after payment of the First Category Tax.

Table of Contents

Taxable income	US\$ 100
First Category Tax (20% of US\$100)	(20)
Net proceeds available	80
Dividend payment	80
Withholding Tax (35% of the sum of the dividend (US\$80) and the available First Category Tax credit (US\$20))	(35)
First Category Tax credit	(20)
Payable Withholding Tax	(15)
Net dividend received	65 (80-15)
Effective dividend withholding tax rate	18.75 % (15/80)

Dividend distributions made in kind would be subject to the same Chilean tax rules as cash dividends. Stock dividends are not subject to Chilean taxation. The distributions of preemptive rights relating to shares of common stock will not be subject to Chilean taxation.

If the Proposed U.S.-Chile Treaty becomes effective, U.S. investors should consult their tax advisers as to the applicability of the treaty in their particular circumstances.

Taxation of Capital Gains

Gain realized on the sale, exchange or other disposition by a Foreign Holder of ADSs will not be subject to Chilean taxation, provided that such disposition occurs outside Chile or that it is performed under the rules of Title XXIV of the Chilean Securities Market Law, as amended by Law No. 19,601, dated January 18, 1999. The deposit and withdrawal of shares of common stock in exchange for ADSs will not be subject to any Chilean taxes.

Gain recognized on a sale or exchange of shares of common stock (as distinguished from sales or exchanges of ADSs representing such shares of common stock) by a Foreign Holder will be subject to both an income tax on capital gains, which is assessed at the same rate as the First Category Tax (currently imposed at a rate of 18.5%) and the Chilean withholding tax (the former being creditable against the latter) if (1) the Foreign Holder has held such shares of common stock for less than one year since exchanging ADSs for the shares of common stock, (2) the Foreign Holder acquired and disposed of the shares of common stock in the ordinary course of its business or as a regular trader of stock or (3) the sale is made to a company in which the Foreign Holder holds an interest. In certain other cases, gain on the disposition of shares of common stock will be subject only to the tax on capital gains (currently imposed at a rate of 17%). The sale of shares of common stock by a Foreign Holder to an individual or entity resident or domiciled in Chile is subject to a provisional withholding. Such a provisional withholding will be equal to (i) 5% of the amount, without any deduction, paid to, credited to or put at the disposal of the Foreign Holder if the transaction is subject to the First Category Tax as sole tax, unless the gain subject to taxation can be determined, in which case the withholding is equal to 17% on the gain, or (ii) 20% of the amount, without any deduction, paid to, credited to or put at the disposal of the Foreign Holder if the transaction is subject to the First Category Tax and the Chilean withholding tax, with a credit of the First Category Tax already paid. For income tax purposes, the capital gain shall be the difference between the sales price and the acquisition cost of the stock. The tax basis of shares of common stock received in exchange for ADSs will be the acquisition value of such shares. The valuation procedure set forth in the deposit agreement, which values shares of common stock that are being exchanged at the highest price at which they trade on the Santiago Stock Exchange on the date of the exchange, generally will determine the acquisition value for this purpose. Consequently, the conversion of ADSs into shares of common stock and sale of such shares of common stock for the value established under the deposit agreement will not generate a capital gain subject to

taxation in Chile.

In the case where ADSs were exchanged for shares and the subsequent sale of the shares is made on a day that is different than the date on which the exchange is recorded, capital gains subject to taxation in Chile may be generated. On October 1, 1999, the Chilean Internal Revenue Service issued Ruling No. 3708 whereby it allowed Chilean issuers of ADSs to amend the deposit agreements to which they are parties in order to include a clause that states that, in the case that the exchanged shares are sold by the ADSs' holder on a Chilean Stock Exchange, either on the same day on which the exchange is recorded in the shareholders' registry of the issuer or within the two prior

150

Table of Contents

business days to such date, the acquisition price of such exchanged shares shall be the price registered in the invoice issued by the stock broker that participated in the sale transaction. Consequently, because we have included this clause in the form of ADRs attached to the deposit agreement, the capital gain that may be generated if the shares received in exchange for ADSs were sold within two days prior to the date on which the exchange is recorded will not be subject to taxation.

The distribution and exercise of preemptive rights relating to the shares of common stock will not be subject to Chilean taxation. Cash amounts received in exchange for the shares or assignment of preemptive rights relating to the shares will be subject to both the First Category Tax and the Chilean withholding tax (the former being creditable against the latter to the extent described above).

In certain cases and provided certain requirements are met, capital gains realized on the sale of actively traded stock of Chilean public companies may be exempt from Chilean income taxes. Our stock is currently considered an actively traded stock in the Santiago Stock Exchange, and Foreign Holders of the stock may qualify for an income tax exemption. Foreign Holders are urged to consult with their own tax advisers to determine whether an exemption applies to them.

If the Proposed U.S.-Chile Treaty becomes effective, it may further restrict the amount of Chilean tax, if any, imposed on gains derived from the sale or exchange of shares of common stock by U.S. residents eligible for the benefits of the treaty. If the Proposed U.S.-Chile Treaty becomes effective, U.S. investors should consult their tax advisers as to the applicability of the treaty in their particular circumstances.

Other Chilean Taxes

No Chilean inheritance, gift or succession taxes apply to the transfer or disposition of the ADSs by a Foreign Holder, but such taxes generally will apply to the transfer at death or by gift of shares of our common stock by a Foreign Holder. No Chilean stamp, issue, registration or similar taxes or duties apply to Foreign Holders of shares or ADSs.

Withholding Tax Certificates

Upon request, we will provide to Foreign Holders appropriate documentation evidencing the payment of Chilean withholding taxes. For further information, the investor should contact: Robert Moreno, rmorenoh@santander.cl.

Dividends payable to holders of ADSs are net of foreign currency conversion expenses of the Depositary and will be subject to the Chilean withholding tax currently at the rate of 35% (subject to credits in certain cases as described above).

U.S. Federal Income Tax Considerations

The following is a discussion of material U.S. federal income tax consequences of owning and disposing of shares of our common stock or ADSs to U.S. holders described below, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to hold such securities. The discussion applies only if you hold shares of our common stock or ADSs as capital assets for U.S. federal income tax purposes and it does not address special classes of holders, such as:

- certain financial institutions;
- insurance companies;

- dealers and traders in securities who use a mark-to-market method of tax accounting;
- persons holding shares or ADSs as part of a hedge, “straddle,” conversion transaction, or integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;

Table of Contents

- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons liable for the alternative minimum tax;
- tax-exempt entities, including “individual retirement accounts” or “Roth IRAs”;
- persons holding shares of our common stock or ADSs that own or are deemed to own ten percent or more of our voting stock;
- persons who acquired shares of our common stock or ADSs pursuant to the exercise of any employee stock option plan or otherwise as compensation; or
- persons whose shares or ADSs are held in connection with a trade or business conducted outside the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns shares of our common stock or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships owning shares of our common stock or ADSs and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of the shares of our common stock or ADSs.

As used herein, a “U.S. holder” is a beneficial owner of shares of our common stock or ADSs that is for U.S. federal tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, a state thereof or the District of Columbia
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. It is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms. Please consult your own tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of shares or ADSs in your particular circumstances.

In general, if you own ADSs, you will be treated as the owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if you exchange ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom American depositary shares are released prior to delivery of shares to the depositary (“pre-release”) or intermediaries in the chain of ownership between U.S. holders of American depositary shares and the issuer of the security underlying the American depositary shares may be taking actions that are inconsistent with the claiming of foreign tax credits for holders of American depositary shares. These

actions would also be inconsistent with the claiming of the reduced rates of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the creditability of Chilean taxes and the availability of the reduced rates for dividends received by certain non-corporate holders, each described below, could be affected by actions that may be taken by such parties or intermediaries.

This discussion assumes that we are not, and will not become, a passive foreign investment company, as described below.

Table of Contents

Taxation of Distributions

Distributions paid on shares of our common stock or ADSs, other than certain pro rata distributions of common shares or rights, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. holders as dividends. Subject to applicable limitations and the discussion above regarding concerns expressed by the U.S. Treasury, under current law, certain dividends paid by “qualified foreign corporations” to certain non-corporate U.S. holders in taxable years beginning before January 1, 2013, will be taxable at reduced rates, up to a maximum rate of 15%. A foreign corporation is treated as a qualified foreign corporation with respect to dividends paid on stock that is readily tradable on a securities market in the United States, such as the NYSE where our ADSs are traded. You should consult your own tax advisers to determine whether the favorable rates may apply to dividends you receive and whether you are subject to any special rules that limit your ability to be taxed at the favorable rates. The amount of the dividend will include any amounts withheld by us or our paying agent in respect of Chilean taxes at the effective rate (after credit for First Category Taxes) as described above under “—Chilean Taxation—Taxation of Dividends.” The amount of the dividend will be treated as foreign-source dividend income to you and will not be eligible for the dividends received deduction generally allowed to U.S. corporations under the Code.

Dividends will be included in your income on the date of your (or in the case of ADSs, the depository’s) receipt of the dividend. The amount of any dividend income paid in Chilean pesos will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, you should not be required to recognize foreign currency gain or loss in respect of the dividend income. You may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Subject to applicable limitations that may vary depending upon your circumstances and the discussion above regarding concerns expressed by the U.S. Treasury, Chilean taxes withheld from cash dividends on shares of our common stock or ADSs, reduced by the credit for any First Category Tax, as described above under “—Chilean Taxation,” generally will be creditable against your U.S. federal income tax liability. If, however, the Proposed U.S.-Chile Treaty becomes effective, any Chilean income taxes withheld from dividends on shares or ADSs in excess of the rate provided by the treaty will not be creditable by a U.S. holder who is eligible for the benefits of the treaty. The rules governing foreign tax credits are complex and you should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits. Instead of claiming a credit, you may, at your election, deduct such Chilean taxes in computing your taxable income, subject to generally applicable limitations under U.S. law.

Sale or Other Disposition of Shares or ADSs

For U.S. federal income tax purposes, gain or loss you realize on the sale or other disposition of shares of our common stock or ADSs generally will be capital gain or loss, and will be long-term capital gain or loss if you held the shares of our common stock or ADSs for more than one year. The amount of your gain or loss will be equal to the difference between your tax basis in the shares of our common stock or ADSs disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. If a Chilean tax is withheld on the sale or disposition of the shares of our common stock or ADSs, your amount realized will include the gross amount of the proceeds of such sale or disposition before deduction of the Chilean tax. See “—Chilean Taxation—Taxation of Capital Gains” for a description of when a disposition may be subject to taxation by Chile. Such gain or loss generally will be U.S.-source gain or loss for foreign tax credit purposes. Consequently, you may not be able to use the credit arising from any Chilean tax imposed on the disposition of shares of our common stock or ADSs unless you have other foreign source income in the appropriate foreign tax credit category. If the Proposed U.S.-Chile Treaty becomes effective, however, a U.S.

holder who is eligible for the benefits of the treaty and whose gain from the sale of shares is not exempt from Chilean tax under such treaty may elect to treat disposition gain that is subject to Chilean tax as foreign source gain and claim a credit in respect of the tax. You should consult your tax advisers as to whether the Chilean tax on gains may be creditable against your U.S. federal income tax on foreign-source income from other sources. Alternatively, instead of claiming a credit, you may elect to deduct otherwise creditable taxes in computing your income, subject to generally applicable limitations under U.S. law.

Table of Contents

Passive Foreign Investment Company Rules

Based on proposed Treasury regulations (“Proposed Regulations”), which are proposed to be effective for taxable years beginning after December 31, 1994, we believe that we were not a “Passive Foreign Investment Company” (“PFIC”) for U.S. federal income tax purposes for the year ended December 31, 2011. However, since the Proposed Regulations may not be finalized in their current form and since PFIC status depends upon the composition of a company’s income and assets and the market value of its assets (including, among others, less than 25 percent owned equity investments) from time to time, there can be no assurance that we will not be a PFIC for any taxable year. If we were a PFIC for any taxable year during which you held an ADS or a share of our common stock, certain adverse tax consequences could apply to you.

If we were a PFIC for any taxable year during which you held shares of our common stock or ADSs, gain recognized by you on a sale or other disposition (including certain pledges) of a share of our common stock or an ADS would generally be allocated ratably over your holding period for the share of our common stock or ADS. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the resulting tax liability for that taxable year. Similar rules would apply to any distribution in respect of shares of our common stock or ADSs that exceeds 125% of the average of the annual distributions on shares of our common stock or ADSs received by you during the preceding three years or your holding period, whichever is shorter. Certain elections (including a mark-to-market election) may be available that would result in alternative treatments of the shares of our common stock or ADSs. In addition, if we were a PFIC for a taxable year in which we pay a dividend or the prior taxable year, the 15% dividend rate discussed above with respect to dividends paid to non-corporate holders would not apply.

If we were to be treated as a PFIC in any taxable year, a U.S. holder may be required to file a report with the Internal Revenue Service containing such information as the Treasury Department may require.

Information Reporting and Backup Withholding

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and may be subject to backup withholding unless (i) you are a corporation or other exempt recipient or (ii), in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding.

The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. holders may be required to report information relating to stock of a non-U.S. person, subject to certain exceptions (including an exception for stock held in custodial accounts maintained by a U.S. financial institution). You should consult your tax advisers regarding any reporting obligations you may have with respect to shares of our common stock or ADSs.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

The documents concerning us which are referred to in this Annual Report may be inspected at our offices at Bandera 140 Santiago, Chile. We are subject to the information reporting requirements of the Exchange Act, except

154

Table of Contents

that, as a foreign issuer, we are not subject to the proxy rules or the short-swing profit and disclosure rules of the Exchange Act. In accordance with these statutory requirements, we file or furnish reports and other information with the SEC. Reports and other information filed or furnished by us with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material may be obtained by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the Public Reference Section by calling the SEC at 1-800-732-0330. The SEC maintains a website on the Internet at <http://www.sec.gov> that contains reports and information statements and other information regarding us. The reports and information statements and other information about us can be downloaded from the SEC's website and can also be inspected and copied at the offices of the NYSE, Inc., 20 Broad Street, New York, New York 10005.

I. Subsidiary Information

Not applicable.

Table of Contents

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Introduction

This section describes the market risks that we are exposed to, the tools and methodology used to control these risks, the portfolios over which these market risk methods were applied and quantitative disclosure that demonstrate the level of exposure to market risk that we are assuming. This section also discloses the derivative instruments that we use to hedge exposures and offer to our clients.

The principal types of risk inherent in Santander-Chile's business are market, liquidity, operational and credit risks. The effectiveness with which we are able to manage the balance between risk and reward is a significant factor in our ability to generate long term, stable earnings growth. Toward that end, our senior management places great emphasis on risk management.

Market Risk

Market risk is the risk of losses due to unexpected changes in interest rates, foreign exchange rates, inflation rates and other rates or prices. We are exposed to market risk mainly as a result of the following activities:

- trading in financial instruments, which exposes us to interest rate and foreign exchange rate risk;
- engaging in banking activities, which subjects us to interest rate risk, since a change in interest rates affected gross interest income, gross interest expense and customer behavior;
- engaging in banking activities, which exposes us to inflation rate risk, since a change in expected inflation affects gross interest income, gross interest expense and customer behavior;
- trading in the local equity market, which subjects us to potential losses caused by fluctuations of the stock market; and
- investing in assets whose returns or accounts are denominated in currencies other than the Chilean peso, which subjects us to foreign exchange risk between the Chilean peso and such other currencies.

Market Risk Exposure Categories

Our policy with respect to asset and liability management is to capitalize on our competitive advantages in treasury operations, maximizing our net interest income and return on assets and equity with a view to interest rate, liquidity and foreign exchange risks, while remaining within the limits provided by Chilean banking regulations. Subject to these constraints, we constantly have mismatched positions with respect to interest rates, inflation-linked assets and liabilities and foreign currencies.

Our asset and liability management policies are developed by the Asset and Liability Committee (the "ALCO") following guidelines and limits established by our Board of Directors, Banco Santander Spain's Global Risk Department and our Market Risk and Control Department. The ALCO is composed of the Chairman of the Board, four additional members of the Board, the Chief Executive Officer, the Manager of the Financial Management Division, the Manager of Market Risk, the Manager of Global Banking and Markets, the Financial Controller and other senior members of management. Senior members of Santander Chile's Finance Division meet monthly on a formal basis with the ALCO and outside consultants. Following guidelines set by Santander Spain, the ALCO is responsible for developing financial strategies and policies regarding our asset and liability structure together with our

Financial Management Division. The aim of the Financial Management Division is to inject stability and recurrence into the net interest income of commercial activities and to ensure that we comply with internal and regulatory limits regarding liquidity, regulatory capital, reserve requirements and market risk. Our Market Risk and Control Department carries out the day-to-day measurements of the risks taken by the ALCO.

The Market Committee is responsible for establishing our policies, strategies, procedures and limits with respect to our trading portfolio in line with the policies of Grupo Santander. The composition of the Market Committee

Table of Contents

includes the Chairman of the Board, three additional members of the Board, the Chief Executive Officer, the Manager of Global Banking and Markets, the Manager of the Treasury Division, the Manager of Proprietary Trading, the Manager of the Financial Management Division, the Manager of Market Risk, the Financial Controller and other senior members of management.

Impact of Inflation

Our assets and liabilities are denominated in Chilean pesos, Unidades de Fomento (UF) and foreign currencies. The Bank no longer recognizes inflation accounting and has eliminated price-level restatement in line with IFRS, but inflation impacts our results of operations as some loan and deposit products are contracted in UF. The UF is revalued in monthly cycles. Each day in the period beginning on the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean Consumer Price Index during the prior calendar month. One UF equaled Ch\$22,294.03 at December 31, 2011, Ch\$ 21,455.55 at December 31, 2010, and Ch\$20,942.88 at December 31, 2009. High levels of inflation in Chile could adversely affect the Chilean economy and could have an adverse effect on our business, financial condition and results of operations. Negative inflation rates also negatively impact our results. In 2011 CPI inflation was 4.4%, 2010, CPI inflation was at 3.0%, compared to a decline of 1.4% in 2009. There can be no assurance that Chilean inflation will not change significantly from the current level. Although we currently benefit from moderate levels of inflation, due to the current structure of our assets and liabilities (i.e., a significant portion of our loans are indexed to the inflation rate, but there are no corresponding features in deposits or other funding sources that would increase the size of our funding base), there can be no assurance that our business, financial condition and result of operations in the future will not be adversely affected by changing levels of inflation. In summary:

- UF-denominated assets and liabilities. In 2011, UF inflation was +3.9% compared to +2.5% in 2010 and -2.4% in 2009. The effect of any changes in the nominal peso value of our UF-denominated interest earning assets and interest bearing liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest income and expense, respectively. Our net interest income will be positively affected by an inflationary environment to the extent that our average UF-denominated interest earning assets exceed our average UF-denominated interest bearing liabilities. Our net interest income will be negatively affected in a deflationary environment if our average UF-denominated interest earning assets exceed our average UF-denominated interest bearing liabilities. Our net interest income will be negatively affected by inflation in any period in which our average UF-denominated interest bearing liabilities exceed our average UF-denominated interest earning assets. Our average UF-denominated interest earning assets exceeded our average UF-denominated interest bearing liabilities by Ch\$3,611,046 million, Ch\$3,171,140 million in 2010 and Ch\$2,689,614 million in 2009. See “Item 5: F. Selected Statistical Information Average Balance Sheets, Income Earned from Interest-Earning Assets And Interest Paid on Interest Bearing Liabilities.” In general, the Bank has more UF-denominated financial assets than UF-denominated financial liabilities. In the year-ended December 31, 2011, the interest earned on interest earning assets denominated in UF increased 30.8% compared to 2010 as a result of the larger gap between UF-denominated average interest-earning assets and UF-denominated average interest bearing liabilities and the increase in UF inflation. The interest paid on these liabilities increased 32.8% in 2011 compared to 2010 and reached Ch\$388,349 during the year ended December 31, 2011.
- Inflation and interest rate hedge. A key component of our asset and liability policy is the management of interest rate risk. The Bank’s assets generally have a longer maturity than our liabilities. As the Bank’s mortgage portfolio grows, the maturity gap tends to rise as these loans, which are contracted in UF, have a longer maturity than the average maturity of our funding base. As most of our long term financial instruments and mortgage loans are contracted in UF and most of our deposits are in nominal pesos, the rise in mortgage lending increases the Bank’s exposure to inflation and to interest rate risk. The size of this gap is limited by internal and regulatory guidelines in

order to avoid excessive potential losses due to strong shifts in interest rates. In order to keep this duration gap below regulatory limits, the Bank issues long term bonds denominated in UF or interest rate swaps. The financial cost of the bonds and the efficient part of these hedges is recorded as net interest income. In 2011, the gain from the swaps taken in order to hedge mainly for inflation and interest rate risk totaled a loss of Ch\$58,775 million compared to a loss of Ch\$2,008 million in 2010 and a gain of Ch\$24,988 million in 2009.

Table of Contents

Inflation sensitive income	As of December 31,			% Change 2011/2010	% Change 2010/2009
	2011	2010	2009		
	(In million of Chilean pesos)				
Interest earned on UF assets(1)	703,286	537,621	224,614	30.8	139.4
Interest paid on UF liabilities(1)	(388,349)	(292,362)	(67,559)	32.8	332.8
Hedging results	(58,775)	(2,008)	24,988	2,827.0	–
Net gain	256,162	243,251	182,043	5.3	33.6

(1) Excludes results from hedging

- Peso-denominated assets and liabilities. Interest rates prevailing in Chile during any period primarily reflect the inflation rate during the period and the expectations of future inflation. The sensitivity of our peso-denominated interest earning assets and interest bearing liabilities to changes to such prevailing rates varies. (See “Item 5: C. Operating Results—Interest Rates”). We maintain a substantial amount of non-interest bearing peso-denominated demand deposits. Because such deposits are not sensitive to inflation, any decline in the rate of inflation would adversely affect our net interest margin on inflation indexed assets funded with such deposits, and any increase in the rate of inflation would increase the net interest margin on such assets. The ratio of the average of such demand deposits and average shareholder’s equity to average interest-earning assets was 27.2%, 27.9% and 25.0% for the years ended December 31, 2011, 2010 and 2009, respectively.

Interest Rate Sensitivity

Interest rates earned and paid on our assets and liabilities reflect, to a certain degree, inflation, expectations regarding inflation, changes in short term interest rates set by the Central Bank and movements in long term real rates. The Central Bank manages short term interest rates based on its objectives of balancing low inflation and economic growth. Because our liabilities are generally re-priced sooner than our assets, changes in the rate of inflation or short term rates in the economy are reflected in the rates of interest paid by us on our liabilities before such changes are reflected in the rates of interest earned by us on our assets. Therefore, when short term interest rates fall, our net interest margin is positively impacted, but when short term rates increase, our interest margin is negatively affected. At the same time, our net interest margin tends to be adversely affected in the short term by a decrease in inflation rates since generally our UF-denominated assets exceed our UF-denominated liabilities. (See “Item 5: C. Operating Results—Impact of Inflation—Peso-denominated assets and liabilities”). An increase in long term rates has a positive effect on our net interest margin, because our interest earning assets generally have longer terms than our interest bearing liabilities. In addition, because our peso-denominated liabilities have relatively short re-pricing periods, they are generally more responsive to changes in inflation or short term rates than our UF-denominated liabilities. As a result, during periods when current inflation or expected inflation exceeds the previous period’s inflation, customers often switch funds from UF-denominated deposits to peso-denominated deposits, which generally bear higher interest rates, thereby adversely affecting our net interest margin.

As of December 31, 2011, the breakdown of maturities of assets and liabilities is as follows:

	On-Demand	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
Interest-earning assets:							
Cash and deposits in banks	2,793,701	-	-	-	-	-	2,793,701

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Unsettled transactions	276,454	-	-	-	-	-	276,454
Trading investments	-	27,909	40,608	272,544	44,857	23,845	409,763
Investment, under resale agreements	-	12,928	-	-	-	-	12,928
Financial derivative contracts	-	63,090	167,558	295,674	684,260	391,314	1,601,896
Interbank loans	36,785	50,903	-	-	-	-	87,688
Loans	492,635	1,510,419	1,277,005	2,653,577	5,697,193	5,716,265	17,347,094
Available for sale investments	-	607,472	190,642	180,451	403,577	279,169	1,661,311
Total Interest-earning assets	3,599,575	2,272,721	1,675,813	3,402,246	6,829,887	6,410,593	24,190,835
Interest-bearing liabilities:							
Deposits and other demand obligations	4,413,815	-	-	-	-	-	4,413,815

Table of Contents

	On-Demand	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
Unsettled transactions	89,486	-	-	-	-	-	89,486
Investments under repurchase agreements	-	463,083	78,712	2,586	-	-	544,381
Time deposits and other time liabilities	105,463	4,415,765	2,509,308	1,496,193	371,736	22,649	8,921,114
Financial derivative contracts	-	64,290	158,204	209,746	513,944	346,218	1,292,402
Interbank borrowings	194,451	7,750	470,749	1,068,014	179,128	-	1,920,092
Issued debt instruments	-	3,788	15	890,086	2,286,059	1,443,291	4,623,239
Other financial liabilities	50,840	761	980	3,497	39,025	81,496	176,599
Total interest-bearing liabilities	4,854,055	4,955,437	3,217,968	3,670,122	3,389,892	1,893,654	21,981,128

The following table sets forth our average daily balance of liabilities for the years ended December 31, 2011, 2010 and 2009, in each case together with the related average nominal interest rates paid thereon.

	2011			2010			2009		
	Average Balance	% of Total Liabilities	Average Nominal Rate	Average Balance	% of Total Liabilities	Average Nominal Rate	Average Balance	% of Total Liabilities	Average Nominal Rate
(millions of Ch\$, except percentages)									
Savings accounts	103,085	0.4 %	3.6 %	102,732	0.5 %	1.2 %	100,294	0.5 %	(1.0 %)
Time deposits	9,107,719	37.7 %	4.9 %	7,482,544	35.9 %	3.0 %	8,355,446	41.8 %	2.8 %
Central Bank borrowings	3,097	0.0 %	6.0 %	304,292	1.5 %	0.5 %	297,346	1.5 %	0.9 %
Repurchase agreements	249,174	1.0 %	3.5 %	196,719	0.9 %	1.2 %	486,000	2.4 %	2.9 %
Mortgage finance bonds	174,224	0.7 %	9.2 %	224,436	1.1 %	7.8 %	301,501	1.5 %	2.8 %
Other interest bearing liabilities	6,128,052	25.4 %	5.2 %	5,126,595	24.6 %	4.5 %	3,909,793	19.6 %	2.5 %
Subtotal interest bearing liabilities	15,765,351	65.2 %	5.1 %	13,437,318	64.5 %	3.5 %	13,450,380	67.3 %	2.6 %
Non-interest bearing									

liabilities

Non-interest
bearing

deposits	3,575,544	14.8 %	3,152,513	15.1 %	2,475,050	12.4 %
Derivatives	1,457,638	6.1 %	1,323,161	6.3 %	1,387,026	6.9 %

Other
non-interest
bearing

liabilities	1,340,699	5.6 %	1,192,374	5.7 %	1,079,516	5.4 %
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Shareholders'

equity	1,994,487	8.3 %	1,752,329	8.4 %	1,599,938	8.0 %
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Subtotal
non-interest
bearing

liabilities	8,368,368	34.8 %	7,420,377	35.5 %	6,541,530	32.7 %
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Total

liabilities	24,133,719	100.0 %	20,857,695	100.0 %	19,991,910	100.0 %
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Foreign Exchange Fluctuations

The Chilean government's economic policies and any future changes in the value of the Chilean peso against the U.S. dollar could adversely affect our financial condition and results of operations. The Chilean peso has been subject to significant devaluation in the past and may be subject to significant fluctuations in the future. In 2011, the Chilean peso in relation to the U.S. dollar depreciated 11.3% compared to a 7.5% appreciation in 2010 and a 19.5% appreciation in 2009. (See "Item 3: A. Selected Financial Data—Exchange Rates.") A significant portion of our assets and liabilities are denominated in foreign currencies, principally the U.S. dollar, and we historically have maintained and may continue to maintain material gaps between the balances of such assets and liabilities. Because such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains and losses realized upon the sale of such assets, are translated to Chilean pesos in preparing our financial statements, our reported income is affected by changes in the value of the Chilean peso relative to foreign currencies (principally the U.S. dollar). The translation gain or loss over assets and liabilities (excluding derivatives held for trading) is included as foreign exchange transactions in the income statement. The translation and mark-to-market of foreign currency derivatives held for trading is recognized as a gain or loss in the net results from mark-to-market and trading.

Table of Contents

The compositions of our assets, liabilities and equity at December 31, 2011, by currency are as follows:

	As of December 31, 2011, Ch\$ million				
	Ch\$ (1)	UF	Ch\$ linked to US\$	US\$	Total
Assets					
Cash and deposits	1,837,088	-	-	956,613	2,793,701
Unsettled transactions	219,469	-	-	56,985	276,454
Trading investments	73,435	336,328	-	-	409,763
Investments under agreements to resell	12,262	666	-	-	12,928
Financial derivative contracts	1,601,896	-	-	-	1,601,896
Interbank loans	-	-	-	87,677	87,677
Loans and receivables from customers	6,561,443	8,729,023	52,789	1,515,382	16,858,637
Available for sale investments	1,568,022	81,651	-	11,638	1,661,311
Investments held to maturity	-	-	-	-	-
Investments in other companies	8,728	-	-	-	8,728
Intangible assets	80,739	-	-	-	80,739
Property, plant and equipment	153,059	-	-	-	153,059
Current taxes	37,253	-	-	-	37,253
Deferred taxes	136,521	-	-	-	136,521
Other assets (2)	301,385	89,739	9,467	149,735	550,326
Total assets	12,591,300	9,237,407	62,256	2,778,030	24,668,993
Liabilities					
Deposits and other sight obligations	3,806,618	179,754	-	427,443	4,413,815
Unsettled transactions	21,681	-	-	67,805	89,486
Investment under agreements to repurchase	447,230	159	-	96,992	544,381
Deposits and other time deposits	5,585,988	2,140,400	-	1,194,726	8,921,114
Financial derivative contracts	1,292,402	-	-	-	1,292,402
Interbank borrowings	-	810	-	1,919,282	1,920,092
Issued debt instruments	254,263	2,707,657	-	1,661,319	4,623,239
Other financial liabilities	156,461	13,167	5,949	1,022	176,599
Current taxes	1,498	-	-	-	1,498
Deferred taxes	5,315	-	-	-	5,315
Provisions	187,557	-	-	-	187,557
Other liabilities (2)	94,796	29,370	2,453	272,358	398,977
Total liabilities	11,853,809	5,071,317	8,402	5,640,947	22,574,475
Equity					
Attributable to Bank Shareholders					
Capital	891,303	-	-	-	891,303
Reserves	51,539	-	-	-	51,539
Valuation adjustment	2,832	-	-	-	2,832
Retained earnings :	1,115,043	-	-	-	1,115,043
Retained earnings of prior periods	833,830	-	-	-	833,830
Net income for the period	401,733	-	-	-	401,733
Minus: Provision for mandatory dividends	(120,520)	-	-	-	(120,520)
Non-controlling interest	33,801	-	-	-	33,801
Total Equity	2,094,518	-	-	-	2,094,518
Total liabilities and equity	13,948,327	5,071,317	8,402	5,640,947	24,668,993

(1) Includes the value of swap instruments and balances of executed transactions which contractually defer the payment of sales transactions or the delivery of foreign currency acquired.

160

Table of Contents

- (2) Other assets and liabilities include the threshold position from derivative contracts.

Liquidity risk management

The Financial Management Division receives information from all the business units on the liquidity profile of their financial assets and liabilities, as well as breakdowns of other projected cash flows stemming from future businesses. On the basis of that information, the Financial Management Division maintains a portfolio of liquid short-term assets, comprised mainly of liquid investments, loans and advances to other banks, to make sure the Bank has sufficient liquidity. The business units' liquidity needs are met through short-term transfers from Financial Management to cover any short-term fluctuations and long-term financing to address all the structural liquidity requirements.

The Bank monitors its liquidity position every day, determining the future flows of its outlays and revenues. In addition, stress tests are performed at the close of each month, for which a variety of scenarios encompassing both normal market conditions and conditions of market fluctuation are used. The liquidity policy and procedures are subject to review and approval by the Bank's Board. Periodic reports are generated by the Market Risk Department, providing a breakdown of the liquidity position of the Bank and its subsidiaries, including any exceptions and the corrective measures adopted, which are regularly submitted to the ALCO for review.

The Bank relies on customer (retail) and institutional deposits, obligations to banks, debt instruments, and time deposits as its main sources of funding. Although most obligations to banks, debt instruments and time deposits mature in over a year, customer (retail) and institutional deposits tend to have shorter maturities and a large proportion of them are payable within 90 days. The short-term nature of these deposits increases the Bank's liquidity risk, and hence, the Bank actively manages this risk by continual supervision of the market trends and price management.

The Bank must comply with regulatory limits imposed by the SBIF and the Central Bank that are the following:

- The sum of the liabilities with a maturity of less than 30 days may not exceed the sum of the assets with a maturity of less than 30 days by more than an amount greater than our capital. This limit must be calculated in local currency and foreign currencies together as one gap. At December 31, 2011 the percentage of (i) our liabilities with a maturity of less than 30 days in excess of our assets with a maturity of less than 30 days to (ii) our capital and reserves was 21%.
- The sum of the liabilities in foreign currency with a maturity of less than 30 days may not exceed the sum of the assets in foreign currency with a maturity of less than 30 days by more than an amount greater than our capital. At December 31, 2011 the percentage of (i) our liabilities with a maturity of less than 30 days in foreign currency in excess of our assets in foreign currency with a maturity of less than 30 days to (ii) our capital and reserves was 17%.
- The sum of the liabilities with a maturity of less than 90 days may not exceed the sum of the assets with a maturity of less than 90 days by more than 2 times our capital. This limit must be calculated in local currency and foreign currencies together as one gap. At December 31, 2011 the percentage of (i) our liabilities with a maturity of less than 90 days in excess of our assets with a maturity of less than 90 days to (ii) our capital and reserves was 53%.

Market risk management

The Bank's internal management of market risk is based chiefly on the procedures and standards of Santander Spain, which are in turn based on analysis of management in three principal components:

- trading portfolio;

- local financial management portfolio;
- foreign financial management portfolio.

Table of Contents

The trading portfolio is comprised chiefly of investments valued at fair market value and free of any restriction on their immediate sale, which are often bought and sold by the Bank with the intention of selling them in the short term to benefit from short-term price fluctuations. The financial management portfolios include all the financial investments not considered to be part of trading portfolio.

The ALCO has the overall responsibility for market risk. The Bank's risk/finance department is responsible for formulating detailed management policies and applying them in the Bank's operations, in conformity with the guidelines adopted by the ALCO and the Banco Santander de España Global Risk Department.

The department's functions in related to trading portfolio imply the following: (i) apply the "Value at Risk" (VaR) techniques to measure the interest rate risk, (ii) adjust the trading portfolios to the market and measure the daily profit and loss from the commercial activities, (iii) compare the real VaR with the established limits, (iv) establish procedures to prevent losses in excess of predetermined limits and (v) furnish information on the trading activities to the ALCO, other members of the Bank's management and the Santander – Spain Global Risk Department.

The department's functions in relation to the financial management portfolios imply the following: (i) perform sensitivity simulations (as is explained below) to measure interest rate risk for the activities in local currency and the potential loss forecast by these simulations and (ii) provide daily reports thereon to the ALCO, other members of the Bank's management, and the Santander – Spain Global Risk Department.

Market risk – management of trading portfolio

The Bank applies VaR methodologies to measure the market risk of its trading portfolio. The Bank has a consolidated commercial position comprised of fixed-income investments and foreign currency trading. This portfolio is comprised mostly of Central Bank of Chile bonds, mortgage bonds, locally issued, low-risk corporate bonds and foreign currencies, mainly US dollars. At the end of the year, the trading portfolio included no stock portfolio investments.

For the Bank, the VaR estimate is made under the historical simulation methodology, which consists of observing the behavior of the profits and losses that would have occurred in the current portfolio if the market conditions for a given historical period had been in force, in order to infer the maximum loss on the basis of that information, with as given degree of confidence. The methodology has the advantage of precisely reflecting the historical distribution of the market variables and not requiring any assumptions regarding the distribution of specific probabilities. All the VaR measures are intended to determine the distribution function for a change in the value of a given portfolio, and once that distribution is known, to calculate the percentile related to the necessary degree of confidence, which will be equal to the value at risk by virtue of those parameters. As calculated by the Bank, the VaR is an estimate of the maximum expected loss of market value for a given portfolio over a 1-day horizon, with a 99.00% confidence level. It is the maximum 1-day loss that the Bank could expect to experience in a given portfolio, with a 99.00% confidence level. In other words, it is the loss that the Bank would expect to experience only 1.0% of the time. The VaR provides a single estimate of market risk which is not comparable from one market risk to another. Returns are calculated through the use of a 2-year time window or at least 520 data points obtained since the last reference date for calculation of the VaR going backward in time.

The Bank uses the VaR estimates to provide a warning when the statistically estimated incurred losses in its trading portfolio would exceed prudent levels, and hence, there are certain predetermined limits.

Limitations of the VaR model

When applying a calculation methodology, no assumptions are made regarding the probability distribution of the changes in the risk factors; the historically observed changes are used for the risk factors on which each position in the

portfolio will be valued.

It is necessary to define a valuation function $f_j(x_i)$ for each instrument j , preferably the same one used to calculate the market value and income of the daily position. This valuation function will be applied in each scenario to generate simulated prices for all the instruments in each scenario.

162

Table of Contents

In addition, the VaR methodology is subject to the following limitations:

- Changes in market rates and prices may not be independent and identically distributed random variables, and may not have a normal distribution; In particular, the assumption of normal distribution may underestimate the probability of extreme market movements;
- The historical data used by the Bank may not provide the best estimate of the joint distribution of changes in the risk factors in the future, and any modification of the data may be inadequate; In particular, the use of historical data may fail to capture the risk of potential extreme and adverse market fluctuations, regardless of the time period used;
- A 1–day time horizon may not fully capture the market risk positions which cannot be liquidated or covered in a single day; It would not be possible to liquidate or cover all the positions in a single day;
- The VaR is calculated at the close of business, but trading positions may change substantially in the course of the trading day;
- The use of a 99% degree of confidence does not take account of, or make any statement about, the losses that could occur outside of that degree of confidence; and
- A model such as the VaR does not capture all the complex effects of the risk factors over the value of the positions or portfolios, and accordingly, it could underestimate potential losses.

At no time in 2011, 2010 and 2009 did the Bank exceed the VaR limits in regard to the 3 components which comprise the trading portfolio: fixed–income investments, variable–income investments and foreign currency investments. The high, low, and average levels for each component and each year below were as follows:

Consolidated	2011	2010	2009
	(in millions of \$US)		
VaR:			
High	11.02	11.18	9.79
Low	2.39	3.53	4.24
Average	6.07	7.25	5.98
Fixed–income investments:			
High	11.18	11.37	9.14
Low	2.54	3.63	4.22
Average	6.09	7.21	5.87
Variable–income investments:			
High	0.23	0.18	1.65
Low	0.00	0.02	0.04
Average	0.07	0.09	0.17
Foreign currency investments			
High	3.87	3.91	7.02
Low	0.09	0.48	0.66
Average	0.9	1.68	2.31

Market risk – local and foreign financial management

The Bank's financial management portfolio includes most of the Bank's non-trading assets and liabilities, including the credit/loan portfolio. For these portfolios, investment and financing decisions are strongly influenced by the Bank's commercial strategies.

The Bank uses a sensitivity analysis to measure the market risk of local and foreign currency (not included in the trading portfolio). The Bank performs a simulation of scenarios, which will be calculated as the difference

Table of Contents

between the present value of the flows in the chosen scenario (a curve with a parallel movement of 100 bp in all its segments) and their value in the base scenario (current market). All the inflation-indexed local currency (UF) positions are adjusted by a sensitivity factor of 0.57, which represents a 57 basis point change in the rate curve for the real rates and a 100 basis point change for the nominal rates. The same scenario is performed for the net foreign currency positions and the interest rates in US dollars. The Bank has also established limits in regard to the maximum loss which these interest rate movements could impose on the capital and net financial income budgeted for the year.

Limitations of the sensitivity models

The most important assumption is the use of a 100 basis point change in the yield curve (57 basis points for the real rates). The Bank uses a 100 basis point change because sudden changes of that magnitude are considered realistic. The Santander Spain Global Risk Department has established comparable limits by country, to be able to compare, monitor and consolidate the market risk by country in a realistic and orderly way. In addition, the sensitivity simulation methodology should be interpreted with consideration for the following limitations:

- The simulation of scenarios assumes that the volumes remain in the Bank's Consolidated General Balance Sheet and are always renewed at maturity, thereby omitting the fact that certain credit risk and prepayment considerations may affect the maturity of certain positions.
- This model assumes an identical change along the entire length of the yield curve and takes no account of the different movements for different maturities.
 - The model takes no account of the sensitivity of volumes which results from interest rate changes.
- The limits to losses of budgeted financial income are calculated on the basis of the financial income foreseen for the year, which may not be actually earned, meaning that the real percentage of financial income at risk may be higher than the expected one.

Market Risk – Financial management portfolio – December 31, 2011, 2010 and 2009

	2011		2010		2009	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
Financial management portfolio – local currency (in millions of \$Ch\$)						
Loss limit	22,380	167,530	37,300	152,300	37,264	127,000
High	19,823	107,745	16,849	126,306	17,711	123,834
Low	590	71,805	2,974	86,573	1,504	95,791
Average	9,053	93,328	10,317	109,133	6,404	107,239
Financial management portfolio – foreign currency (in millions of \$US)						
Loss limit	44.0	44.0	46.0	74.0	46.0	74.0
High	22.8	16.0	25.8	11.9	18.4	17.3
Low	3.0	1.2	0.4	0.3	1.2	1.5
Average	14.1	7.8	14.6	3.1	6.9	11.4

Financial management portfolio –
consolidated (in millions of \$Ch\$)

Loss limit	37,300	167,530	37,300	152,300	37,264	127,000
High	21,149	107,845	20,129	126,309	17,724	123,836
Low	7,032	71,863	7,010	86,575	1,939	96,280
Average	13,004	93,417	12,993	109,156	8,188	107,495

Table of Contents

Market risk –Regulatory method

The following table illustrates our market risk exposure according to the Chilean regulatory method, as of December 31, 2011. This information is sent to the SBIF on a quarterly basis. Our maximum exposure to long-term interest rate fluctuations is set at 35% of regulatory capital and is approved by the board of directors.

Regulatory Market Risk	As of December 31, 2011 (Ch\$ million)
Market risk of trading portfolio (EMR)	
Interest rate risk of trading portfolio	55,895
Foreign currency risk of trading portfolio	3,188
Risk from interest rate options	86,824
Risk from foreign currency options	434
Total market risk of trading portfolio	146,341
10% x Risk-weighted assets	1,865,474
Subtotal	2,011,815
Limit = Regulatory Capital	2,687,016
Available margin	675,201
Non-trading portfolio market risk	
Short-term interest rate risk	42,440
Inflation risk	52,441
Long-term interest rate risk	357,662
Total market risk of non-trading portfolio	452,543
Regulatory limit of exposure to short-term interest rate and inflation risk	
Short-term exposure to interest rate risk	42,440
Exposure to inflation risk	52,441
Limit: 20% of (net interest income + net fee income sensitive to interest rates)	190,935
Available margin	96,054
Regulatory limit of exposure to long-term interest rate risk	
Long-term exposure to interest rate risk	357,662
35% of regulatory capital	940,456
Available margin	582,794

Volume Limits

We have also developed volume limits, which place a cap on the actual size of the different portfolios being monitored.

Fixed Income: Volume Equivalent. This system is considered to be an additional limit to the size of our consolidated fixed income trading portfolio. This measure seeks to conform the different instruments in our fixed income trading portfolio and convert the portfolio into a single instrument with a duration of one year. Santander-Chile limits the size of this volume equivalent portfolio. The equivalent volume is calculated by the Market Risk and Control Department and limits are set by the ALCO with respect to the size of the volume equivalent portfolio.

Net Foreign Currency Trading Position: Maximum Net Position. We also set an absolute limit on the size of Santander-Chile's consolidated net foreign currency trading position, which is equivalent to the maximum differential allowed between assets and liabilities in foreign currencies, including hedging of this gap. At December 31, 2011, this was equal to US\$200 million. This limit in various other currencies is as follows:

165

Table of Contents

Currency	Limit (US\$mn)
U.S. dollars	200
Euros	75
Yen	30
Real	20
Mexican peso	20
Colombian peso	20
Other European currencies	20
Other Latin American currencies	10
Other currencies	5
Total Limit	200

The limit on the size of the net foreign currency position is determined by the ALCO and is calculated and monitored by the Market Risk and Control Department. As of December 31, 2011, the net difference between assets and liabilities in foreign currency was a net liability position of US\$24 million and the average difference between assets and liabilities in foreign currency in 2010 was a net liability position of US\$10 million. Both figures include derivatives used to hedge foreign currency risk. Below is a graph that illustrates the net daily foreign currency position in 2011.

Derivative activities

At December 31, 2011, 2010 and 2009, derivatives are valued at market price on the balance sheet and the net unrealized gain (loss) on derivatives is classified as a separate line item on the income statement. In prior periods, the notional amounts were carried off the balance sheet. Banks must mark to market derivatives. A derivative financial instrument held for trading purposes must be marked to market and the unrealized gain or loss recognized in the income statement. The SBIF recognizes three kinds of hedge accounting: (i) cash flow hedges, (ii) fair value hedges and (iii) hedging of foreign investments.

- When a cash flow hedge exists, the fair value movements on the part of the hedging instrument that is effective are recognized in equity. Any ineffective portion of the fair value movement on the hedging instrument is recognized in the income statement.
- When a fair value hedge exists, the fair value movements on the hedging instrument and the corresponding fair value movements on the hedged item are recognized in the income statement. Hedged items in the balance sheet are presented at their market value.

Table of Contents

- When a hedge of foreign investment exposure exists (i.e. investment in a foreign branch), the fair value movements on the part of the hedging instrument that is effective are recognized in equity. Any ineffective portion of the fair value movement on the hedging instrument is recognized in the income statement.

We classify some of our derivative financial instruments as being held for trading, due to the guidelines from the SBIF. However, substantially all of our derivatives are not actually used for speculative purposes or trading. We use derivatives to hedge our exposure to foreign exchange, interest rate and inflation risks. We had the following derivative financial instruments portfolio as of December 31, 2011, 2010 and 2009:

	As of December 31, 2011			Fair Value	
	Notional amounts			Assets	Liabilities
	Within 3 months	After 3 months but	After one		
		year	year	(in millions of Ch\$)	
Fair value hedge derivative instruments					
Currency forwards	-	-	-	-	-
Interest rate swaps	-	368,885	444,845	22,374	35
Cross currency swaps	30,989	-	277,469	20,498	869
Call currency options	-	-	-	-	-
Call interest rate options	-	-	-	-	-
Put currency options	-	-	-	-	-
Put interest rate options	-	-	-	-	-
Interest rate future	-	-	-	-	-
Other Derivatives	-	-	-	-	-
Subtotal	30,989	368,885	722,314	42,872	904
Cash Flow hedge derivative instruments					
Currency forwards	-	-	-	-	-
Interest rate swaps	-	-	-	-	-
Cross currency swaps	284,875	1,234,882	394,050	94,544	713
Call currency options	-	-	-	-	-
Call interest rate options	-	-	-	-	-
Put currency options	-	-	-	-	-
Put interest rate options	-	-	-	-	-
Interest rate future	-	-	-	-	-
Other Derivatives	-	-	-	-	-
Subtotal	284,875	1,234,882	394,050	94,544	713
Derivative instruments for trading					
Currency forwards	14,305,612	8,473,390	604,935	264,574	217,022
Interest rate swaps	5,527,118	11,459,132	13,716,043	265,084	302,327
Cross currency swaps	1,405,419	2,511,430	10,688,479	934,045	769,203
Call currency options	36,180	23,502	-	740	560
Call interest rate options	5,855	18,773	29,672	68	256
Put currency options	14,416	17,503	-	750	1,017

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Put interest rate options	-	-	-	-	-
Interest rate future	-	-	-	-	-
Other Derivatives	102,084	1,694	-	219	400
Subtotal	21,396,684	22,505,424	25,039,129	1,464,480	1,290,785
Total	21,712,548	24,109,191	26,155,493	1,601,896	1,292,402

167

Table of Contents

	As of December 31, 2010			Fair Value	
	Notional amounts			Assets	Liabilities
	Within 3 months	After 3 months but within one year	After one year		
				(in millions of Ch\$)	
Fair value hedge derivative instruments					
Currency forwards	-	-	-	-	-
Interest rate swaps	-	-	702,306	5,827	6,464
Cross currency swaps	28,090	229,296	387,024	5,296	28,730
Call currency options	-	-	-	-	-
Call interest rate options	-	-	-	-	-
Put currency options	-	-	-	-	-
Put interest rate options	-	-	-	-	-
Interest rate future	-	-	-	-	-
Other Derivatives	-	-	-	-	-
Subtotal	28,090	229,296	1,089,330	11,123	35,194
Cash Flow hedge derivative instruments					
Currency forwards	-	-	-	-	-
Interest rate swaps	-	-	-	-	-
Cross currency swaps	147,872	999,792	379,859	494	120,563
Call currency options	-	-	-	-	-
Call interest rate options	-	-	-	-	-
Put currency options	-	-	-	-	-
Put interest rate options	-	-	-	-	-
Interest rate future	-	-	-	-	-
Other Derivatives	-	-	-	-	-
Subtotal	147,872	999,792	379,859	494	120,563
Derivative instruments for trading					
Currency forwards	10,374,003	6,830,128	792,254	283,722	348,152
Interest rate swaps	2,671,634	7,607,192	13,475,904	204,786	250,812
Cross currency swaps	1,081,609	2,783,653	10,061,745	1,123,547	887,222
Call currency options	20,724	29,247	936	272	233
Call interest rate options	34,076	16,690	59,676	82	1,269
Put currency options	6,364	4,906	-	230	385
Put interest rate options	-	-	-	-	-
Interest rate future	-	-	-	-	-
Other Derivatives	165,208	-	-	122	149
Subtotal	14,353,618	17,271,816	24,390,515	1,612,761	1,488,222
Total	14,529,580	18,500,904	25,859,704	1,624,378	1,643,979

Table of Contents

	As of December 31, 2009			Fair Value	
	Notional amounts			Assets	Liabilities
	Within 3 months	After 3 months but within one year	After one year		
	(in millions of Ch\$)				
Fair value hedge derivative instruments	-	-	-	-	-
Currency forwards	-	-	-	-	-
Interest rate swaps	-	86,963	580,132	2,446	3,794
Cross currency swaps	-	26,079	583,035	16,972	805
Call currency options	-	-	-	-	-
Call interest rate options	-	-	-	-	-
Put currency options	-	-	-	-	-
Put interest rate options	-	-	-	-	-
Interest rate future	-	-	-	-	-
Other Derivatives	-	-	-	-	-
Subtotal	-	113,042	1,163,167	19,418	4,599
Cash Flow hedge derivative instruments					
Currency forwards	-	-	-	-	-
Interest rate swaps	-	-	-	-	-
Cross currency swaps	51,993	582,830	73,551	4,741	52,301
Call currency options	-	-	-	-	-
Call interest rate options	-	-	-	-	-
Put currency options	-	-	-	-	-
Put interest rate options	-	-	-	-	-
Interest rate future	-	-	-	-	-
Other Derivatives	-	-	-	-	-
Subtotal	51,993	582,830	73,551	4,741	52,301
Derivative instruments for trading					
Currency forwards	6,533,147	4,195,874	587,541	199,665	184,112
Interest rate swaps	2,418,161	4,240,574	9,618,573	243,965	330,975
Cross currency swaps	887,942	1,594,972	9,880,693	922,498	772,959
Call currency options	34,341	22,107	-	203	43
Call interest rate options	122	5,189	39,900	281	595
Put currency options	33,198	15,487	-	3,083	3,232
Put interest rate options	-	-	-	-	-
Interest rate future	-	-	-	-	-
Other Derivatives	29,320	-	-	24	90
Subtotal	9,936,231	10,074,203	20,126,707	1,369,719	1,292,006
Total	9,988,224	10,770,075	21,363,425	1,393,878	1,348,906

Table of Contents

Other Subsidiaries

For VaR measurements and scenario simulations, our consolidated trading and consolidated non-trading portfolios do not consolidate the asset liability structure of the following subsidiaries:

- Santander S.A. Corredores de Bolsa
- Santander Asset Management S.A. Administradora General de Fondos
- Santander S.A. Sociedad Securitizadora
- Santander Corredores de Seguros Ltda.
- Santander Servicios de Recaudación y Pagos Ltda.

The balance sheets of these subsidiaries are mainly comprised of non sensitive assets and liabilities, fixed assets and capital and in total only represent 1.2% of our total consolidated assets.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Right

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Our Depositary is JPMorgan Chase Bank, N.A., with its principal executive office located at 270 Park Avenue, New York, NY 10017-2070.

Each ADS represents the right to receive 1,039 shares of Common Stock without par value.

- Fees charged to investors as outlined in the deposit agreement are the following:

Category of Service	Depositary Actions	Associated Fee
(a) Deposit or substituting the underlying shares	Each person to whom ADSs are issued against deposits of shares, including deposits in respect of share distributions, rights and other distributions. 1 Each person surrendering ADRs for the withdrawal of deposited securities.	\$5.00 for each 100 ADSs (or portion thereof) delivered or surrendered.

(b) Receiving or distributing dividends	Distribution of dividends.	\$0.01 per ADS.
(c) Selling or Exercising Rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities.	\$5.00 for each 100 ADSs (or portion thereof).
(d) Withdrawing an underlying security	Acceptance of ADRs surrendered for withdrawal of deposited securities.	\$5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs surrendered.

Table of Contents

Category of Service	Depository Actions	Associated Fee
(d) Expenses of the Depository	<p>Expenses incurred on behalf of holders in connection with:</p> <ul style="list-style-type: none"> i) Stock transfer or other taxes and other governmental charges. ii) Cable, telex and facsimile transmission and delivery. iii) Expenses of the Depository in connection with the conversion of foreign currency into US dollars (which are paid out of such foreign currency). iv) Such fees and expenses as are incurred by the Depository (including without limitation expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in delivery of deposited securities or otherwise in connection with the Depository's or its Custodian's compliance with applicable law, rule or regulation. 	Expenses payable at the sole discretion of the depository.

1 The Depository may sell (by public or private sale) sufficient securities and property received in respect of such share distributions, rights and other distributions prior to such deposit to cover such charge.

Direct and Indirect Payments

The Depository, has agreed to reimburse certain of our reasonable expenses related to our ADR program and incurred by us in connection with the program. Under certain circumstances, including termination of the program, we are required to repay to the Depository amounts reimbursed in prior periods.

The reimbursements include direct payments (legal and accounting fees incurred in connection with preparation of Form 20-F and ongoing SEC compliance and listing requirements, listing fees, investor relations expenses, advertising and public relations expenses and fees payable to service providers for the distribution of hard copy materials to beneficial ADR holders in the Depository Trust Company, such as information related to shareholders' meetings and related voting instruction cards); and indirect payments (third-party expenses paid directly and fees waived).

In 2011, the Depository made direct payments and reimbursements to us in the amount of US\$527,491 for expenses related to investor relations.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2011, the Bank, under the supervision and with the participation of the Bank's management, including its Disclosure Committee, the President, Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(f) under the Exchange Act). There are, as described

Table of Contents

below, inherent limitations to the effectiveness of any control system, including disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, the Bank's Disclosure Committee, the President, Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, concluded that the Bank's disclosure controls and procedures were effective in ensuring that information relating to the Bank, including its consolidated subsidiaries, required to be disclosed in the reports it files under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to the management, including its Disclosure Committee and principal financial officers as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The Bank's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. The Bank's internal control over financial reporting is a process designed by, or under the supervision of, the Bank's principal executive and principal financial officers and effected by the Bank's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS-IASB and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
 - Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS-IASB, and that our receipts and expenditures are being made only in accordance with authorizations of the Bank's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting, no matter how well designed may not prevent or detect misstatements, due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of the Bank's management, including the Disclosure Committee, the President, Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the Enterprise-Wide Risk Management – Integrated Framework.

Based on this assessment, our management concluded that, as of December 31, 2011, our internal control over financial reporting was effective based on those criteria.

Our internal control over financial reporting as of December 31, 2011, has been audited by an independent registered public accounting firm, as stated in their report which follows below.

Changes in Internal Control Over Financial Reporting

There has been no change in the Bank's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Banco Santander Chile

We have audited the internal control over financial reporting of Banco Santander Chile and subsidiaries (the “Bank”) as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Bank’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the consolidated financial statements as of and for the year ended December 31, 2011 of the Bank and our report dated April 23, 2012 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the translation of Chilean peso amounts into U.S. dollar amounts in conformity with the basis stated in Note 1e. and that such U.S. dollar amounts are presented solely for the convenience of readers in

the United States of America.

/s/ Deloitte
Santiago, Chile
April 23, 2012

173

Table of Contents

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that one of the members of our Audit Committee, Víctor Arbulú Crousillat, meets the requirements of an “audit committee financial expert” in accordance with SEC rules and regulations, in that he has an understanding of IFRS-IASB and financial statements, the ability to assess the general application of IFRS-IASB in connection with the accounting for estimates, accruals and reserves, experience analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our consolidated financial statements, an understanding of internal controls over financial reporting, and an understanding of audit committee functions. All three members of our Audit Committee have experience overseeing and assessing the performance of Santander-Chile and its consolidated subsidiaries and our external auditors with respect to the preparation, auditing and evaluation of our consolidated financial statements.

All three members of our Audit Committee are considered to be independent according to applicable NYSE criteria. Víctor Arbulú Crousillat is relying on the exemption provided by Rule 10A-3(b)(1)(iv)(B), which allows an otherwise independent director to serve on both the audit committee of the issuer and the Board of Directors of an affiliate.

ITEM 16B. CODE OF ETHICS

The Bank has adopted a code of ethics that is applicable to all of the Bank’s employees and a copy is included as an exhibit hereto. We will provide to any person without charge, upon request, a copy of our code of ethics. Please email rmorenoh@santander.cl to request a copy. Our code of ethics is available on our website, which does not form part of this annual report on Form 20-F, at www.santander.cl under the heading “Información Corporativa”.

Table of Contents

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Amounts paid to the auditors for statutory audit and other services were as follows:

	2011	2010
	(in millions of Ch\$)	
Audit Fees		
- Statutory audit	325	550
- Audit-related regulatory reporting	148	321
Tax Fees		
- Compliance	–	
- Advisory Services	89	92
All Other Fees	442	183
Total	1,004	1,146

Statutory audit: Consists of fees billed for professional services rendered in connection with the audit of our consolidated financial statements that are provided by Deloitte Auditores y Consultores Limitada in connection with statutory and regulatory filings or engagements, and attest services.

Audit-related regulatory reporting: Consists of fees billed for assurance and related services that were specifically related to the performance of the audit and review of our filings under the Securities Act.

Auditors are pre-approved by the Audit Committee. The selection of external auditors is subject to approval by shareholders at the Annual Shareholders' Meeting. All proposed payments have been presented to our Audit Committee, which has determined that they are reasonable and consistent with internal policies.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In 2010, neither Santander-Chile nor any of its affiliates purchased any of Santander-Chile's equity securities.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Summary Comparison of Corporate Governance Standards and NYSE Listed Company Standards

Our corporate governance standards, dictated by Chilean corporate law, differ from the standards followed by U.S. companies under the New York Stock Exchange (NYSE) listing standards in a number of ways. Consequently, you will not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements. The following is a non-exhaustive summary of a few key differences:

- Whether a company's executive officers may serve as its directors – the NYSE standards do not prohibit a U.S. company's executive officer from also serving as a director, whereas our corporate governance standards prohibits this.

Table of Contents

- Whether the shareholders must be given an opportunity to vote on equity-compensation plans – the NYSE standards require that shareholders be allowed to vote on all equity compensation plans of a U.S. company, whereas our corporate governance standards only require that shareholders be allowed to vote on director compensation.
- The adoption and disclosure of corporate governance guidelines – the NYSE standards require all U.S. companies listed on the NYSE to adopt the NYSE corporate governance guidelines, whereas we follow the corporate governance guidelines established under Chilean law.

As more than 50% of our voting power is held by another company, Banco Santander Spain, we would be permitted to elect for certain exemptions under NYSE corporate governance standards if we were a U.S. company. Specifically, as a U.S. company, we could elect to be exempted from the requirements (i) that we have a majority of independent directors (as defined by the NYSE), (ii) that we have a nominating/corporate governance committee meeting certain conditions, and (iii) that we have a compensation committee meeting certain requirements. Because we would not be required to follow these standards if we were a U.S. company, we have not summarized the differences, if any, between these provisions and our own corporate governance procedures.

Summary of Corporate Governance Standards

Santander-Chile has adopted diverse measures to promote good corporate governance. Among the measures adopted are:

- Board of Directors mainly composed of professionals not related to Banco Santander Spain, our parent company.
 - Active participation of Directors in main committees of the Bank.
- All personnel must subscribe to a code of ethics and good conduct. Those who interact directly with the capital markets must also subscribe to an additional code of conduct.
- Segregation of functions in order to assure adequate management of risks. Commercial areas separated from back office areas. Risk management independent of commercial areas. Main credit decisions taken in committees.
 - Internal Auditing Area clearly independent from the Administration.
- The Bank also has an Internal Compliance Division that oversees the fulfillment of the Bank's codes of conduct.

Santander-Chile has a commitment to transparency. This includes:

- Equal treatment for all shareholders: one share equals to one vote.
- Monthly publication of the Bank's results by the Superintendency of Banks.
- Quarterly report of a detailed analysis of Bank results published by us at least 30 days after the close of each interim quarter and 40 days after close of the full year.
 - Quarterly conference call open to the public.
- All information relevant to the public available immediately on the web page www.santander.cl.

- Ample and periodic coverage of the Bank by international and local stock analysts.
- The Bank has five credit risk ratings by five independent rating agencies, domestic and international.

Table of Contents

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of all financial statements filed as part of this Annual Report.

ITEM 19. EXHIBITS

a) Index to Financial Statements

Review report of independent registered public accounting firm	F-3
Audited consolidated financial statements:	
Consolidated Statements of Financial Position as of December 31, 2011 and 2010	F-4
Consolidated Statements of Income for each of the three years in the period ended December 31, 2011, 2010 and 2009	F-5
Consolidated Statements of Comprehensive Income for each of the three years in the period ended December 31, 2011, 2010 and 2009	F-6
Consolidated Statements of Changes in Equity for each of the three years in the period ended December 31, 2011, 2010 and 2009	F-7
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2011, 2010 and 2009	F-8
Notes to consolidated financial statements	F-9

Table of Contents

b) Index to Exhibits

Exhibit Number	Description
1A.1	Restated Articles of Incorporation of Santander-Chile (Spanish Version) (incorporated by reference to our Registration Statement on Form F-4 (Registration No. 333-100975) filed with the Commission on December 12, 2002).
1A.2	Restated Articles of Incorporation of Santander-Chile (English Version) (incorporated by reference to our Registration Statement on Form F-4 (Registration No. 333-100975) filed with the Commission on December 12, 2002).
1B.1	Amended and Restated By-Laws (estatutos) of Santander-Chile (Spanish Version) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
1B.2	Amended and Restated By-Laws (estatutos) of Santander-Chile (English Version) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
2A.1	Form of Amended and Restated Deposit Agreement, dated August 4, 2008, among Banco Santander-Chile, JPMorgan Chase Bank, N.A. (as depositary) and Holders of American Depositary Receipts (incorporated by reference to our Registration Statement on Form F-6 (Registration No. 333-152664) filed with the Commission on July 31, 2008).
2A.2	Form of Foreign Investment Contract among Banco Santiago, JPMorgan Chase Bank, N.A. and the Central Bank of Chile relating to the foreign exchange treatment of an investment in ADSs (accompanied by an English translation) (incorporated by reference to our Registration Statement on Form F-1 (Registration No. 333-7676) filed with the Commission on October 23, 1997).
2A.3	Copy of the Central Bank Chapter XXVI Regulations Related to the Acquisition of Shares in Chilean Corporations and the Issuance of Instrument on Foreign Stock Exchanges or under Other Terms and Conditions of Issue (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).
2B.1	Agreement for the Issuance of Bonds dated November 26, 1996 between Old Santander-Chile and Banco Security (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).
2B.2	Indenture dated December 9, 2004 between Santander-Chile and Deutsche Bank Trust Company Americas, as trustee, providing for issuance of securities in series (incorporated by reference to Banco Santiago's Annual Report on Form 20-F for the fiscal year ended December 31, 2005 (File No. 1-4554) filed with the Commission on April 12, 2006).
2B.3	Indenture dated March 16, 2001, as amended on May 30, 2003, October 22, 2004, May 3, 2005, and September 20, 2005 between Santander-Chile and Banco de Chile, as trustee, relating to issuance of UF14 million senior notes (copy to be furnished upon request).

- 4A.1 Automatic Teller Machines Participation Agreement dated October 1, 1988 between Banco Español-Chile (predecessor to Old Santander-Chile) and REDBANC (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended

178

Table of Contents

- December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).
- 4A.2 Outsourcing agreement between Banco Santiago and IBM de Chile S.A.C. dated June 30, 2000 (including English summary) (incorporated by reference to Banco Santiago's Annual Report on Form 20-F for the fiscal year ended December 31, 2000 (File No. 1-4554) filed with the Commission on June 28, 2001).
- 4A.3 Systems and Technology Service and Consulting Agreement between Santander-Chile and Altec dated December 30, 2003 (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2003 (File No. 1-14554) filed with the Commission on June 29, 2004).
- 4A.4 Purchase-Sale Contract between Santander-Chile and Empresas Almacenes París dated December 6, 2004 (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2005 (File No. 1-14554) filed with the Commission on June 12, 2006).
- 4A.5 Service Participant operating contract dated August 9, 2005 between Banco Santander-Chile and Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 1-14554) filed with the Commission on June 19, 2007).
- 4A.6 Commercial Pledge Agreement dated February 5, 2007 by Santander-Chile of shares in Administrador Financiero de Transantiago (English Translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 1-14554) filed with the Commission on June 19, 2007).
- 4A.7 Contract for the Outsourcing of Computer Services between Santander-Chile and Produban, Servicios Informáticos Generales, S.L, dated December 3, 2007 (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2007 (File No. 1-14554) filed with the Commission on June 27, 2008).
- 7.1 Statement explaining Calculation of Ratios (incorporated by reference to Old Santander-Chile's Annual Report on Form 20-F for the fiscal year ended December 31, 2000 (File No. 1-13448) filed with the Commission on June 28, 2001).
- 8.1 List of Subsidiaries (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
- 11.1 Code of Conduct for Executive Personnel of Banco Santander-Chile and Subsidiaries (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
- 11.2 Code of Conduct for all Grupo Santander Personnel (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
- 12.1 Section 302 Certification.
- 12.2 Section 302 Certification.
- 12.3 Section 302 Certification.

13.1 Section 906 Certification.

15.1 Consent of Deloitte Auditores y Consultores Limitada.

179

Table of Contents

We will furnish to the Securities and Exchange Commission, upon request, copies of any unfiled instruments that define the rights of holders of long-term debt of Banco Santander-Chile.

180

Table of Contents

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

BANCO
SANTANDER-CHILE

By: /s/ Juan Pedro
Santa María
Name: Juan Pedro
Santa María
Title: General
Counsel

Date: April 30, 2012

Table of Contents

Table of Contents

Index

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	F-4
CONSOLIDATED STATEMENTS OF INCOME	F-5
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	F-6
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	F-7
CONSOLIDATED STATEMENTS OF CASH FLOW	F-8

Notes to the Consolidated Financial Statements

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES	F-10
NOTE 02 - ACCOUNTING CHANGES	F-34
NOTE 03 - SIGNIFICANT EVENTS	F-35
NOTE 04 - BUSINESS SEGMENTS	F-37
NOTE 05 - CASH AND CASH EQUIVALENTS	F-44
NOTE 06 - TRADING INVESTMENTS	F-45
NOTE 07 - INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATIONS UNDER REPURCHASE AGREEMENTS	F-46
NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING	F-49
NOTE 09 - INTERBANK LOANS	F-55
NOTE 10 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS	F-56
NOTE 11 - LOAN PURCHASES, SALES AND SUBSTITUTIONS	F-61
NOTE 12 - AVAILABLE FOR SALE INVESTMENTS	F-63
NOTE 13 - INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES	F-68
NOTE 14 - INTANGIBLE ASSETS	F-70
NOTE 15 - PROPERTY, PLANT, AND EQUIPMENT	F-72
NOTE 16 - CURRENT AND DEFERRED TAXES	F-76
NOTE 17 - OTHER ASSETS	F-79
NOTE 18 - TIME DEPOSITS AND OTHER TIME LIABILITIES	F-80
NOTE 19 - INTERBANK BORROWINGS	F-81
NOTE 20 - ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS	F-83
NOTE 21 - MATURITY OF ASSETS AND LIABILITIES	F-88
NOTE 22 - PROVISIONS	F-90
NOTE 23 - OTHER LIABILITIES	F-92
NOTE 24 - CONTINGENCIES AND COMMITMENTS	F-93
NOTE 25 - EQUITY	F-95
NOTE 26 - CAPITAL REQUIREMENTS (BASEL)	F-99
NOTE 27 - NON CONTROLLING INTEREST	F-101
NOTE 28 - INTEREST INCOME AND EXPENSE	F-104
NOTE 29 - FEES AND COMMISSIONS	F-106
NOTE 30 - NET INCOME FROM FINANCIAL OPERATIONS	F-107
NOTE 31 - NET FOREIGN EXCHANGE PROFIT	F-107
NOTE 32 - PROVISION FOR LOAN LOSSES	F-108
NOTE 33 - PERSONNEL SALARIES AND EXPENSES	F-109

NOTE 34 - ADMINISTRATIVE EXPENSES	F-112
NOTE 35 - DEPRECIATION, AMORTIZATION AND IMPAIRMENT	F-113
NOTE 36 - OTHER OPERATING INCOME AND EXPENSES	F-114
NOTE 37 - TRANSACTIONS WITH RELATED PARTIES	F-116
NOTE 38 - PENSION PLANS	F-121
NOTE 39 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES.	F-124
NOTE 40 - RISK MANAGEMENT	F-128
NOTE 41 - SUBSEQUENT EVENTS	F-139

Table of Contents

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Banco Santander Chile

We have audited the accompanying consolidated statements of financial position of Banco Santander Chile and subsidiaries (the “Bank”) as of December 31, 2011, and 2010, and the corresponding consolidated statements of income, comprehensive income, changes in equity, and cash flow for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Banco Santander Chile and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS-IASB”).

Our audit also comprehended the translation of Chilean peso amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1e. The translation into U.S. dollars has been made solely for the convenience of readers in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the Bank's internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 23, 2012 expressed an unqualified opinion on the Bank’s internal control over financial reporting.

/s/ Deloitte
Santiago, Chile
April 23, 2012

F-3

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
For the periods ending as of December 31, 2011 and 2010

	NOTE	2011 ThUS\$	2011 MCh\$	2010 MCh\$
ASSETS				
		Note 1 e)		
Cash and deposits in banks	5	5,368,888	2,793,701	1,762,198
Cash items in process of collection	5	531,285	276,454	374,368
Trading investments	6	787,476	409,763	379,670
Investments under resale agreements	7	24,845	12,928	170,985
Financial derivative contracts	8	3,078,497	1,601,896	1,624,378
Interbank loans, net	9	168,496	87,677	69,672
Loans and accounts receivable from customers, net	10	32,398,649	16,858,637	15,232,163
Available for sale investments	12	3,192,680	1,661,311	1,473,980
Held to maturity investments	12	-	-	-
Investments in other companies	13	16,773	8,728	7,275
Intangible assets	14	155,163	80,739	77,990
Property, plant and equipment	15	294,146	153,059	154,985
Current taxes	16	71,592	37,253	12,499
Deferred taxes	16	262,364	136,521	100,470
Other assets	17	1,057,608	550,326	650,081
TOTAL ASSETS		47,408,462	24,668,993	22,090,714
LIABILITIES				
Deposits and other demand liabilities	18	8,482,396	4,413,815	4,236,434
Cash items in process of being cleared	5	171,973	89,486	300,125
Obligations under repurchase agreements	7	1,046,182	544,381	294,725
Time deposits and other time liabilities	18	17,144,449	8,921,114	7,258,757
Financial derivative contracts	8	2,483,717	1,292,402	1,643,979
Interbank borrowings	19	3,690,001	1,920,092	1,584,057
Issued debt instruments	20	8,884,864	4,623,239	4,190,888
Other financial liabilities	20	339,385	176,599	166,289
Current taxes	16	2,879	1,498	1,293
Deferred taxes	16	10,214	5,315	5,441
Provisions	22	360,444	187,557	209,421
Other liabilities	23	766,748	398,977	261,328
TOTAL LIABILITIES		43,383,252	22,574,475	20,152,737
EQUITY				
Attributable to Bank shareholders:		3,960,252	2,060,717	1,906,168
Capital	25	1,712,891	891,303	891,303
Reserves	25	99,047	51,539	51,539
Valuation adjustments	25	5,442	2,832	(5,180)

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Retained earnings	25	2,142,872	1,115,043	968,506
Retained earnings of prior years	25	1,602,441	833,830	614,731
Income for the period	25	772,044	401,733	505,393
Minus: Provision for mandatory dividends	25	(231,613)	(120,520)	(151,618)
Non-controlling interest	27	64,958	33,801	31,809
TOTAL EQUITY		4,025,210	2,094,518	1,937,977
TOTAL LIABILITIES AND EQUITY		47,408,462	24,668,993	22,090,714

F-4

Table of ContentsBANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

For the periods ending as of December 31, 2011, 2010 and 2009

	NOTE	2011 ThUS\$	2011 MCh\$	2010 MCh\$	2009 MCh\$
OPERATING INCOME		Note 1 e)			
Interest income	28	3,399,126	1,768,735	1,412,983	1,207,778
Interest expense	28	(1,530,576)	(796,435)	(473,264)	(351,262)
Net interest income		1,868,550	972,300	939,719	856,516
Fee and commission income	29	697,686	363,041	338,183	315,925
Fee and commission expense	29	(163,746)	(85,205)	(74,601)	(61,795)
Net fee and commission income		533,940	277,836	263,582	254,130
Net income from financial operations (net trading income)	30	328,350	170,857	38,755	3,887
Foreign exchange profit (loss), net	31	(147,324)	(76,660)	57,233	163,241
Other operating income	36	36,032	18,749	43,608	25,866
Net operating profit before loan losses		2,619,548	1,363,082	1,342,897	1,303,640
Provision for loan losses	32	(607,547)	(316,137)	(253,915)	(333,145)
NET OPERATING PROFIT		2,012,001	1,046,945	1,088,982	970,495
Personnel salaries and expenses	33	(539,277)	(280,613)	(250,265)	(224,484)
Administrative expenses	34	(320,602)	(166,825)	(147,343)	(136,712)
Depreciation and amortization	35	(102,750)	(53,466)	(49,403)	(46,623)
Impairment	35	(223)	(116)	(4,925)	(75)
Other operating expenses	36	(123,394)	(64,208)	(45,402)	(37,364)
Total operating expenses		(1,086,246)	(565,228)	(497,338)	(445,258)
OPERATING INCOME		925,755	481,717	591,644	525,237
Income from investments in other companies	13	4,113	2,140	1,171	297
Income before tax		929,868	483,857	592,815	525,534
Income tax expense	16	(148,348)	(77,193)	(85,343)	(88,924)

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NET INCOME FOR THE PERIOD		781,520	406,664	507,472	436,610
Attributable to:					
Bank shareholders (Equity holders of the Bank)	-	772,044	401,733	505,393	431,557
Non-controlling interest	27	9,476	4,931	2,079	5,053
Earnings per share attributable to Bank shareholders: (expressed in Chilean pesos and US dollars)					
Basic earnings	25	0.004	2.132	2.682	2.290
Diluted earnings	25	0.004	2.132	2.682	2.290

F-5

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the periods ending as of December 31, 2011, 2010 and 2009

	NOTE	2011 ThUS\$ Note 1 e)	2011 MCh\$	2010 MCh\$	2009 MCh\$
CONSOLIDATED INCOME FOR THE PERIOD		781,520	406,664	507,472	436,610
OTHER COMPREHENSIVE INCOME					
Available for sale investments	12	41,585	21,639	10,708	(9,285)
Cash flow hedge	8	(22,224)	(11,564)	15,120	(14,035)
Other comprehensive income before income tax		19,361	10,075	25,828	(23,320)
Income tax related to other comprehensive income	16	(3,613)	(1,880)	(4,273)	3,964
Total other comprehensive income		15,748	8,195	21,555	(19,356)
CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD		797,268	414,859	529,027	417,254
Attributable to:					
Bank shareholders (Equity holders of the Bank)		787,440	409,745	527,017	412,305
Non-controlling interest	27	9,828	5,114	2,010	4,949

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the periods ending as of December 31, 2011, 2010 and 2009

	RESERVES			VALUATION ADJUSTMENTS			RETAINED EARNINGS			Total attributable to Bank shareholders
	Capital	Reserves and other retained earnings	Merger of companies under common control	Available for sale investments	Cash flow hedge	Income tax	Retained earnings from prior years	Income for the period	Provision for mandatory dividends	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Equity as of December 31, 2008	891,303	53,763	(2,224)	(19,972)	10,873	1,547	241,048	413,370	(97,938)	1,491,770
Distribution of income from previous period	-	-	-	-	-	-	413,370	(413,370)	-	-
Equity as of January 1, 2009	891,303	53,763	(2,224)	(19,972)	10,873	1,547	654,418	-	(97,938)	1,491,770
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-
Dividend distributions / Withdrawals made	-	-	-	-	-	-	(213,295)	-	97,938	(115,357)
Other changes in equity	-	-	-	-	-	-	853	-	-	853
Provisions for mandatory dividends	-	-	-	-	-	-	-	-	(129,467)	(129,467)
Subtotals	-	-	-	-	-	-	(212,442)	-	(31,529)	(243,971)
Other comprehensive income	-	-	-	(9,160)	(14,035)	3,943	-	-	-	(19,252)
Income for the period	-	-	-	-	-	-	-	431,557	-	431,557
Subtotals	-	-	-	(9,160)	(14,035)	3,943	-	431,557	-	412,462
	891,303	53,763	(2,224)	(29,132)	(3,162)	5,490	441,976	431,557	(129,467)	1,660,903

Equity as of December 31, 2009											
Distribution of income from previous period	-	-	-	-	-	-	431,557	(431,557)	-		
Equity as of January 1, 2010	891,303	53,763	(2,224)	(29,132)	(3,162)	5,490	873,533	-	(129,467)	1,660,	
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-	
Dividends distributions / Withdrawals made	-	-	-	-	-	-	(258,752)	-	129,467	(129,2	
Other changes in equity	-	-	-	-	-	-	(50)	-	-	(
Provisions for mandatory dividends	-	-	-	-	-	-	-	-	(151,618)	(151,6	
Subtotals	-	-	-	-	-	-	(258,802)	-	(22,151)	(280,9	
Other comprehensive income	-	-	-	10,791	15,120	(4,287)	-	-	-	21,	
Income for the period	-	-	-	-	-	-	-	505,393	-	505,	
Subtotals	-	-	-	10,791	15,120	(4,287)	-	505,393	-	527,	
Equity as of December 31, 2010	891,303	53,763	(2,224)	(18,341)	11,958	1,203	614,731	505,393	(151,618)	1,906,	
Distribution of income from previous period	-	-	-	-	-	-	505,393	(505,393)	-		
Opening balances as of January 1, 2011	891,303	53,763	(2,224)	(18,341)	11,958	1,203	1,120,124	-	(151,618)	1,906,	
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-	
Dividends distributions / Withdrawals	-	-	-	-	-	-	(286,294)	-	151,618	(134,6	

made

Other changes in equity	-	-	-	-	-	-	-	-	-	-
Provision for mandatory dividends	-	-	-	-	-	-	-	-	(120,520)	(120,520)
Subtotals	-	-	-	-	-	-	(286,294)	-	31,098	(255,196)
Other comprehensive income	-	-	-	21,418	(11,564)	(1,842)	-	-	-	8,012
Income for the period	-	-	-	-	-	-	-	401,733	-	401,733
Subtotals	-	-	-	21,418	(11,564)	(1,842)	-	401,733	-	409,889

Balances as of December 31, 2011	891,303	53,763	(2,224)	3,077	394	(639)	833,830	401,733	(120,520)	2,060,111
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Period	Total attributable to Bank shareholders MCh\$	Allocated to reserves or retained earnings MCh\$	Allocated to Dividends MCh\$	Percentage distributed %	Number of shares	Dividend per share (in pesos)
Year 2010 (Shareholders Meeting April 2011)	505,393	219,099	286,294	56.6478%	188,446,126,794	1.519
Year 2009 (Shareholders Meeting April 2010)	431,557	172,805	258,752	59.9578%	188,446,126,794	1.373

F-7

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
For the periods ending as of December 31, 2011, 2010 and 2009

		December 31,			
	NOTE	2011 ThUS\$	2011 MCh\$	2010 MCh\$	2009 MCh\$
A - CASH FLOWS FROM OPERATING ACTIVITIES		Note 1 e)			
CONSOLIDATED INCOME BEFORE TAX		929,868	483,857	592,815	525,534
Debits (credits) to income that do not represent cash flows		(1,697,763)	(883,431)	(910,920)	(749,673)
Depreciation and amortization	35	102,750	53,466	49,403	46,623
Impairment of property, plan and equipment	35	223	116	4,925	75
Provision for loan losses	32	676,395	351,962	284,394	372,419
Mark to market of trading investments	-	(10,245)	(5,331)	6,940	(29,926)
Income from investments in other companies	13	(4,113)	(2,140)	(1,171)	(297)
Net gain on sale of assets received in lieu of payment	36	(10,818)	(5,629)	(1,556)	(29)
Provisions for assets received in lieu of payment	36	-	-	-	(1,859)
Net gain on sale of property, plant and equipment	36	(22,798)	(11,863)	(31,225)	(7,598)
Charge off of assets received in lieu of payment	36	-	-	-	-
Net interest income	28	(1,868,550)	(972,300)	(939,719)	(856,516)
Net fee and commission income	29	(533,940)	(277,836)	(263,582)	(254,130)
Debits (credits) to income that do not represent cash flows	-	46,470	24,181	(427)	1,591
Changes in assets and liabilities due to deferred taxes	16	(73,137)	(38,057)	(18,902)	(20,026)
Increase/decrease in operating assets and liabilities		3,759,900	1,956,464	254,068	1,547,726
Decrease (Increase) of loans and accounts receivables from customers, net (**)	-	(2,880,719)	(1,498,982)	(1,929,692)	651,095
Decrease (increase) of financial investments	-	(417,842)	(217,424)	778,084	71,538
Decrease due to repurchase agreements (assets)	-	303,751	158,057	156,965	(13,678)
Decrease (Increase) of interbank loans	-	(34,340)	(17,869)	(46,302)	72,129
Decrease of assets received or awarded in lieu of payment	-	98,128	51,061	29,204	7,459
Increase of debits in checking accounts	-	410,155	213,424	553,745	506,557
Increase (decrease) of time deposits and other time liabilities	-	3,175,899	1,652,579	83,500	(2,212,375)
Increase obligations with domestic banks	-	-	-	(26,301)	27,400

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Increase (decrease) of other demand liabilities or time obligations	-	(69,267)	(36,043)	149,155	116,913
Increase (decrease) of obligations with foreign banks	-	646,899	336,614	(436,582)	597,191
Decrease of obligations with Central Bank of Chile	-	(955)	(497)	(543)	(608)
Increase (decrease) due to repurchase agreements (liabilities)	-	479,785	249,656	(819,880)	554,821
Increase (decrease) of other short-term liabilities	-	19,814	10,310	4,992	(9,512)
Net increase of other assets and liabilities	-	(800,183)	(416,375)	(510,652)	(107,254)
Issuance of letters of credit	-	-	-	-	4,506
Redemption of letters of credit	-	(166,709)	(86,747)	(94,281)	(104,979)
Senior bond issuances	-	1,134,333	590,250	1,459,072	749,400
Redemption of senior bonds and payments of interest	-	(544,960)	(283,570)	(225,315)	(256,500)
Issuance of subordinated bonds	-	214,198	111,458	116,871	6,014
Redemption of subordinated bonds and payments of interest	-	(67,030)	(34,879)	(35,613)	(138,708)
Interest received	-	3,434,473	1,787,128	1,384,762	1,579,452
Interest paid	-	(1,562,650)	(813,125)	(516,441)	(719,174)
Dividends received from investments in other companies	13	1,528	795	1,081	833
Fees and commissions received	29	697,686	363,041	338,183	315,925
Fees and commissions paid	29	(163,746)	(85,205)	(74,601)	(61,795)
Income tax paid	16	(148,348)	(77,193)	(85,343)	(88,924)
Net cash flows from (used in) operating activities		2,992,005	1,556,890	(64,037)	1,323,587

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
For the periods ended as of

		December 31,			
	NOTE	2011 ThUS\$	2011 MCh\$	2010 MCh\$	2009 MCh\$
B - CASH FLOWS FROM INVESTMENT ACTIVITIES		Note 1 e)			
Purchases of property, plant, and equipment	15	(51,290)	(26,689)	(19,001)	(11,756)
Sales of property, plant and equipment	15	16,614	8,645	27,317	17,410
Purchases of investments in other companies	13	-	-	(4)	(32)
Sales of investments in other companies	-	-	-	-	209
Purchases of intangible assets	14	(65,439)	(34,051)	(28,331)	(33,960)
Net cash flows used in investment activities		(100,115)	(52,095)	(20,019)	(28,129)
C - CASH FLOWS FROM FINANCING ACTIVITIES					
From shareholders' financing activities	-	(550,195)	(286,294)	(258,752)	(172,407)
Increase of other obligations	-	-	-	-	40,888
Dividends paid	-	(550,195)	(286,294)	(258,752)	(213,295)
From non-controlling interest financing activities	-	(6,000)	(3,122)	(4)	342
Increases of capital	-	-	-	-	5,600
Dividends and/or withdrawals paid	25	(6,000)	(3,122)	(4)	(5,258)
Net cash flows used in financing activities		(556,195)	(289,416)	(258,756)	(172,065)
D – NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	-	2,335,695	1,215,379	(342,812)	1,123,393
E – EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATION	-	(136,737)	(71,151)	(56,865)	64,461
F - INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	-	3,529,242	1,836,441	2,236,118	1,048,264
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	5	5,728,200	2,980,669	1,836,441	2,236,118

(1) Supplemental information:

		As of December 31,			
		2011	2011	2010	2009
Reconciliation of provisions for Consolidated Statements of Cash Flow		2011	2011	2010	2009

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	ThUS\$	MCh\$	MCh\$	MCh\$
Provisions for loan losses for cash flow	676,395	351,962	284,394	372,419
Recovery of loans previously charged off (see Note 32)	(68,848)	(35,825)	(30,479)	(39,274)
Provisions for loan losses for Statements of Income	607,547	316,137	253,915	333,145

F-9

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Corporate Information

Banco Santander Chile (formerly Banco Santiago) is a corporation (sociedad anónima bancaria) organized under the laws of the Republic of Chile, headquartered at Bandera #140, Santiago, that provides a broad range of general banking services to its customers, from individuals to major corporations. Banco Santander Chile and its affiliates (collectively referred to herein as the “Bank” or “Banco Santander Chile”) offer commercial and consumer banking services, as well as other services, including factoring, collection, leasing, securities and insurance brokerage, mutual and investment fund management, and investment banking.

A Special Meeting of Shareholders of Banco Santiago was held on July 18, 2002, the minutes of which were notarized as a public deed on July 19, 2002 at the Notarial Office of Santiago before Notary Nancy de la Fuente Hernández, and it was agreed to merge Banco Santander Chile with Banco Santiago by merging the former into the latter, which acquired the former’s assets and liabilities. It was likewise agreed to dissolve Banco Santander Chile in advance and change the name of Banco Santiago to Banco Santander Chile. This change was authorized by Resolution No.79 of the Superintendency of Banks and Financial Institutions (SBIF), adopted on July 26, 2002, published in the Official Journal on August 1, 2002 and registered on page 19,992 under number 16,346 for the year 2002 in the Registry of Commerce of the Curator of Real Estate of Santiago.

In addition to the amendments to the bylaws discussed above, the bylaws have been amended on multiple occasions, the last time at the Special Shareholders Meeting of April 24, 2007, the minutes of which were notarized as a public deed on May 24, 2007 at the Notarial Office of Nancy de la Fuente Hernández. This amendment was approved pursuant to Resolution No.61 of June 6, 2007 of the Superintendency of Banks and Financial Institutions. An extract thereof and the resolution were published in the Official Journal of June 23, 2007 and registered in the Registry of Commerce for 2007 on page 24,064 under number 17,563 of the aforementioned Curator. By means of this last amendment, Banco Santander Chile, pursuant to its bylaws and as approved by the Superintendency of Banks and Financial Institutions, may also use the names Banco Santander Santiago or Santander Santiago or Banco Santander or Santander.

Banco Santander Spain controls Banco Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones Ltda. and Santander-Chile Holding S.A., which are controlled subsidiaries by Banco Santander Spain. As of December 31, 2011 Banco Santander Spain directly and indirectly owned or controlled 99.5% of Santander-Chile Holding S.A. and 100% of Teatinos Siglo XXI Inversiones Ltda. This gives Banco Santander Spain control over 67.18% of the Bank’s shares (76.91% in 2010). It is important to mention that on December 7, 2011 Teatinos Siglo XXI Inversiones Ltda. sold 7.8% of its share in the Bank, decreasing Banco Santander Spain’s participation.

a) Basis of preparation

These Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

For purposes of these financial statements we use certain terms and conventions. References to “US\$”, “U.S. dollars” and “dollars” are to United States dollars, references to “Chilean pesos,” “pesos” or “Ch\$” are to Chilean pesos and references to “UF” are to Unidades de Fomento. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index (“CPI”) of the Instituto Nacional de Estadísticas (the Chilean National Institute of Statistics) for the previous month.

The UF is revalued in monthly cycles. Each day in the period beginning on the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean Consumer Price Index during the prior calendar month. One UF equaled Ch\$ 21,455.55 as of December 31, 2010 and Ch\$22,294.03 as of December 31, 2011. In 2011, UF inflation was 3.9% compared to 2.5% in 2010. The effect of any changes in the nominal peso value of our UF-denominated interest earning assets and interest bearing liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest income and expense, respectively.

F-10

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

b) Basis of preparation for the Consolidated Financial Statements

The Consolidated Financial Statements include the separate (individual) financial statements of the Bank and the companies that participate in the consolidation as of December 31, 2011 and 2010, and include the adjustments and reclassifications needed to comply with the policies and valuation criteria established by the International Financial Reporting Standards issued by IASB.

Subsidiaries

“Subsidiaries” are defined as entities over which the Bank has the ability to exercise control, which is generally but not exclusively reflected by the direct or indirect ownership of at least 50% of the investee’s voting rights, or even if this percentage is lower or zero when the Bank is granted control pursuant to agreements with the investee’s shareholders. Control is the power to govern the financial and operating policies of an entity, so as to benefit from its activities.

The financial statements of subsidiaries are consolidated with those of the Bank. Accordingly, all the balances and transactions between the consolidated companies are eliminated through the consolidation process.

In addition, third parties’ share in the Consolidated Bank’s equity are presented as “Non controlling interests” in the Consolidated Statement of Financial Position. Their share in the income for the year are presented under “Non controlling interests” in the Consolidated Statement of Income and of Comprehensive Income.

The following companies are considered “Subsidiaries” in which the Bank has the ability to exercise control and are therefore within the scope of consolidation:

Subsidiaries	Percentage Share								
	As of December 31,			2010			2009		
	2011								
	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
	%	%	%	%	%	%	%	%	%
Santander Corredora de Seguros Limitada	99.75	0.01	99.76	99.75	0.01	99.76	99.75	0.01	99.76
Santander S.A. Corredores de Bolsa	50.59	0.41	51.00	50.59	0.41	51.00	50.59	0.41	51.00
Santander Asset Management S.A. Administradora General de Fondos	99.96	0.02	99.98	99.96	0.02	99.98	99.96	0.02	99.98
Santander Agente de Valores Limitada	99.03	-	99.03	99.03	-	99.03	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	99.64	-	99.64	99.64	-	99.64	99.64	-	99.64
	99.90	0.10	100.00	99.90	0.10	100.00	99.90	0.10	100.00

Santander Servicios de
Recaudación y Pagos Limitada

Special Purpose Entities

According to IFRS, the Bank must continuously analyze its scope of consolidation. The key criteria for such analysis is the degree of control held by the Bank over a given entity, not the percentage of ownership interest in such entity's equity.

In particular, as set forth by International Accounting Standard 27 "Consolidated and Separate Financial Statements" (IAS 27) and by the Standing Interpretations Committee 12 "Consolidation – Special Purpose Entities" (SIC 12), issued by the IASB, the Bank must determine the existence of Special Purpose Entities (SPEs), which must be included in its scope of consolidation. The following are the main criteria for SPEs that should be included in the scope of consolidation:

- The SPEs' activities have essentially been conducted on behalf of the company that presents the consolidated financial statements and in response to its specific business needs.
- The necessary decision making authority is held to obtain most of the benefits from these entities' activities, as well as the rights to obtain most of the benefits or other advantages from such entities.
- The entity essentially retains most of the risks inherent to the ownership or residual interest of the SPEs or its assets, for the purpose of obtaining the benefits from its activities.

This assessment is based on methods and procedures which consider the risks and rewards retained by the Bank, for which all the relevant factors, including the guarantees furnished or the losses associated with collection of the related assets retained by the Bank, are taken into account. As a consequence of this assessment, the Bank concluded that it exercised control over the following entities, which are included within the scope of consolidation:

F-11

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

- Santander Gestión de Recaudación y Cobranza Limitada (collection services).
- Multinegocios S.A. (management of sales force).
- Servicios Administrativos y Financieros Limitada (management of sales force).
- Fiscalex Limitada (collection services).
- Multiservicios de Negocios Limitada (call center).
- Bansa Santander S.A. (management of repossessed assets and leasing of properties).

Associates

Associates are those entities over which the Bank exercise significant influence, but not control or joint control, usually because it holds 20% or more of the entity’s voting power. Investments in Associates are accounted for using the “equity method.”

The following companies are considered “Associates” in which the Bank accounts for its participation using the equity method:

Associates	Percent ownership share		
	As of December 31,		
	%	%	%
	2011	2010	2009
Redbank S.A.	33.43	33.43	33.43
Transbank S.A.	32.71	32.71	32.71
Centro de Compensación Automatizado	33.33	33.33	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	29.28	29.28	29.28
Cámara Compensación de Alto Valor S.A.	12.65	12.65	11.52
Administrador Financiero del Transantiago S.A.	20.00	20.00	20.00
Nexus S.A.	12.90	12.90	12.90

In the case of Nexus S.A. and Cámara Compensación de Alto Valor S.A. the Bank has a representative on the Board of Directors. According to this, the Bank has concluded that exerts significant influence over those entities.

Share or rights in other companies

The Bank and its subsidiaries have certain investments in share because they are required to obtain the right to operate according to its line of business the ownership interest in these companies is less than 1%.

c) Non-controlling interest

Non-controlling interest represents the portion of gains and losses and net assets which the Bank does not own, either directly or indirectly. It is presented separately in the Consolidated Statement of Income and of Comprehensive Income, and separately from shareholders equity in the Consolidated Statement of Financial Position.

In the case of Special Purpose Entities (SPEs), 100% of their Income and Equity is presented in Non-controlling interest, since the Bank only has control but not actual ownership thereof.

d) Operating segments

The Bank discloses separate information for each operating segment that:

- i. has been identified;
- ii. exceeds the quantitative thresholds required for a segment.

Operating segments with similar economic characteristics often have a similar long-term financial performance. Two or more segments can be combined only if aggregation is consistent with the basic principles of the International Financial Reporting Standards 8 “Operating Segments” (IFRS 8) and the segments have similar economic characteristics and are similar in each of the following respects:

- i. the nature of the products and services;
- ii. the nature of the production processes;
- iii. the type or class of customers that use their products and services;
- iv. the methods used to distribute their products or services; and
- v. if applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

The Bank reports separately on each operating segment that exceeds any of the following quantitative thresholds:

- i. Its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined internal and external revenue of all operating segments.
- ii. The absolute amount of its reported profit or loss is 10% or more of the greater in absolute amount of: (i) the combined reported profit of all the operating segments that did not report a loss and; (ii) the combined reported loss of all operating segments that reported a loss.
- iii. Its assets represent 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be treated as segments to be reported, in which case the information must be disclosed separately if management believes it would be useful to users of the financial statements.

Information about other business activities and operating segments not separately reported is combined and disclosed in the “Other segments” category.

According to the information presented, the Bank’s segments were determined under the following definitions:

An operating segment is a component of an entity:

- i. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses from transactions with other components of the same entity);
 - ii. whose operating results are regularly reviewed by the entity’s chief executive officer to make decisions about resources allocated to the segment and assess its performance; and
 - iii. For which discrete financial information is available.
- e) Functional and presentation currency

According to International Accounting Standard No 21 “The Effects of Changes in Foreign Exchange Rates” (IAS 21), the Chilean peso, which is the currency of the primary economic environment in which the Bank operates and the currency which influences its costs and revenues structure, has been defined as the Bank’s functional and presentation currency.

Accordingly, all balances and transactions denominated in currencies other than the Chilean Peso are treated as “foreign currency.”

For presentation purposes we had translated million Chilean pesos (MCh\$) into thousand US dollars (ThUS\$) using the rate as indicated in f) below, for the Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income and for the Consolidated Statement of Cash Flow for the

period ended as of December 31, 2011.

f) Foreign currency transactions

The Bank grants loans and accepts deposits in amounts denominated in foreign currencies, mainly the U.S. dollar. Assets and liabilities denominated in foreign currencies and only held by the Bank are translated to Chilean pesos based on the market rate published by Reuters at 1:30 p.m. on the last business day of every month. The rate used was Ch\$520.35 per US\$1 as of December 31, 2011 (Ch\$467.95 per US\$1 as of December 31, 2010). The Subsidiaries record their foreign currency positions at the exchange rate reported by the Central Bank of Chile at the close of operations on the last business day of the month, amounting to Ch\$521.46 per US\$1 as of December 31, 2011 (Ch\$468.04 per US\$1 as of December 31, 2010).

The amounts of net foreign exchange profits and losses include recognition of the effects that exchange rate fluctuations have on assets and liabilities denominated in foreign currencies, and the profits and losses on foreign exchange spot and forward transactions undertaken by the Bank.

g) Definitions and classification of financial instruments

i. Definitions

A “financial instrument” is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

An “equity instrument” is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

A “Financial derivative” is a financial instrument whose value changes in response to the changes in an observable market variable (such as an interest rate, a foreign exchange rate, a financial instrument’s price, or a market index, including credit ratings), whose initial investment is very small compared with other financial instruments having a similar response to changes in market factors, and which is generally settled at a future date.

“Hybrid financial instruments” are contracts that simultaneously include a non-derivative host contract together with a financial derivative, known as an embedded derivative, which is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative.

ii. Classification of financial assets for measurement purposes

The financial assets are initially classified into the various categories used for management and measurement purposes.

Financial assets are included for measurement purposes in one of the following categories:

- Portfolio of trading investments (at fair value through profit and loss): this category includes the financial assets acquired for the purpose of generating profits in the short term from fluctuations in their prices. This category includes the portfolio of trading investments and financial derivative contracts not designated as hedging instruments.
- Available for sale investment portfolio: debt instruments not classified as a) “held-to-maturity investments,” b) “Credit investments (loans and accounts receivable from customers or interbank loans)” or c) “Financial assets at fair value through profit or loss.” Available for sale (AFS) investments are initially recorded at cost, which includes transaction costs. AFS instruments are subsequently measured at fair value, or based on appraisals made with the use of internal models when appropriate. Unrealized gains or losses stemming from changes in fair value are recorded as a debit or credit to Other Comprehensive Income under the heading “Valuation Adjustments” within equity. When these investments are disposed of or become impaired, the cumulative gains or losses previously recognized in Other Comprehensive Income are transferred to the Consolidated Statement of Income under “Net income from financial operations.”
- Held to maturity instruments portfolio: this category includes debt securities traded on an active market, with a fixed maturity, and with fixed or determinable payments, for which the Bank has both the intent and a proven ability to hold to maturity. Held to maturity investments are recorded at their amortized cost plus interest earned less any impairment losses established when their carrying amount exceeds the present value of estimated future cash flows.
-

Credit investments (loans and accounts receivable from customers or interbank loans): this category includes financing granted to third parties, based on their nature, regardless of the class of borrower and the form of financing. Includes loans and accounts receivable from customers, interbank loans, and financial lease transactions in which the Bank acts as lessor.

iii. Classification of financial assets for presentation purposes

Financial assets are classified by their nature into the following line items in the consolidated financial statements:

- Cash and deposits in banks: This line includes cash balances, checking accounts and on-demand deposits with the Central Bank of Chile and other domestic and foreign financial institutions.
- Cash items in process of collection: This item includes the values of executed transactions which contractually defer the payment of purchase-sale transactions or the delivery of the foreign currency acquired.
- Trading investments: This item includes financial instruments held-for-trading and investments in mutual funds which must be adjusted to their fair value in the same way as instruments acquired for trading.
- Investment under resale agreements: This item includes the balances of purchase of financial instruments under resale agreements.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

- Financial derivative contracts: Financial derivative contracts with positive fair values are presented in this item. It includes both independent contracts as well as derivatives that should and can be separated from a host contract, whether they are for trading or hedging, as shown in Note 8 to the Consolidated Financial Statements.
- Trading derivatives: Includes the fair value of derivatives which do not qualify for hedge accounting, including embedded derivatives separated from hybrid financial instruments.
- Hedging derivatives: Includes the fair value of derivatives designated as hedging instruments in hedge accounting, including the embedded derivatives separated from the hybrid financial instruments designated as hedging instruments in hedge accounting.
- Interbank loans: This item includes the balances of transactions with domestic and foreign banks, including the Central Bank of Chile, other than those reflected in the preceding items.
- Loans and accounts receivables from customers: These loans are non-derivative financial assets for which fixed or determined amounts are charged, that are not listed on an active market and which the Bank does not intend to sell immediately or in the short term. When the Bank is the lessor in a lease, and it substantially transfers the risks and benefits incidental to the leased asset, the transaction is presented in loans and accounts receivable from customers.
- Investment instruments: These are classified into two categories; held-to-maturity investments, and available-for-sale investments. The held-to-maturity investment category includes only those instruments for which the Bank has the ability and intent to hold them until their maturity. The remaining investments are treated as available for sale.

iv. Classification of financial liabilities for measurement purposes

The financial liabilities are initially classified into the various categories used for management and measurement purposes.

Financial liabilities are included, for measurement purposes, in one of the following categories:

- Financial liabilities held for trading (at fair value through profit or loss): financial liabilities issued to generate short-term profits from fluctuations in their prices, financial derivatives not deemed to qualify for hedge accounting and financial liabilities arising from firm commitment of financial assets purchased under repurchase agreements or borrowed (“short positions”).
- Financial liabilities at amortized cost: financial liabilities, regardless of their class and maturity, not included in any of the aforementioned categories which arise from the borrowing activities of financial institutions.

v. Classification of financial liabilities for presentation purposes

Financial liabilities are classified by their nature into the following line items in the consolidated financial statements:

- Deposits and other demand liabilities: This item includes all on-demand obligations except for term savings accounts, which are not considered on-demand instruments in view of their special characteristics. Obligations whose payment may be required during the period are deemed to be on-demand obligations. Operations which become callable the day after the closing date are not treated as on-demand obligations.
- Cash items in process of being cleared: This item includes the balances of asset purchases that are not settled on the same day and for sales of foreign currencies not delivered.
- Obligations under repurchase agreements: This item includes the balances of sales of financial instruments under repurchase and loan agreements.
- Time deposits and other demand liabilities: This item shows the balances of deposit transactions in which a term at the end of which they become callable has been stipulated.
- Financial derivative contracts: This item includes financial derivative contracts with negative fair values (i.e. against the Bank), whether they are for trading or hedge accounting, as set forth in Note 8.
- Trading derivatives: Includes the fair value of derivatives which do not qualify for hedge accounting, including embedded derivatives separated from hybrid financial instruments.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

- Hedging derivatives: Includes the fair value of the derivatives designated as hedging instruments, including embedded derivatives separated from hybrid financial instruments and designated as hedging instruments.
- Interbank borrowings: This item includes obligations due to other domestic banks, foreign banks, or the Central Bank of Chile, which were not classified in any of the previous categories.
- Debt instruments issued: This encompasses three items; Obligations under letters of credit, Subordinated bonds and Senior bonds placed in the local and foreign market.
- Other financial liabilities: This item includes credit obligations to persons other than domestic banks, foreign banks, or the Central Bank of Chile, for financing purposes or operations in the normal course of business.

h) Valuation of financial assets and liabilities and recognition of fair value changes

In general, financial assets and liabilities are initially recorded at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. Financial instruments not measured at fair value through profit or loss includes transaction costs. Subsequently, and at the end of each reporting period, they are measured pursuant to the following criteria:

i. Valuation of financial assets

Financial assets are measured according to their fair value, gross of any transaction costs that may be incurred for their sale, except for loans and accounts receivable.

The “fair value” of a financial instrument on a given date is the amount for which it could be bought or sold on that date between knowledgeable, willing parties in an arm’s length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid on an active, transparent, and deep market (“quoted price” or “market price”).

If there is no market price for a given financial instrument, its fair value is estimated based on the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the international financial community, considering the specific features of the instrument to be valued and, particularly, the various classes of risk associated with it.

All derivatives are recorded in the Consolidated Statements of Financial Position at the fair value from their trade date. If their fair value is positive, they are recorded as an asset, and if their fair value is negative, they are recorded as a liability. The fair value on the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price. The changes in fair value of derivatives from the trade date are recorded in “Net income from financial operations” in the Consolidated Statement of Income.

Specifically, the fair value of financial derivatives included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price. If, for exceptional reasons, the quoted price cannot be determined on a given date, the fair value is determined by using similar methods to those used to measure over the counter (OTC) derivatives. The fair value of OTC derivatives is the sum of the future cash flows resulting from the instrument, discounted to present value at the date of valuation (“present value” or “theoretical close”) using valuation techniques commonly used by the financial markets: “net present value” (NPV) and option pricing models, among other methods.

During the 2011, the Bank has completed the recalibration of derivative valuation model. This improvement includes the valuation of Credit Valuation Adjustment (“CVA”), which is incorporated into derivatives valuations to reflect the counterparty credit risk. According to IAS 8 “Accounting Policies: Changes in Accounting Estimates and Errors”, this modification has been treated as a change of an accounting estimate and its effect has been recorded in the current year’s profit and loss.

“Loans and accounts receivable from customers” and “Held-to-maturity investments” are measured at amortized cost using the “effective interest method.” “Amortized cost” is the acquisition cost of a financial asset or liability, plus or minus, as appropriate, prepayments of principal and the cumulative amortization (recorded in the income statement) of the difference between the initial cost and the maturity amount. For financial assets, amortized cost also includes any reductions for impairment or uncollectibility. For loans and accounts receivable designated as hedged items in fair value hedges, the changes in their fair value related to the risk or risks being hedged is recorded in “Net income from financial operations”.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

The “effective interest rate” is the discount rate that exactly matches the initial amount of a financial instrument to all its estimated cash flows over its remaining life. For fixed-rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees and transaction costs that, because of their nature, are a part of the financial return. For floating-rate financial instruments, the effective interest rate coincides with the rate of return prevailing until the next benchmark interest reset date.

Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying assets and are settled by delivery of those instruments are measured at acquisition cost, adjusted, where appropriate, by any related impairment loss.

The amounts at which the financial assets are recorded represent, in all material respects, the Bank’s maximum exposure to credit risk at each reporting date. The Bank has also received collateral and other credit enhancements to mitigate its exposure to credit risk, which consist mainly of mortgage guarantees, equity instruments and personal securities, assets leased out under leasing and rental agreements, assets acquired under repurchase agreements, securities loans and derivatives.

ii. Valuation of financial liabilities

In general, financial liabilities are measured at amortized cost, as defined above, except for those financial liabilities designated as hedged items or hedging instruments and financial liabilities held for trading, which are measured at fair value.

iii. Valuation techniques

Financial instruments at fair value, determined on the basis of price quotations in active markets, include government debt securities, private sector debt securities, equity shares, short positions, and fixed-income securities issued.

In cases where price quotations cannot be observed, Management makes its best estimate of the price that the market would set using its own internal models. In most cases, these models use data based on observable market parameters as significant inputs and, in very specific cases, they use significant inputs not observable in market data. Various techniques are employed to make these estimates, including the extrapolation of observable market data.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, unless the value of the instrument can be obtained from other market transactions performed with the same or similar instruments, or can be measured by using a valuation technique in which the variables used include only observable market data, mainly interest rates.

The main techniques used as of December 31, 2011 and 2010 by the Bank’s internal models to determine the fair value of the financial instruments are as follows:

i.

In the valuation of financial instruments permitting static hedging (mainly “forwards” and “swaps”), the “present value” method is used. Estimated future cash flows are discounted using the interest rate curves of the related currencies. The interest rate curves are generally observable market data.

- ii. In the valuation of financial instruments requiring dynamic hedging (mainly structured options and other structured instruments), the Black-Scholes model is normally used. Where appropriate, observable market inputs are used to obtain factors such as the bid-offer spread, exchange rates, volatility, correlation indexes and market liquidity.
- iii. In the valuation of certain financial instruments exposed to interest rate risk, such as interest rate futures, caps and floors, the present value method (futures) and the Black-Scholes model (plain vanilla options) are used. The main inputs used in these models are observable market data, including the related interest rate curves, volatilities, correlations and exchange rates.

The fair value of the financial instruments arising from the aforementioned internal models considers contractual terms and observable market data, which include interest rates, credit risk, exchange rates, quoted market price of shares, volatility and prepayments, among other things. The valuation models are not significantly subjective, since these methodologies can be adjusted and evaluated, as appropriate, through the internal calculation of fair value and the subsequent comparison with the related actively traded price.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

iv. Recording results

As a general rule, changes in the carrying amount of financial assets and liabilities are recorded in the Consolidated Statement of Income, distinguishing between those arising from the accrual of interest, which are recorded under interest income or interest expense as appropriate, and those arising for other reasons, which are recorded at their net amount under “Net income from financial operations”.

In the case of trading investments, the fair value adjustments, interest income, indexation adjustment and foreign exchange are included in the Consolidated Statement of Income under “Net income from financial operations.”

Adjustments due to changes in fair value from:

- “Available-for-sale instruments” are recorded in Other Comprehensive Income and accumulated under the heading “Valuation adjustments” within Equity.
- When the AFS instruments are disposed of or are determined to be impaired, the cumulative gain or loss previously accumulated as “Valuation Adjustments” is reclassified to the Consolidated Statement of Income.

v. Hedging transactions

The Bank uses financial derivatives for the following purposes:

- i) to sell to customers who request these instruments in the management of their market and credit risks,
- ii) to use these derivatives in the management of the risks of the Bank entities’ own positions and assets and liabilities (“hedging derivatives”), and
- iii) to obtain profits from changes in the price of these derivatives (“trading derivatives”).

All financial derivatives that do not qualify for hedge accounting are accounted for as “trading derivatives.”

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of exposure:
 - a. Changes in the value of assets and liabilities due to fluctuations, among others, in the interest rate and/or exchange rate to which the position or balance to be hedged is subject (“fair value hedge”);
 - b. Changes in the estimated cash flows arising from financial assets and liabilities, commitments and highly probable forecasted transactions (“cash flow hedge”);
 - c. The net investment in a foreign operation (“hedge of a net investment in a foreign operation”).
2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:

- a. At the date of arrangement the hedge is expected, under normal conditions, to be highly effective (“prospective effectiveness”).
 - b. There is sufficient evidence that the hedge was actually effective during the life of the hedged item or position (“retrospective effectiveness”).
3. There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effective hedge was expected to be achieved and measured, provided that this is consistent with the Bank’s management of own risks.

The changes in the value of financial instruments qualifying for hedge accounting are recorded as follows:

- a. In fair value hedges, the gains or losses arising on both hedging instruments and the hedged items (attributable to the type of risk being hedged) are recorded directly in the Consolidated Statement of Income.
- b. In fair value hedges of interest rate risk on a portfolio of financial instruments, gains or losses that arise in measuring hedging instruments are recorded directly in the Consolidated Statement of Income, whereas gains or losses due to changes in fair value of the hedged amount (attributable to the hedged risk) are recorded in the Consolidated Statement of Income with an offset to “Net income from financial operations”.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

c. In cash flow hedges, the effective portion of the change in value of the hedging instrument is recorded in Other Comprehensive Income under the heading “Cash flow hedge” within equity component “Valuation adjustments”, until the forecasted transaction occurs, thereafter being recorded in the Consolidated Statement of Income, unless the forecasted transaction results in the recognition of non-financial assets or liabilities, in which case it is included in the cost of the non-financial asset or liability.

d. The differences in valuation of the hedging instrument corresponding to the ineffective portion of the cash flow hedging transactions are recorded directly in the Consolidated Statement of Income under “Net income from financial operations.”

If a derivative designated as a hedging instrument no longer meets the requirements described above due to expiration, ineffectiveness or for any other reason, the derivative is classified as a “trading derivative.” When “fair value hedging” is discontinued, the fair value adjustments to the carrying amount of the hedged item arising from the hedged risk is amortized to gain or loss from that date.

When cash flow hedges are discontinued, any cumulative gain or loss of the hedging instrument recognized in other comprehensive income under “Valuation adjustments” (from the period when the hedge was effective) remains recorded in equity until the hedged transaction occurs, at which time it is recorded in the Consolidated Statement of Income, unless the transaction is no longer expected to occur, in which case any cumulative gain or loss is recorded immediately in the Consolidated Statement of Income.

vi. Derivatives embedded in hybrid financial instruments

Derivatives embedded in other financial instruments or in other host contracts are accounted for separately as derivatives if their risks and characteristics are not closely related to those of the host contracts, provided that the host contracts are not classified as “Other financial assets (liabilities) at fair value through profit or loss” or as “Portfolio of trading investments.”

vii. Offsetting of financial instruments

Financial asset and liability balances are offset, i.e., reported in the Consolidated Statements of Financial Position at their net amount, only if there is a legally enforceable right to offset the recorded amounts and the Bank intends either to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

viii. Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent and the manner in which the risks and rewards associated with the transferred assets are transferred to third parties:

i. If the Bank transfers substantially all the risks and rewards of ownership to third parties, as in the case of unconditional sales of financial assets, sales under repurchase agreements at fair value at the date of repurchase, sales of financial assets with a purchased call option or written put option deeply out of the money, utilization of

assets in which the transferor does not retain subordinated debt nor grants any credit enhancement to the new holders, and other similar cases, the transferred financial asset is removed from the Consolidated Statements of Financial Position and any rights or obligations retained or created in the transfer are simultaneously recorded.

- ii. If the Bank retains substantially all the risks and rewards of ownership associated with the transferred financial asset, as in the case of sales of financial assets under repurchase agreements at a fixed price or at the sale price plus interest, securities lending agreements under which the borrower undertakes to return the same or similar assets, and other similar cases, the transferred financial asset is not derecognized from the Consolidated Statements of Financial Position and continues to be measured by the same criteria as those used before the transfer. However, the following items are recorded:
 - 1. An associated financial liability for an amount equal to the consideration received. This liability is subsequently measured at amortized cost.
 - 2. Both the income from the transferred (but not removed) financial asset, as well as any expenses incurred on the new financial liability.
- iii. If the Bank neither transfers nor substantially retains all the risks and rewards of ownership associated with the transferred financial asset—as in the case of sales of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases—the following distinction is made:

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

- 1.If the transferor does not retain control of the transferred financial asset: the asset is removed from the Consolidated Statements of Financial Position and any rights or obligations retained or created in the transfer are recorded.
- 2.If the transferor retains control of the transferred financial asset: it continues to be recorded in the Consolidated Statements of Financial Position for an amount equal to its exposure to changes in value and a financial liability associated with the transferred financial asset is recorded. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only removed from the Consolidated Statements of Financial Position when the rights over the cash flows they generate have terminated or when all the inherent risks and rewards of ownership have been substantially transferred to third parties. Similarly, financial liability are only derecognized from the Consolidated Statements of Financial Position when the obligations specified in the contract are discharged or cancelled or expires.

i) Recognizing income and expenses

The most significant criteria used by the Bank to recognize its revenues and expenses are summarized as follows:

i. Interest revenue, interest expense and similar items

Interest revenue and expense are recorded on an accrual basis using the effective interest method.

However, when a given operation or transaction is past due by 90 days or more, when it originated from a refinancing or renegotiation, or when the Bank believes that the debtor poses a high risk of default, the interest and adjustments pertaining to these transactions are not recorded directly in the Consolidated Statement of Income unless they have been actually received.

These interest and adjustments balances are generally referred to as “suspended” and are recorded in suspense accounts which are not part of the Consolidated Statements of Financial Position. Instead, they are reported as part of the complementary information thereto (Note 28). This interest is recognized as income, when collected, as a reversal of the related impairment losses.

Dividends received from companies classified as “Investments in other companies” are recorded as income when the right to receive them arises.

ii. Commissions, fees, and similar items

Fee and commission income and expenses are recognized in the Consolidated Statement of Income using criteria that vary according to their nature. The main criteria are:

- Fee and commission income and expenses relating to financial assets and liabilities measured at fair value through profit or loss are recognized when paid.
- Those arising from transactions or services that are performed over a period of time are recognized over the life of these transactions or services.
- Those relating to services provided in a single act are recognized when the single act is performed.

iii. Non-finance income and expenses

These are recognized for accounting purposes on an accrual basis.

iv. Loan arrangement fees

Fees that arise as a result of the origination of a loan, mainly application and analysis-related fees, are accrued and recorded in the Consolidated Statement of Income over the term of the loan. Regarding fees arising as a result of opening products, the Bank immediately records within the Consolidated Statements of Income the portion that corresponds to direct costs related to loan origination.

j) Impairment

i. Financial assets

A financial asset, other than that a fair value through profit and loss, is evaluated on each financial statement reporting date to determine whether objective evidence of impairment exists.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

A financial asset or group of financial assets will be impaired if, and only if, objective evidence of impairment exists as a result of one or more events that occurred after the initial recognition of the asset (“event causing the loss”), and this event or events have an impact on the estimated future cash flows of a financial asset or group of financial assets.

An impairment loss relating to financial assets recorded at amortized cost is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

An impairment loss relating to a financial asset available for sale is calculated based on a significant or prolonged decline in its fair value. All impairment losses are recorded in income. Any cumulative loss relating to a financial asset available for sale previously recorded in equity is transferred to profit or loss as a reclassification adjustment.

Individually significant financial assets are individually tested to determine their impairment. The remaining financial assets are evaluated collectively in groups that share similar credit risk characteristics.

The reversal of an impairment loss occurs only if it can be objectively related to an event occurring after the initial impairment loss was recorded. In the case of financial assets recorded at amortized cost and for the financial assets available for sale that are securities for sale, the reversal is recorded in income, in the case of available for sale securities, up to the limit of the initially recorded other-than temporary impairment.

ii. Non-financial assets

The Bank’s non-financial assets, excluding investment properties, are reviewed at reporting date to determine whether they show signs of impairment (i.e. its carrying amount exceeds its recoverable amount). If such evidence exists, the amount to be recovered from the assets is then estimated.

In connection with other assets, impairment losses recorded in prior periods are assessed at each reporting date in search of any indication that the loss has decreased or disappeared and should be reversed. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognized for the asset in prior years.

k) Property, plant and equipment

This category includes buildings, land, furniture, vehicles, computer hardware and other fixtures owned by the consolidated entities or acquired under finance leases. Assets are classified according to their use as follows:

i. Property, plant and equipment for own use

Property, plant and equipment for own use (including, among other things, tangible assets received by the consolidated entities in full or partial satisfaction of financial assets representing accounts receivable from third parties which are intended to be held for continuing own use and tangible assets acquired under finance leases) are accounted at acquisition cost less the related accumulated depreciation and, if applicable, any impairment losses (net carrying amount higher than recoverable amount).

The acquisition cost of awarded assets is equivalent to the net amount of the financial assets surrendered in exchange for its award.

The Bank and its subsidiaries elected to measure certain items of property, plant and equipment at the date of transition to IFRS both at their fair value and at their previous GAAP revalued amount and use that fair value and that previous GAAP revalued amount as their deemed cost at that date in accordance with paragraphs D5 and D6 of IFRS 1. Accordingly, the price-level restatement applied until December 31, 2007 was not reversed.

Depreciation is calculated using the straight line method over the acquisition cost of assets less their residual value, assuming that the land on which buildings and other structures stand has an indefinite life and, therefore, is not subject to depreciation.

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

The Bank must apply the following useful lives for the tangible assets that comprise its assets:

ITEM	Useful Life (Months)
Land	-
Paintings and works of art	-
Assets retired for disposal	-
Carpets and curtains	36
Computers and hardware	36
Vehicles	36
Computational systems and software	36
ATM's	60
Machines and equipment in general	60
Office furniture	60
Telephone and communication systems	60
Security systems	60
Rights over telephone lines	60
Air conditioning systems	84
Installations in general	120
Security systems (acquisitions up to October 2002)	120
Buildings	1,200

The consolidated entities assess at each reporting date whether there is any indication that the carrying amount of any of their tangible assets' exceeds its recoverable amount. If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life, if the useful life needs to be revised.

Similarly, if there is an indication of a recovery in the value of a tangible asset, the consolidated entities record the reversal of the impairment loss recorded in prior periods and adjust the future depreciation charges accordingly. In no circumstance may the reversal of an impairment loss on an asset increase its carrying amount above the one it would have had if no impairment losses had been recorded in prior years.

The estimated useful lives of the items of property, plant and equipment held for own use are reviewed at least at the end of each reporting period to detect significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recorded in the Consolidated Statement of Income in future years on the basis of the new useful lives.

Maintenance expenses relating to tangible assets (property, plant and equipment) held for own use are recorded as an expense in the period in which they are incurred.

ii. Assets leased out under operating leases

The criteria used to record the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives, and to record the impairment losses thereof, are consistent with those described in relation to property, plant and equipment held for own use.

l) Leasing

i. Finance leases

Finance leases are leases that substantially transfer all the risks and rewards incidental to ownership of the leased asset to the lessee.

When the consolidated entities act as the lessor of an asset, the sum of the present value of the lease payments receivable from the lessee plus the guaranteed residual value, which is generally the exercise price of the lessee's purchase option at the end of the lease term, is recognized as loans to third parties and is therefore included under "Loans and accounts receivable from customers" in the Consolidated Statements of Financial Position.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

When the consolidated entities act as lessees, they show the cost of the leased assets in the Consolidated Statements of Financial Position based on the nature of the leased asset, and simultaneously record a liability for the same amount (which is the lower of the fair value of the leased asset and the sum of the present value of the lease payments payable to the lessor plus, if appropriate, the exercise of the purchase option). The depreciation policy for these assets is consistent with that for property, plant and equipment for own use.

In both cases, the finance income and finance expenses arising from these contracts are credited and debited, respectively, to “Interest income” and “Interest expense” in the Consolidated Statement of Income so as to achieve a constant rate of return over the lease term.

ii. Operating leases

In operating leases, ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When the consolidated entities act as the lessor, they present the acquisition cost of the leased assets under “Property, plant and equipment”. The depreciation policy for these assets is consistent with that for similar items of property, plant and equipment held for own use and revenues from operating leases is recorded on a straight line basis under “Other operating income” in the Consolidated Statement of Income.

When the consolidated entities act as the lessees, the lease expenses, including any incentives granted by the lessor, are charged on a straight line basis to “Administrative expenses” in the Consolidated Statement of Income.

iii. Sale and leaseback transactions

For sale at fair value and operating leasebacks, the gain or loss generated is recorded at the time of sale. In the case of finance leasebacks, the gain or loss generated is amortized over the lease term.

m) Factored receivables

Factored receivables are valued at the amount disbursed by the Bank in exchange for invoices or other commercial instruments representing the credit which the transferor assigns to the Bank. The price difference between the amounts disbursed and the actual face value of the credits is recorded as interest income in the Consolidated Statement of Income through the effective interest method over the financing period.

When the assignment of these instruments involves no liability for the assignor, the Bank assumes the risks of insolvency of the parties responsible for payment.

n) Intangible assets

Intangible assets are identified as non-monetary assets (separately identifiable from other assets) without physical substance which arise as a result of a legal transaction (contractual terms) or are developed internally by the

consolidated entities. They are assets whose cost can be estimated reliably and from which the consolidated entities have control and consider it probable that future economic benefits will be generated.

Intangible assets are recorded initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

Internally developed computer software

Internally developed computer software is recorded as an intangible asset if, among other requirements (basically the Bank's ability to use or sell it), it can be identified and its ability to generate future economic benefits can be demonstrated. The estimated useful life for software is 3 years.

Intangible assets are amortized on a straight-line basis over their estimated useful life.

Expenditure on research activities is recorded as an expense in the year in which it is incurred and cannot be subsequently capitalized.

F-23

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

o) Cash and cash equivalents

For the preparation of the cash flow statement, the indirect method was used, beginning with the Bank's consolidated pre-tax income and incorporating non-cash transactions, as well as income and expenses associated with cash flows, which are classified as investment or financing activities.

For the preparation of the cash flow statement, the following items are considered:

- i. Cash flows: Inflows and outflows of cash and cash equivalents, such as deposits with the Central Bank of Chile, deposits in domestic banks, and deposits in foreign banks
- ii. Operating activities: Principal revenue-producing activities performed by banks and other activities that cannot be classified as investing or financing activities.
- iii. Investing activities: The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- iv. Financing activities: Activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

p) Allowances for loan losses

The Bank records allowances for loan losses in accordance with its internal models. These internal models for rating and evaluating credit risk were approved by the Bank's Board of Directors.

The Bank has developed models to determine allowances for loan losses according to the type of portfolio or operations. Loans and accounts receivables from customers are divided into three categories:

- i. Consumer loans,
- ii. Mortgage loans, and
- iii. Commercial loans.

The specialization of the Santander Bank's risk function is based on the type of customer and, accordingly, a distinction is made between individualized customers that are individually evaluated and standardized customers, evaluated in groups in the risk management process.

The models used to determine allowances are described below:

Allowances for individual evaluations on commercial loans

An individual assessment of debtors is necessary in the case of companies which, due to their size, complexity or level of exposure regarding the entity, must be known and analyzed in detail. The risk factors used are: industry or sector of the borrower, owners or managers of the borrower, their financial situation and payment capacity, and payment behavior.

The Bank assigns one of the following risk categories to each loan and borrower:

- i. Classifications A1, A2 and A3, correspond to borrowers with no apparent credit risk.
- ii. Classification B corresponds to borrowers with some credit risk but no apparent deterioration of payment capacity.
- iii. Classifications C1, C2, C3, C4, D1 and D2 correspond to borrowers whose loans have deteriorated.

For loans classified as A1, A2, A3 and B, we assign a specific provision level on an individual basis to each borrower and, therefore, the amount of loan loss allowance is determined on a case-by-case basis. All commercial loans for companies, including leasing and factoring, have been individually rated. In determining provisions, we make a distinction between debtors and deteriorated debtors.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

Borrowers with insufficient payment capacity in foreseeable circumstances are classified under C1, C2, C3, C4, D1, and D2 categories. These categories relate to a classification based on the level of estimated incurred loss of commercial loans and leasing transactions of the customer’s business as a whole, quantified according to the methodology used by the Bank.

For purposes of determining allowance amounts, the percentage associated with the estimated incurred loss rate is applied to the total credit.

Allowances for group evaluations

Banco Santander Chile used group analysis for determining the provisioning levels for certain types of loans. These models are intended to be used primarily to analyze loans to individuals (including consumer loans, lines of credit, mortgage loans and commercial loans to individuals) and commercial loans, primarily to small and some mid-sized companies. Allowances are determined using these models to determine a historical loss rate by segment and risk profile of each group of clients.

The provisioning models for consumer loans separate these loans in four groups, each with its own model:

- New clients, not renegotiated
- Old clients, not renegotiated
- New clients, renegotiated
- Old clients, renegotiated

Each consumer model is separated by risk profile which is based on a scorecard statistical model that establishes a relation through regressions between various variables, such as payment behavior in the Bank, payment behavior outside the Bank, various socio-demographic data, among others, and a response variable that determines a client’s risk level, which in this case is 90 days non-performance. Once the scorecards have been determined, risk profiles are established that are statistically significant with similar estimated incurred loss levels or charge-off vintage.

The estimated incurred loss rates for consumer loans corresponds to charge-offs net of recoveries. This methodology establishes the period in which the estimated incurred loss is maximized. Once this period is obtained, it is applied to each risk profile of each model to obtain the net charge-off level associated with this period.

For group evaluation of commercial loans the industry or sector of the borrower, owners or managers of the borrower, the borrower’s financial situation, its payment capacity and payment behavior are used as the main variables for determining the risk profile. For group evaluation of mortgage loans we consider the borrower’s credit history, including any defaults on obligations to other creditors, as well as the overdue periods on the loans borrowed from us. The estimated incurred loss rates are then determined using historical averages and other statistical estimates depending on the segment and loan product.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

Charge-offs

Charge-offs refers to derecognition in the Consolidated Statements of Financial Position of assets corresponding to a loan. This includes a portion of a loan that might not be past due in the case of a loan paid in installments or in a leasing operation (no partial charges offs).

Charge-offs are always recorded with a charge to credit risk allowances. Any payments received on the charged-off accounts will be recorded on the Consolidated Statements of Income as recovery of loans charged-off.

Loan and accounts receivable charge-offs are recorded on overdue, past due, and current installments based on the past due deadlines presented below.

Type of loan	Term
Consumer loans with or without real guarantees	6 months
Other transactions without real guarantees	24 months
Consumer loans with real guarantees	36 months
	48 months
Mortgage loans	months
Consumer leasing	6 months
Other non mortgage leasing transactions	12 months
Mortgage leasing (household and business)	36 months

Recovery of loans previously charged off and accounts receivable from clients

Recovery of previously charged off loans and account receivable from clients are recorded in the Consolidated Statements of Income as a reduction of provision for loan losses.

q) Provisions, contingent assets, and contingent liabilities

Provisions are liabilities of uncertain timing or amount. Provisions are recognized in the Consolidated Statements of Financial Position when the Bank:

- i. Has a present obligation (legal or constructive) as a result of past events, and
- ii.

It is probable that an outflow of resources will be required to settle these obligations and the amount of these resources can be reliably measured.

Contingent assets or contingent liabilities are any potential rights or obligations arising from past events whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Bank.

The following are classified as contingent in the supplementary information:

- i. Guarantees and bonds: Encompasses guarantees, bonds, standby letters of credit, and guarantees of payment from buyers in factored receivables.
- ii. Confirmed foreign letters of credit: Encompasses letters of credit confirmed by the Bank.
- iii. Documentary letters of credit: Includes documentary letters of credit issued by the Bank, which have not yet been negotiated.
- iv. Documented guarantees: Guarantees with promissory notes.
- v. Interbank guarantee: Guarantees issued.
- vi. Unrestricted credit lines: The unused amount of credit lines that allow customers to draw without prior approval by the Bank (for example, using credit cards or overdrafts in checking accounts).

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

vii. Other credit commitments: Amounts not yet lent under committed loans, which must be disbursed at an agreed future date when events contractually agreed upon with the customer occur, such as in the case of lines of credit linked to the progress of a construction or similar projects.

viii. Other contingent credits: Includes any other kind of commitment by the Bank which may exist and give rise to lending when certain future events occur. In general, this includes unusual transactions such as pledges made to secure the payment of loans among third parties or derivative contracts made by third parties that may result in a payment obligation and are not covered by deposits.

The consolidated annual accounts reflect all significant provisions for which it is estimated that the probability of having to meet the obligation is more likely than not.

Provisions are quantified using the best available information on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year and are used to address the specific liabilities for which they were originally recognized. Partial or total reversals are recognized when such obligations cease to exist or are reduced.

Provisions are classified according to the obligation covered as follows:

- Provision for employee salaries and expenses
- Provision for mandatory dividends
- Allowance for contingent credit risks
- Provisions for contingencies

r) Deferred income taxes and other deferred taxes

The Bank records, when appropriate, deferred tax assets and liabilities for the estimated future tax effects attributable to differences between the carrying amount of assets and liabilities and their tax bases. The measurement of deferred tax assets and liabilities is based on the tax rate, according to the applicable tax laws, using the tax rate that applies to the period when the deferred asset and liability is settled. The future effects of changes in tax legislation or tax rates are recorded in deferred taxes beginning on the date on which the law approving such changes is published.

The effects of deferred taxes because of temporary differences between the tax basis and the carrying amount balances are recorded on an accrual basis, according to IAS 12.

s) Use of estimates

The preparation of the financial statements requires Management to make estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In certain cases, generally accepted accounting principles require that assets or liabilities be recorded or disclosed at their fair values. The fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable parties, in an arm's length transaction. Where available, quoted market prices in active markets have been used as the basis for measurement. Where quoted market prices in active markets are not available, the Bank has estimated such values based on the best information available, including the use of modeling and other valuation techniques.

The Bank has established allowances to cover incurred losses, therefore to estimate the allowances, they must be regularly evaluated taking into consideration factors such as changes in the nature and volume of the loan portfolio, trends in forecasted portfolio quality, credit quality and economic conditions that may adversely affect the borrowers' payment capacity. Increases in the allowances for loan losses are reflected as "Provisions for loan losses" in the Consolidated Statement of Income. Loans are charged-off when management determines that a loan or a portion thereof is uncollectible. Charge-offs are recorded as a reduction of the provisions for loan losses.

The relevant estimates and assumptions are regularly reviewed by the Bank's Management to quantify certain assets, liabilities, revenues, expenses, and commitments. Revised accounting estimates are recorded in the period in which the estimate is revised and in any affected future period.

F-27

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

These estimates, made on the basis of the best available information, mainly refer to:

- Impairment losses of certain assets (Notes 8, 9, 10, and 35)
- The useful lives of tangible and intangible assets (Notes 14, 15, and 35)
- The fair value of assets and liabilities (Notes 6, 7, 8, 12, and 39)
- Commitments and contingencies (Note 24)
- Current and deferred taxes (Note 16)

t) Non-current assets held for sale

Non-current assets (or a group which includes assets and liabilities for disposal) expected to be recovered mainly through sales rather than through continued use, are classified as held for sale. Immediately prior to this classification, assets (or elements of a disposable group) are re-measured in accordance with the Bank's policies. The assets (or disposal group) are measured at the lower of carrying amount or fair value minus cost of sale.

Any impairment loss on disposal is first allocated to goodwill and then to the remaining assets and liabilities on a pro rata basis, except when no losses have been recorded in financial assets, deferred assets, employee benefit plan assets, and investment property, which are still evaluated according to the Bank's accounting policies. Impairment losses on the initial classification of held-for-sale assets, and profits and losses from the revaluation are recorded in income. Profits are not recorded if they outweigh any cumulative loss.

As of December 31, 2011 and 2010, the Bank has not classified any non-current assets as held for sale.

Assets received or awarded in lieu of payment

Assets received or awarded in lieu of payment of loans and accounts receivable from customers are recognized, at the price agreed by the parties, or otherwise, when the parties do not reach an agreement, at the amount at which the Bank is awarded those assets at a judicial auction.

These assets are subsequently measured at the lower of initially recorded amount or net realizable value, which corresponds to their fair value (liquidity value determined through an independent appraisal) less cost of sale.

At least once a year, the Bank performs the necessary analysis to update these assets' cost to sale. According to the Bank's survey, as of December 31, 2011 the average cost to sale (the cost of maintaining and selling the asset) was estimated at 5.2% of the appraised value (5.5% as of December 31, 2010).

u) Earnings per share

Basic earnings per share are determined by dividing the net income attributable to the Bank shareholders for the period by the weighted average number of shares outstanding during the period.

Diluted earnings per share are determined in the same way as basic earnings per share, but the weighted average number of outstanding shares is adjusted to take into account the potential diluting effect of stock options, warrants,

and convertible debt.

As of December 31, 2011 and 2010 the Bank did not have instruments that generated diluting effects on equity.

v) Temporary acquisition (assignment) of assets

Purchases (sales) of financial assets under non-optional resale (repurchase) agreements at a fixed price (“repos”) are recorded in the Consolidated Statements of Financial Position as financial assignments (receipts) based on the nature of the debtor (creditor) under “Deposits in the Central Bank of Chile,” “Deposits in financial institutions” or “Loans and accounts receivable from customers” (“Central Bank of Chile deposits,” “Deposits from financial institutions” or “Customer deposits”).

Differences between the purchase and sale prices are recorded as financial interest over the term of the contract.

w) Assets under management and investment funds managed by the Bank

Assets owned by third parties and managed by certain companies that are within the Bank’s scope of consolidation (Santander Asset Management S.A., Administradora General de Fondos and Santander S.A. Sociedad Securitizadora), are not included in the Consolidated Statements of Financial Position. Management fees are included in “Fee and commission income” in the Consolidated Statement of Income.

F-28

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

x) Provision for mandatory dividends

As of December 31, 2011 and 2010 the Bank recorded a provision for mandatory dividends. This provision is made pursuant to Article 79 of the Corporations Act, which is in accordance with the Bank's internal policy. Under Article 79 of the Corporations Act, at least 30% of net income for the period should be distributed, except in the case of a contrary resolution adopted at the respective shareholders' meeting by unanimous vote of the outstanding shares. This provision is recorded, as a deduction under the "Retained earnings - Provisions for mandatory dividends" line of the Consolidated Statement of Changes in Equity.

Employee benefits

i. Post-employment benefits – Defined benefit plans

According to current collective bargaining and other labor agreements, the Bank has undertaken to supplement the benefits granted by the public systems corresponding to certain employees and to their beneficiary right holders, for retirement, permanent disability or death, outstanding salaries and compensations, contributions to pension funds for active employees and post-employment social benefits.

Features of the Plan

The main features of the Post-Employment Benefits Plan sponsored by Grupo Santander Chile are:

- a. Aimed at the Group's management
- b. The general requisite to apply is that the employee must be carrying out his duties when turning 60 years old.
- c. The Bank will take on insurance (pension fund) on the employee's behalf, for which it will pay regularly the respective premium (contribution).
- d. The Bank will be directly responsible for granting benefits.

The Bank recognizes under line item "Provisions" in the Consolidated Statements of Financial Position (or in assets under "Other assets," depending on the funded status of the plan) the present value of its post-employment defined benefit obligations, net of the fair value of the plan assets and of the net recognized cumulative actuarial gains or losses, disclosed in the valuation of these obligations, which are deferred using "corridor approach", net of the past service cost, which is deferred over time as explained below.

"Plan assets" are defined as that will be used to settle the obligations and that meet the following requirements:

- They are not owned by the consolidated entities, but by a legally separate third party not related to the Bank.
- They are available only to pay or fund post-employment benefits and cannot be returned to the consolidated entities except when the assets remaining in the plan are sufficient to meet all the obligations of the plan and of the entity in relation to the benefits due to current or former employees or to reimburse employee benefits already paid by the Bank.

"Actuarial gains and losses" are defined as those arising from the differences between previous actuarial assumptions and what has actually occurred, and from changes in the actuarial assumptions used. For the plans, the Bank applies

the “corridor approach” criterion, whereby it recognizes in the Consolidated Statement of Income, the amount resulting from dividing by five the higher of the net value of the accumulated actuarial gains and/or losses not recognized at the beginning of each period and exceeding 10% of the present value of the obligations or 10% of the fair value of the assets at the beginning of the period.

“Past service cost” — which arise from changes made to existing post-employment benefits or from the introduction of new benefits — is recognized in the Consolidated Statement of Income on a straight line basis over the period beginning on the date on which the new commitments arose to the date on which the employee has an irrevocable right to receive the new benefits.

Post-employment benefits are recognized in the Consolidated Statement of Income as follows:

- Current service cost, defined as the increase in the present value of the obligations arising as a consequence of the services provided by the employees during the period under the “Personnel salaries and expenses” item.
- Interest cost, defined as the increase in the present value of the obligations as a consequence of the passage of time which occurs during the period. When the obligations are shown in liabilities in the Consolidated Statements of Financial Position net of the plan assets, the cost of the liabilities recognized in the Consolidated Statement of Income under “Personnel salaries and expenses” reflects exclusively the obligations recorded as liabilities.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

- The expected return on the plan assets and the gains and losses on their value, less any cost arising from their management and the taxes to which they are subject.
- The actuarial gains and losses calculated using the corridor approach and the unrecognized past service cost, are recorded under “Personnel salaries and expenses” in the Consolidated Statement of Income.

ii. Severance Provision

Severance provisions for years of employment are recorded only when they actually occur or upon the availability of a formal and detailed plan in which the fundamental modifications to be made are identified, provided that such plan has already started to be implemented or its principal features have been publicly announced, or objective facts about its execution are known.

iii. Share-based compensation

The allocation of equity instruments to executives of the Bank and its Subsidiaries as a form of compensation for their services, when those instruments are provided at the end of a specific period of employment, is recorded as an expense in the Consolidated Statement of Income under the “Personnel salaries and expenses” item, as the relevant executives provide their services over the course of the period.

These benefits do not generate diluting effects, since they are based on shares of Banco Santander S.A. (the parent company of Banco Santander Chile, headquartered in Spain).

z) Application of new and revised International Financial Reporting Standards (IFRS)

a) New and revised IFRS effective in the current year

The following new and revised IFRS have been adopted in these financial statements:

Annual Improvements to IFRS 2010

On May 6, 2010, the IASB issued Improvements to IFRSs 2010 – Incorporating amendments to seven International Financial Reporting Standards (IFRSs). This is the third collection of amendments issued under the annual improvements process, which is designed to make necessary, but non-urgent, amendments to IFRSs. The amendments are effective for annual periods starting on or after July 1, 2010 and for annual periods starting on or after January 1, 2011. These amendments did not have a material impact on our consolidated financial statements.

Amendment to IFRIC 14, the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

In December 2009 the IASB issued Prepayments of Minimum Funding Requirements, amendments to IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14). The amendment has been made to remedy an unintended consequence of IFRIC 14 where the entities are prohibited in some circumstances to recognize as an asset the advance payments for minimum funding contributions. This amendment is effective for annual periods beginning on or after January 1, 2011. These amendments did not have a material impact on our consolidated financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

On November 26, 2009, the International Financial reporting Interpretations Committee (IFRIC) issued IFRIC 19 Extinguishment of Liabilities to Equity Instruments. This interpretation provides guidance on how to account for the extinction of financial liabilities by issuing equity instruments. The interpretation indicates that the issuance of equity instruments to extinguish an obligation constitutes paid consideration. This consideration should be measured at fair value of the equity instrument issued, unless that fair value is not readily determinable, in which case the equity instruments should be measured at fair value of the obligation extinguished. This interpretation is effective for annual periods beginning on or after July 1, 2010. These amendments did not have a material impact on our consolidated financial statements.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

Amendments to IAS 24, Related Party Transactions

On November 4, 2009, the IASB issued Amendments to IAS 24 Related Party Disclosures. The revised standard simplifies the disclosure requirements for entities that are controlled, jointly controlled, or significantly influenced by a governmental entity (referred to as related government-related entities), and clarifies the definition of “related party”.

The revised standard is effective for annual periods beginning on or after January 1, 2011 and requires retrospective application. Therefore, in the year of initial application, disclosures for the comparative period will need to be restated. Moreover, earlier application is permitted, either of the whole revised standard or of the partial exemption for government-related entities. If an entity applies either the whole standard or the partial exemption for a period beginning before January 1, 2011, it is required to disclose that fact. These amendments did not have a material impact on our consolidated financial statements.

Amendment to IAS 32, Financial Instruments: Presentation

On October 8, 2009, the IASB issued an amendment to IAS 32 Financial Instruments: Presentation entitled Classification of Rights Issues, on the classification of rights issues (e.g. rights, options, or warrants). Under the amendments, rights, options and warrants otherwise meeting the definition of equity instruments in IAS 32.11 issued to acquire a fixed number of an entity’s own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments provided the offer is made pro-rata to all existing owners of the same class of the entity’s own non-derivative equity instruments. The amendment is effective for annual periods beginning on or after February 1, 2010 with earlier application permitted. These amendments did not have a material impact on our consolidated financial statements.

b) New and revised IFRS issued but not yet effective

As of the date of issuance of these consolidated financial statements, the following accounting pronouncements have been issued by the IASB. These pronouncements are new pronouncements or amendments, revisions, modifications, or interpretations of existing pronouncements. Further, the application of the below pronouncements is not mandatory until the dates noted below.

IFRS 7, Financial Instruments: Disclosure

On December 16, 2011, the IASB issued an amendment to IFRS 7 Financial Instruments: Offsetting of Financial Assets and Financial Liabilities, the new disclosure will require to disclose gross amounts subject to rights of set-off and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-Off on the entity’s right and obligation. The disclosure are effective for annual periods beginning on or after January 1, 2013, retrospective application will be required to maximize comparability between periods .

Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2013. Last, Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

IAS 32, Financial Instruments: Presentation

On December 16, 2011 together with the amendment to IFRS 7, IASB issued an amendment to IAS 32 Offsetting of Financial Assets and Financial Liabilities , which clarifies aspects related to the diversity of applications offsetting requirements, the main affected areas are: clarification of the meaning of “has a legally enforceable right to set off the recognized amounts”, clarification of the criterion “to realize the asset and settle the liability simultaneously”, offsetting collateral amounts and unit of account when applying offsetting requirements. The effective date of these amendments is for annual periods beginning on or after January 1, 2014. An entity shall apply those amendments retrospectively, early application is permitted.

Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2013. Last, Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

F-31

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

IAS 1, Presentation of Financial Statements

On June 16, 2011 the IASB issued an amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of the Other Comprehensive Income, the main change is that entities will be required to group items presented in other comprehensive income (OCI) on the basis of whether they would be reclassified to profit or loss at a later date, when specified conditions are met, the amendments do not address which items are presented in OCI or which items need to be reclassified. The effective date is for the annual period beginning on or after July 1, 2012 with early adoption permitted.

Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2012. Last, Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

IAS 19, Employee Benefits

On June 16, 2011 the IASB issued an amendment to IAS 19 Employee Benefits, the amendments focus on three key areas:

- Recognition – the elimination of the option to defer the recognition of gains and losses resulting from defined benefit plans (corridor approach)
- Presentation – the elimination of options for the presentation of gains and losses relating to those plans
- Disclosure – the improvement of disclosure requirements that will better show the characteristics of defined plans and the risks arising from those plans.

The effective date is for the annual period beginning on or after January 1, 2013, with early adoption permitted.

Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2013. Lastly, Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

IFRS 10, Consolidated Financial Statements

On May 12, 2011, the IASB issued IFRS 10 Consolidated Financial Statements, which is a replacement of IAS 27 Consolidated and Separate Financial Statements and SIC – 12 Consolidation – Special Purpose Entities. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 provides detailed guidance on how to apply the control principle in a number of situations, including agency relationships and holdings of potential voting rights. An investor would reassess whether it controls an investee if there is a change in facts and circumstances. IFRS 10 replaces those parts of IAS 27 that address when and how an investor should prepare consolidated financial statements and replaces SIC – 12 in its entirety. The effective date of IFRS 10 is January 1, 2013, with earlier application permitted under certain circumstances.

Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2013. Lastly, Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

IFRS 11, Joint Arrangements

On May 12, 2011, the IASB issued IFRS 11 Joint Arrangements which supersedes IAS 31 Interests in Joint Ventures and SIC – 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 classifies joint arrangements as either joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (equivalent to the existing concept of a jointly controlled entity). A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires the use of the equity method of accounting for interests in joint ventures thereby eliminating the proportionate consolidation method. The effective date of IFRS 11 is January 1, 2013, with earlier application permitted under certain circumstances.

Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2013. Lastly, Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

F-32

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

IFRS 12, Disclosure of Interests in Other Entities

On May 12, 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities which requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. An entity should disclose information that helps users of its financial statements evaluate the nature and risks associated with interests in other entities and the effects of those interests on its financial statements. The disclosure requirements are extensive and significant effort may be required to accumulate the necessary information. The effective date of IFRS 12 is January 1, 2013 but entities are permitted to incorporate any of the new disclosures into their financial statements before that date.

Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2013. Lastly, Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

IFRS 13, Fair Value Measurement

On May 12, 2011, the IASB issued IFRS 13 Fair Value Measurement, which establishes a single source of guidance for fair value measurement under IFRS. The Standard applies to both financial and non-financial items measured at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e., an exit price). IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, and applies prospectively from the beginning of the annual period in which the Standard is adopted.

Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2013. Lastly, Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

IAS 27, Separate Financial Statements (Revised 2011)

On May 12, 2011, IAS 27 Consolidated and Separate Financial Statements has been amended for the issuance of IFRS 10 but retains the guidance for separate financial statements. Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2013, but would not lead to any changes as the Bank presents consolidated financial statements.

IAS 28, Investments in Associates and Joint Ventures (Revised 2011)

On May 12, 2011, IAS 28 Investment in Associates has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11. Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2013.

Amendments to IAS 12, Income Taxes

On December 20, 2010, the IASB published *Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12*. The amendments provide an exception to the general principle in IAS 12 *Income Taxes (IAS 12)* that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset.

Specifically, the amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 *Investment Property (IAS 40)*. For the purposes of measuring deferred tax, the amendments introduce a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale. The exception also applies to investment property acquired in a business combination if the acquirer applies the fair value model in IAS 40 subsequent to the business combination. The amendments also incorporate the requirements of SIC 21 *Income Taxes - Recovery of Revalued Non-Depreciable Assets* into IAS 12, i.e., deferred tax arising on a non-depreciable asset measured using the revaluation model in IAS 16 *Property, Plant and Equipment* should be based on the sale rate. The effective date of the amendments is for annual periods beginning on or after January 1, 2012. Earlier application is permitted.

Management believes that these amendments will be adopted in its financial statements for the period beginning January 1, 2012. Lastly, Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

Amendments to IFRS 7, Financial Instruments: Disclosure

On October 7, 2010, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosure that increases the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure (referred to as ‘continuing involvement’) in the asset. The amendments also require disclosure where transfers of financial assets are not evenly distributed throughout the period (e.g., where transfers occur near the end of a reporting period). The amendments are applicable for annual periods beginning on or after July 1, 2011, with early adoption allowed. Moreover, the disclosures are not required for any of the periods presented that start before the initial adoption date.

Lastly Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

IFRS 9, Financial Instruments

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

¶IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

¶The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2015. The Administration is evaluating the potential impact of the adoption of these amendments.

NOTE 02 – ACCOUNTING CHANGES:

During the year ended December 31, 2011, there have not been accounting changes that significantly affect the presentation of these consolidated financial statements.

F-34

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 03 - SIGNIFICANT EVENTS:

As of December 31, 2011, the following significant events have occurred and had an impact on the Bank's operations or financial statements:

a) The Board

A Shareholders' Meeting of Banco Santander Chile was held on April 26, 2011, chaired by Mr. Mauricio Larraín Garcés (Chairman), and attended by Jesús María Zabalza Lotina (First Vice President), Oscar von Chrismar Carvajal (Second Vice President), Víctor Arbulú Crousillat, Lisandro Serrano Spoerer, Marco Colodro Hadjes, Vittorio Corbo Lioi, Carlos Olivos Marchant, Roberto Méndez Torres, Lucía Santa Cruz Sutil, Roberto Zahler Mayanz, Raimundo Monge Zegers (Alternate Director), and Juan Manuel Hoyos Martínez de Irujo (Alternate Director). Also, the CEO Claudio Melandri Hinojosa and CAO Felipe Contreras Fajardo attended the meeting.

On December 28, 2010 Claudia Bobadilla Ferrer resigned from her position as Director. In an Extraordinary Board Session held on April 26, 2011, Mr. Lisandro Serrano Spoerer was confirmed as Director in the position left by Ms. Claudia Bobadilla Ferrer.

Use of income and Distribution of Dividends

According to the information presented in the aforementioned meeting, 2010 net income (designated in the financial statements as "Income attributable to equity holders of the Bank") amounted Ch\$ 505,393 million. The Board approved to distribute 60% of such net income which divided by the amount of shares issued corresponds to a Ch\$ \$1.519 dividend per share, which was payable starting on April 26, 2011. In addition, the Board approved that 40% of the remaining profit be destined to increase the Bank's reserves.

b) Issuance of Bonds during 2011

In 2011, the Bank issued senior bonds in the amount of USD 635,000,000, UF 12,000,000 and CLP 50,000,000,000. The placement detail in 2011 is included in Note 20.

b.1) 2011 Senior Bonds

Series	Amount	Term	Interest Rate	Date of Issuance	Maturity date
Floating rate bond	USD 500,000,000	5 years	Libor (3 months) + 160 bp	01/19/2011	01/19/2016
Floating rate bond	USD 135,000,000	6 months	Libor (3 months) + 80 bp	11/29/2011	05/29/2012
Total	USD 635,000,000				
E1	UF 4,000,000	5 years	3.00% per annum simple	02/01/2011	02/01/2016
E2	UF 4,000,000	7.5 years	3.50 % per annum simple	02/01/2011	07/01/2018
E3	UF 4,000,000	8.5 years		02/01/2011	07/01/2019

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			3.50 % per annum simple		
Total	UF	12,000,000			
			6.75 % per annum simple	07/01/2011	06/01/2016
E4	CLP	50,000,000,000	5 years		
Total	CLP	50,000,000,000			

b.2) 2011 Subordinated bonds

In 2011, the Bank has issued the following subordinated bonds:

Series	Amount	Term	Interest Rate	Date of Issuance	Maturity date
G3	UF 3,000,000	25 years	3.90 % annual due	07/01/2010	07/01/2035
	UF 4,000,000	20 years	3.90 % annual due	05/01/2011	04/01/2031
G5	(i)				
Total	UF 7,000,000				

(i) As of December 31, 2011 UF 2,100,000 in bonds have been issued; leaving this series with a UF 1,900,000 par value to be placed.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 03 - SIGNIFICANT EVENTS, continued:

c) Building sale

In 2011, the Bank sold eight office branches. These transactions are detailed in Note 36.

d) Sales of loans previously charged off

In 2011, Banco Santander Chile signed assignment agreements of loans previously charged off with “Fondo de Inversiones Cantábrico.” As of December 31, 2011, the following portfolio sales have been performed:

Date of agreement	Nominal portfolio sale		Nominal portfolio sale	Selling price
	Commercial	Consumer	Total	
	MCh\$	MCh\$	MCh\$	
01/20/2011	888	8,222	9,110	592
02/23/2011	774	6,802	7,576	492
03/23/2011	969	6,958	7,797	507
04/26/2011	768	6,386	7,154	465
05/25/2011	990	6,611	7,601	494
06/22/2011	805	7,676	8,481	551
07/26/2011	930	9,207	10,137	659
08/24/2011	2,351	10,221	12,572	817
09/22/2011	664	14,745	15,409	1,002
10/27/2011	716	12,702	13,418	872
11/22/2011	476	10,898	11,374	739
12/26/2011	762	14,462	15,224	990
Total	11,093	114,890	125,853	8,180

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 04 - BUSINESS SEGMENTS:

The Bank manages and measures the performance of its operations by business segment. The information disclosed in this note is not necessarily comparable to that of other financial institutions, since it is based on management's segment internal information system which has been adopted by the Bank.

Inter-segment transactions are conducted under normal arm's length commercial terms and conditions. Each segment's assets, liabilities, and income include items directly attributable to the segment to which they can be allocated on a reasonable basis.

The Bank has the following business segments:

Individuals

a. **Santander Banefe**
Serves individuals with monthly incomes of Ch\$150,000 to Ch\$400,000, who receive services through Santander Banefe. This segment gives customers a variety of services, including consumer loans, credit cards, auto loans, mortgage loans, debit cards, savings products, mutual funds, and insurance.

b. **Commercial banking**
Serves individuals with monthly incomes in excess of Ch\$400,000. This segment gives customers a variety of services, including consumer loans, credit cards, auto loans, mortgage loans, debit cards, savings products, mutual funds, commercial loans, foreign trade, checking accounts, insurance and stock brokerage.

Small and mid-sized companies (PYMEs)

Serves small companies with annual sales of less than Ch\$1,200 million. This segment gives customers a variety of products, including commercial loans, government-guaranteed loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, savings products, mutual funds, and insurance.

Institutional

Serves institutions such as universities, government agencies, and municipal and regional governments. This segment provides a variety of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, savings products, mutual funds, and insurance.

Companies

The Companies segment is composed of Commercial Banking and Company Banking, where sub-segments of medium-sized companies (Companies), real estate companies (Real Estate) and large corporations are found:

a. **Companies**
Serves companies with annual sales exceeding Ch\$1,200 million and up to Ch\$10,000 million. This segment provides a wide variety of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans,

checking accounts, transactional services, treasury services, financial consulting, savings products, mutual funds, and insurance.

b. Real estate

This segment includes all the companies engaged in the real estate industry that carry out projects to sell properties to third parties and all builders with annual sales exceeding Ch\$800 million with no ceiling. These clients are offered not only the traditional banking services but also specialized services to finance projects, mainly residential, with the aim of expanding sales of mortgage loans.

c. Large corporations

Serves companies with annual sales exceeding Ch\$10,000 million. This segment provides a wide variety of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, investment banking, savings products, mutual funds, and insurance.

F-37

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 04 - BUSINESS SEGMENTS, continued:

Global Banking and Markets

The Global Banking and Markets segment is comprised of:

a. Corporate

Foreign multinational corporations or Chilean corporations whose sales exceed Ch\$10,000 million. This segment provides a wide variety of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, investment banking, savings products, mutual funds, and insurance.

b. Treasury

The Treasury Division provides sophisticated financial products, mainly to companies in the Wholesale Banking area and the Companies segment. These include products such as short-term financing and fund raising, brokerage services, derivatives, securitization, and other customized products. The Treasury area also handles intermediation of positions and manages the Bank's investment portfolio.

Corporate Activities ("Other")

This segment includes Financial Management, which develops global foreign exchange structural position management functions, involving the parent company's structural interest risk and liquidity risk. The latter, through issuances and utilizations. This segment also manages the Bank's personal funds, capital allocation by unit, and the financing of investments made. The foregoing usually results in a negative contribution to income.

In addition, this segment encompasses all the intra-segment income and all the activities not assigned to a given segment or product with customers.

The segments' accounting policies are the same as those described in the summary of accounting policies. The Bank earns most of its income in the form of interest income, fee and commission income and income from financial operations. To evaluate a segment's financial performance, the highest decision making authority bases his assessment on the segment's interest income, fee and commission income, and expenses. This assessment helps the Bank make decisions over the resources that will be allocated to each segment.

To achieve the strategic objectives adopted by the top management and adapt to changing market conditions, the Bank makes changes in its organization from time to time, which in turn have a greater or lesser impact on how it is managed or administered. Hence, this disclosure furnishes information on how the Bank is managed as of December 31, 2011. The information for the previous year (2010) has been prepared on the basis of the criteria in force at the closing date for these financial statements, to achieve a proper comparability of figures.

In addition, during 2011—since the real liquidity cost has been consistently from the referential yield curve—the Bank has decided to modify the calculation method for the Internal Transfer Rate (ITR) used to determine the profitability of the different segments (spread measurement).

Before this change, the Banks established the ITR for each operation based on its maturity, regardless whether they were assets or liabilities. Since 2011, the ITR is calculated based on the corporate hub of the units. This change in method is lined up with the new regulations and improves the process of establishing the operation prices since it delivers a more precise assessment of their profitability.

These changes did not create any significant difference for the Bank nor did they affect its profit and loss. Below are comparative tables for 2010 between the new method in use and the former one:

F-38

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 04 - BUSINESS SEGMENTS, continued:

	As of December 31, 2010					
	Loans and accounts receivable from customers, net (1)		Net interest income		Provision for loan losses	
	Former MCh\$	New MCh\$	Former MCh\$	New MCh\$	Former MCh\$	New MCh\$
Segments						
Individuals	8,407,416	8,378,969	524,920	533,500	(154,362)	(114,562)
Santander Banefe	717,699	714,899	115,252	106,942	(44,849)	(27,919)
Commercial Banking	7,689,717	7,664,070	409,668	426,558	(109,513)	(86,643)
Small and mid-sized companies (PYMEs)	2,375,192	2,373,360	175,538	192,825	(70,850)	(75,742)
Institutional	331,153	332,150	28,609	19,675	(482)	(1,229)
Companies						
Companies	3,288,107	3,286,920	114,460	126,936	(24,532)	(45,769)
Companies	1,353,686	1,353,400	50,449	57,077	(18,922)	(18,922)
Large Corporations	1,411,236	1,410,578	38,755	52,678	(8,498)	(27,983)
Real estate	523,185	522,942	25,256	17,181	2,888	1,136
Commercial Banking	14,401,868	14,371,399	843,527	872,936	(250,226)	(237,302)
Global Banking and Markets						
Global Banking and Markets	1,293,305	1,293,221	81,203	60,164	(2,570)	(15,495)
Corporate	1,293,305	1,293,221	90,825	69,786	(2,570)	(15,495)
Treasury	-	-	(9,622)	(9,622)	-	-
Other	32,109	62,662	14,989	6,619	(1,119)	(1,118)
Total	15,727,282	15,727,282	939,719	939,719	(253,915)	(253,915)

(1) Corresponds to Loans and accounts receivable from customers, before deduction of their allowances for loan losses.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 04 - BUSINESS SEGMENTS, continued:

	As of December 31, 2009					
	Loans and accounts receivable from customers, net (1)		Net interest income		Provision for loan losses	
	Former MCh\$	New MCh\$	Former MCh\$	New MCh\$	Former MCh\$	New MCh\$
Segments						
Individuals	7,287,925	7,287,925	532,060	532,060	(229,801)	(229,733)
Santander Banefe	609,808	609,808	115,840	115,840	(82,588)	(82,564)
Commercial Banking	6,678,117	6,678,117	416,220	416,220	(147,213)	(147,169)
Small and mid-sized companies (PYMEs)	2,485,505	2,485,505	228,928	228,928	(76,075)	(76,143)
Institutional	282,933	282,933	18,789	18,789	(327)	(327)
Companies	2,471,162	2,456,321	114,432	114,932	(24,333)	(24,626)
Companies	1,051,875	1,051,875	53,407	53,407	(8,618)	(8,618)
Large Corporations	436,349	968,097	43,233	43,733	(17,756)	(18,049)
Real estate	982,938	436,349	17,792	17,792	2,041	2,041
Commercial Banking	12,527,525	12,512,684	894,209	894,709	(330,536)	(330,829)
Global Banking and Markets	1,194,706	1,209,547	33,738	33,238	(2,511)	(2,218)
Corporate	1,194,706	1,209,547	54,728	54,228	(2,511)	(2,218)
Treasury	-	-	(20,990)	(20,990)	-	-
Other	29,045	29,045	(71,431)	(71,431)	(98)	(98)
Total	13,751,276	13,751,276	856,516	856,516	(333,145)	(333,145)

(1) Corresponds to Loans and accounts receivable from customers, before deduction of their allowances for loan losses.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 04 - BUSINESS SEGMENTS, continued:

Below are the tables showing the Bank's results by business segment, for the periods ended as of December 31, 2011 and 2010 in addition to the corresponding balances of loans and accounts receivable from customers as of December 31, 2011 and 2010.

	As of December 31, 2011						
	Loans and accounts receivable from customers, net (1) MCh\$	Net interest income MCh\$	Net fee and commission income MCh\$	ROF (2) MCh\$	Provision for loan losses MCh\$	Support expenses (3) MCh\$	Segment's net contribution MCh\$
Segments							
Individuals	9,289,345	570,293	187,176	9,095	(248,137)	(322,273)	196,154
Santander Banefe	804,852	117,154	37,206	275	(62,252)	(70,719)	21,664
Commercial Banking	8,484,493	453,139	149,970	8,820	(185,885)	(251,554)	174,490
Small and mid-sized companies (PYMEs)	2,560,736	207,008	38,274	9,577	(65,028)	(74,962)	114,869
Institutional	355,199	26,856	1,831	859	503	(11,329)	18,720
Companies	3,650,709	140,818	24,310	13,427	(11,592)	(40,680)	126,283
Companies	1,583,895	65,499	12,785	7,134	(10,080)	(22,698)	52,640
Large Corporations	1,470,447	56,467	8,594	5,669	(1,212)	(13,496)	56,022
Real estate	596,367	18,852	2,931	624	(300)	(4,486)	17,621
Commercial Banking	15,855,989	944,975	251,591	32,958	(324,254)	(449,244)	456,026
Global Banking and Markets	1,494,752	48,942	31,908	68,530	7,614	(35,302)	121,692
Corporate	1,479,838	64,845	30,745	1,368	7,614	(13,790)	90,782
Treasury	14,914	(15,903)	1,163	67,162	-	(21,512)	30,910
Other	84,041	(21,617)	(5,663)	(7,291)	503	(16,474)	(50,542)
Total	17,434,782	972,300	277,836	94,197	(316,137)	(501,020)	527,176
Other operating income						18,749	
Other operating expenses						(64,208)	
Income from investments in other companies						2,140	
Income tax						(77,193)	
Consolidated income for the period						406,664	

- 1)Corresponds to Loans and accounts receivable from customers, net (Ch\$ 16,858,637 million) plus interbank loans, net (Ch\$87,677 million), before deduction of their allowances for loan losses (Ch\$488,457 million and Ch\$11 million, respectively), which were restituted for presentation purposes in this table.
- (2)Results from financial operations. Correspond to the sum of Net income from financial operations (Ch\$170,857 million) and foreign exchange profit (loss), net (Ch\$76,660 million).
- (3)Corresponds to the sum of Personnel salaries and expenses (Ch\$280,613 million), administrative expenses (Ch\$166,825 million), depreciation and amortization (Ch\$53,466 million) and impairment (Ch\$116 million).

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 04 - BUSINESS SEGMENTS, continued:

	As of December 31, 2010						
	Loans and accounts receivables from customers, net (1) MCh\$	Net interest income MCh\$	Net fee and commission income MCh\$	ROF (2) MCh\$	Provision for loan losses MCh\$	Support expenses (3) MCh\$	Segment's net contribution MCh\$
Segments							
Individuals	8,378,969	533,500	191,841	5,027	(114,562)	(291,208)	324,598
Santander Banefe	714,899	106,942	32,133	15	(27,919)	(66,272)	44,899
Commercial Banking	7,664,070	426,558	159,708	5,012	(86,643)	(224,936)	279,699
Small and mid-sized companies (PYMEs)	2,373,360	192,825	34,460	7,168	(75,742)	(67,059)	91,652
Institutional	332,150	19,675	2,452	1,974	(1,229)	(10,108)	12,764
Companies	3,286,920	126,936	20,215	15,047	(45,769)	(32,623)	83,806
Companies	1,353,400	57,077	11,298	7,150	(18,922)	(15,796)	40,807
Large Corporations	1,410,578	52,678	6,121	7,129	(27,983)	(12,784)	25,161
Real estate	522,942	17,181	2,796	768	1,136	(4,043)	17,838
Commercial Banking	14,371,399	872,936	248,968	29,216	(237,302)	(400,998)	512,820
Global Banking and Markets	1,293,221	60,164	23,173	56,364	(15,495)	(30,788)	93,418
Corporate	1,293,221	69,786	24,452	1,445	(15,495)	(11,592)	68,596
Treasury	-	(9,622)	(1,279)	54,919	-	(19,196)	24,822
Other	62,662	6,619	(8,559)	10,408	(1,118)	(20,150)	(12,800)
Total	15,727,282	939,719	263,582	95,988	(253,915)	(451,936)	593,438
Other operating income						43,608	
Other operating expenses						(45,402)	
Income from investments in other companies						1,171	
Income tax expense						(85,343)	
Consolidated income for the period						507,472	

1)Corresponds to Loans and accounts receivable from customers, net (Ch\$ 15,232,163 million) plus interbank loans, net (Ch\$69,672 million), before deduction of their allowances for loan losses (Ch\$425,393 million and Ch\$54 million, respectively), which were restituted for presentation purposes in this table.

(2)Results from financial operations. Correspond to the sum of Net income from financial operations (Ch\$38,755 million) and foreign exchange profit (loss), net (Ch\$57,233 million).

(3)Corresponds to the sum of Personnel salaries and expenses (Ch\$250,265 million), administrative expenses (Ch\$147,343 million), depreciation and amortization (Ch\$49,403 million) and impairment (Ch\$4,925 million).

F-42

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 04 - BUSINESS SEGMENTS, continued:

Segments	As of December 31, 2009						
	Loans and accounts receivables from customers, net (1)	Net interest income	Net fee and commission income	ROF (2)	Provisions	Support expenses (3)	Segment's net contribution
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Individuals	7,287,925	532,060	171,433	19,027	(229,733)	(268,934)	223,853
Santander Banefe	609,808	115,840	29,452	5,078	(82,564)	(54,913)	12,893
Commercial Banking	6,678,117	416,220	141,981	13,949	(147,169)	(214,021)	210,960
Small and mid-sized companies (PYMEs)	2,485,505	228,928	41,917	11,037	(76,143)	(58,741)	146,998
Institutional	282,933	18,789	1,962	664	(327)	(6,799)	14,289
Companies	2,456,321	114,932	20,567	16,181	(24,626)	(30,628)	96,426
Companies	1,051,875	53,407	9,813	7,248	(8,618)	(15,989)	45,861
Large Corporations	968,097	43,733	8,416	8,785	(18,049)	(10,359)	32,526
Real estate	436,349	17,792	2,338	148	2,041	(4,280)	18,039
Commercial Banking	12,512,684	894,709	235,879	46,909	(330,829)	(365,102)	481,566
Global Banking and Markets	1,209,547	33,238	18,747	64,557	(2,218)	(29,485)	84,839
Corporate	1,209,547	54,228	19,387	5	(2,218)	(14,803)	56,599
Treasury	-	(20,990)	(640)	64,552	-	(14,682)	28,240
Other	29,045	(71,431)	(496)	55,662	(98)	(13,307)	(29,670)
Total	13,751,276	856,516	254,130	167,128	(333,145)	(407,894)	536,735
Other operating income							25,866
Other operating expenses							(37,364)
Income from investments in other companies							297
Income tax expense							(88,924)
Consolidated income for the period							436,610

(1)Corresponds to Loans and accounts receivable from customers, net (Ch\$ 13,378,379 million) plus interbank loans, net (Ch\$23,370 million), before deduction of their allowances for loan losses (Ch\$ 349,485 million and Ch\$ 42 million, respectively), which were restituted for presentation purposes in this table.

(2)Results from financial operations. Corresponds to the sum of Net income from financial operations (Ch\$ 3,887 million) and foreign exchange profit (loss), net (Ch\$ 163,241 million).

(3)Corresponds to the sum of Personnel salaries and expenses (Ch\$ 224,484 million), administrative expenses (Ch\$ 136,712 million), depreciation and amortization (Ch\$ 46,623 million) and impairment (Ch\$ 75 million).

F-43

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 05 - CASH AND CASH EQUIVALENTS:

a) The detail of the balances included under cash and cash equivalents is as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Cash and deposits in banks		
Cash	369,585	354,340
Deposits in the Central Bank of Chile	2,142,550	1,312,111
Deposits in domestic banks	465	418
Deposits in foreign banks	281,101	95,329
Subtotals – Cash and bank deposits	2,793,701	1,762,198
Unsettled transactions, net	186,968	74,243
Cash and cash equivalents	2,980,669	1,836,441

The level of funds in cash and at the Central Bank of Chile, which are included in the “Deposits in the Central Bank of Chile” line, reflects regulations governing the reserves that the Bank must maintain on average in monthly periods.

b) Cash in process of collection:

Cash in process of collection are transactions in which only settlement remains pending, which will increase (assets) or decrease (liabilities) funds in the Central Bank of Chile or in foreign banks, normally within the next 24 to 48 business hours from the end of each period. These transactions are presented according to the following detail:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Assets		
Documents held by other banks (documents to be exchanged)	188,907	207,346
Funds receivable	87,547	167,022
Subtotals	276,454	374,368
Liabilities		
Funds payable	89,486	300,125
Subtotals	89,486	300,125
Cash in process of collection, net	186,968	74,243

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 06 - TRADING INVESTMENTS:

The detail of the instruments classified as financial trading investments is as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Chilean Central Bank and Government securities:		
Chilean Central Bank Bonds	311,503	247,019
Chilean Central Bank Notes	60,233	68,985
Other Chilean Central Bank and Government securities	15,789	7,123
Subtotals	387,525	323,127
Other Chilean securities:		
Time deposits in Chilean financial institutions	-	-
Mortgage finance bonds of Chilean financial institutions	-	-
Chilean financial institutions bonds	-	19,628
Chilean corporate bonds	-	11,404
Other Chilean securities	-	-
Subtotals	-	31,032
Foreign financial securities:		
Foreign Central Banks and Government securities	-	-
Other foreign financial instruments	-	-
Subtotals	-	-
Investments in mutual funds:		
Funds managed by related entities	22,238	25,511
Funds managed by others	-	-
Subtotals	22,238	25,511
Total	409,763	379,670

As of December 31, 2011 and 2010 under “Other Chilean Securities” and “Foreign financial securities” item there are no securities sold under repurchase agreement to customers and financial institutions.

As of December 31, 2011 under “Chilean Central Bank and Government securities” there are instruments sold under repurchase agreements to customers and financial institutions amounting to MCh\$ 27,017 (MCh\$ 0 as of December 31, 2010).

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 07 - INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATIONS UNDER REPURCHASE AGREEMENTS:

a) Rights arising from resale agreements

The Bank purchases financial instruments agreeing to resell them at a future date. As of December 31, 2011 and 2010 the instruments acquired under resale agreements are as follows:

	As of December 31,							
	2011				2010			
	From 1 day and less than 3 months	More than 3 months and less than 1 year	More than 1 year	Total	From 1 day and less than 3 months	More than 3 months and less than 1 year	More than 1 year	Total
MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Chilean Central Bank and Government securities:								
Chilean Central Bank Bonds	12,928	-	-	12,928	170,985	-	-	170,985
Chilean Central Bank Notes	-	-	-	-	-	-	-	-
Other Chilean Central Bank and Government securities	-	-	-	-	-	-	-	-
Subtotals	12,928	-	-	12,928	170,985	-	-	170,985
Other Chilean securities:								
Time deposits in Chilean financial institutions	-	-	-	-	-	-	-	-
Mortgage finance bonds of Chilean financial institutions	-	-	-	-	-	-	-	-
Chilean financial institutions bonds	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-
Subtotals	-	-	-	-	-	-	-	-
Foreign financial securities:								
Foreign Central Banks and Government securities	-	-	-	-	-	-	-	-
Other foreign financial instruments	-	-	-	-	-	-	-	-
Subtotals	-	-	-	-	-	-	-	-
Investments in mutual funds:								
Funds managed by related entities	-	-	-	-	-	-	-	-
Funds managed by others	-	-	-	-	-	-	-	-
Subtotals	-	-	-	-	-	-	-	-

Total	12,928	-	-	12,928	170,985	-	-	170,985
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F-46

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 07 - INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATIONS UNDER REPURCHASE AGREEMENTS, continued:

b) Obligations arising from repurchase agreements

The Bank raises funds by selling financial instruments and committing itself to buy them back at future dates, plus interest at a predetermined rate. As of December 31, 2011 and 2010 the obligations under repurchase agreements are as follows:

	2011				As of December 31,				2010			
	From 1 day and less than 3 months MCh\$	More than 3 and less than 1 year MCh\$	More than 1 year MCh\$	Total MCh\$	From 1 day and less than 3 months MCh\$	More than 3 and less than 1 year MCh\$	More than 1 year MCh\$	Total MCh\$	From 1 day and less than 3 months MCh\$	More than 3 and less than 1 year MCh\$	More than 1 year MCh\$	Total MCh\$
Chilean Central Bank and Government securities:												
Chilean Central Bank Bonds	27,638	-	-	27,638	140,005	-	-	140,005				
Chilean Central Bank Notes	270,591	-	-	270,591	3,515	-	-	3,515				
Other Chilean Central Bank and Government securities	-	-	-	-	21	-	-	21				
Subtotals	298,229	-	-	298,229	143,541	-	-	143,541				
Other Chilean securities:												
Time deposits in Chilean financial institutions	243,548	2,584	-	246,132	150,236	936	-	151,172				
Mortgage finance bonds of Chilean financial institutions	18	2	-	20	12	-	-	12				
Chilean financial institutions bonds	-	-	-	-	-	-	-	-				
Chilean corporate bonds	-	-	-	-	-	-	-	-				
Other Chilean securities	-	-	-	-	-	-	-	-				
Subtotals	243,566	2,586	-	246,152	150,248	936	-	151,184				
Foreign financial securities:												
Foreign Central Banks and Government securities	-	-	-	-	-	-	-	-				
Other foreign financial instruments	-	-	-	-	-	-	-	-				
Subtotals	-	-	-	-	-	-	-	-				
Investments in mutual funds:												
Funds managed by related entities	-	-	-	-	-	-	-	-				
Funds managed by others	-	-	-	-	-	-	-	-				
Subtotals	-	-	-	-	-	-	-	-				

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Total	541,795	2,586	-	544,381	293,789	936	-	294,725
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F-47

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 07 - INVESTMENTS UNDER REPURCHASE AGREEMENTS AND OBLIGATIONS UNDER
 REPURCHASE AGREEMENTS, continued:

As of December 31, 2011 and 2010 the detail of instruments sold under repurchase agreements, by type of portfolio, is as follows:

	As of December 31,					
	2011			2010		
	Available for sale Portfolio MCh\$	Trading Portfolio MCh\$	Total Instruments with agreement MCh\$	Available for sale portfolio MCh\$	Trading Portfolio MCh\$	Total Instruments with agreement MCh\$
Chilean Central Bank and Government securities:						
Chilean Central Bank Bonds	27,688	-	27,688	140,494	-	140,494
Chilean Central Bank Notes	245,635	27,017	272,652	3,518	-	3,518
Other Chilean Central Bank and Government securities	-	-	-	22	-	22
Subtotals	273,323	27,017	300,340	144,034	-	144,034
Other Chilean securities:						
Time deposits in Chilean financial institutions	246,205	-	246,205	152,126	-	152,126
Mortgage finance bonds of Chilean financial institutions	19	-	19	12	-	12
Chilean financial institutions bonds	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-
Subtotals	246,224	-	246,224	152,138	-	152,138
Foreign financial securities:						
Foreign Central Banks and Government securities	-	-	-	-	-	-
Other foreign financial instruments	-	-	-	-	-	-
Investments in mutual funds:						
Funds managed by related entities	-	-	-	-	-	-
Funds managed by others	-	-	-	-	-	-
Subtotals	-	-	-	-	-	-
Total	519,547	27,017	546,564	296,172	-	296,172

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING:

a) As of December 31, 2011 and 2010 the Bank holds the following portfolio of derivative instruments:

	As of December 31, 2011				Fair value	
	Notional amount			Total MCh\$	Assets MCh\$	Liabilities MCh\$
	Up to 3 months MCh\$	More than 3 months to 1 year MCh\$	More than 1 year MCh\$			
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	-	368,885	444,845	813,730	22,374	35
Cross currency swaps	30,989	-	277,469	308,458	20,498	869
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotals	30,989	368,885	722,314	1,122,188	42,872	904
Cash flow hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	284,875	1,234,882	394,050	1,913,807	94,544	713
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotals	284,875	1,234,882	394,050	1,913,807	94,544	713
Trading derivatives						
Currency forwards	14,305,612	8,473,390	604,935	23,383,937	264,574	217,022
Interest rate swaps	5,527,118	11,459,132	13,716,043	30,702,293	264,084	302,327
Cross currency swaps	1,405,419	2,511,430	10,688,479	14,605,328	934,045	769,203
Call currency options	36,180	23,502	-	59,682	740	560
Call interest rate options	5,855	18,773	29,672	54,300	68	256
Put currency options	14,416	17,503	-	31,919	750	1,017
Put interest rate options	-	-	-	-	-	-

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Interest rate futures	-	-	-	-	-	-
Other derivatives	102,084	1,694	-	103,778	219	400
Subtotals	21,396,684	22,505,424	25,039,129	68,941,237	1,464,480	1,290,785
Total	21,712,548	24,109,191	26,155,493	71,977,232	1,601,896	1,292,402

F-49

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued:

	As of December 31, 2010				Fair value	
	Notional amount			Total MCh\$	Assets MCh\$	Liabilities MCh\$
	Up to 3 months MCh\$	More than 3 months to 1 year MCh\$	More than 1 year MCh\$			
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	-	-	702,306	702,306	5,827	6,464
Cross currency swaps	28,090	229,296	387,024	644,410	5,296	28,730
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotals	28,090	229,296	1,089,330	1,346,716	11,123	35,194
Cash flow hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	147,872	999,792	379,859	1,527,523	494	120,563
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotals	147,872	999,792	379,859	1,527,523	494	120,563
Trading derivatives						
Currency forwards	10,374,003	6,830,128	792,254	17,996,385	283,722	348,152
Interest rate swaps	2,671,634	7,607,192	13,475,904	23,754,730	204,786	250,812
Cross currency swaps	1,081,609	2,783,653	10,061,745	13,927,007	1,123,547	887,222
Call currency options	20,724	29,247	936	50,907	272	233
Call interest rate options	34,076	16,690	59,676	110,442	82	1,269
Put currency options	6,364	4,906	-	11,270	230	385
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	165,208	-	-	165,208	122	149

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Subtotals	14,353,618	17,271,816	24,390,515	56,015,949	1,612,761	1,488,222
Total	14,529,580	18,500,904	25,859,704	58,890,188	1,624,378	1,643,979

F-50

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued:

b) Hedge Accounting

Fair value hedges:

The Bank uses cross-currency swaps, interest rate swaps, and call money swaps to hedge its exposure to changes in fair value of hedged items attributable to interest rates. The aforementioned hedging instruments change the effective cost of long-term issuances from a fixed interest rate to a variable interest rate, decreasing the duration and modifying the sensitivity to the shortest segments of the curve.

Below is a detail of the hedged items and hedge instruments under fair value hedges as of December 31, 2011 and 2010, classified by term to maturity:

	As of December 31, 2011				
	Notional amount				
	Within 1 year	Between 1 and 3 years	Between 3 and 6 years	Over 6 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Hedged item					
Corporate bonds	-	11,188	-	-	11,188
Subordinated bonds	-	158,124	-	-	158,124
Short-term loans	-	25,000	-	-	25,000
Interbank loans	-	-	-	-	-
Mortgage bonds	-	-	-	28,339	28,339
Senior bonds	35,629	25,050	-	-	60,679
Time deposits	364,245	-	326,129	148,484	838,858
Total	399,874	219,362	326,129	176,823	1,122,188
Hedging instrument					
Cross currency swap	30,989	183,174	65,956	28,339	308,458
Interest rate swap	364,245	11,188	260,173	-	635,606
Call money swap	4,640	25,000	-	148,484	178,124
Total	399,874	219,362	326,129	176,823	1,122,188

	As of December 31, 2010				
	Notional amount				
	Within 1 year	Between 1 and 3 years	Between 3 and 6 years	Over 6 years	Total

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	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Hedged item					
Corporate bonds	-	10,061	-	-	10,061
Senior bonds	-	374,360	358,862	49,591	782,813
Subordinated bonds	-	51,475	140,385	-	191,860
Short-term loans	-	25,000	-	-	25,000
Interbank loans	210,591	-	-	-	210,591
Time deposits	46,795	4,640	-	-	51,435
Mortgage bonds	-	-	-	74,956	74,956
Total	257,386	465,536	499,247	124,547	1,346,716
Hedging instrument					
Cross currency swap	257,386	46,796	265,272	74,956	644,410
Interest rate swap	-	389,100	233,975	-	623,075
Call money swap	-	29,640	-	49,591	79,231
Total	257,386	465,536	499,247	124,547	1,346,716

F-51

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued:

Cash flow hedges:

The Bank uses cross currency swaps to hedge the risk from variability of cash flows attributable to changes in the interest rates of bonds and interbank loans at a variable rate. The cash flows of the cross currency swaps equal the cash flows of the hedged items, which modify uncertain cash flows to known cash flows derived from a fixed interest rate.

Below is the nominal amount of the hedged items as of December 31, 2011 and 2010, and the period when the cash flows will be generated:

	As of December 31, 2011				Total
	Notional amount				
	Within 1	Between	Between	Over 6	
	year	1 and 3	3 and 6	years	
	years	years			
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Hedged item					
Interbank loans	1,142,238	147,329	-	-	1,289,567
Bonds	377,519	246,721	-	-	624,240
Total	1,519,757	394,050	-	-	1,913,807
Hedging instrument					
Cross currency swap	1,519,757	394,050	-	-	1,913,807
Total	1,519,757	394,050	-	-	1,913,807

	As of December 31, 2010				Total
	Notional amount				
	Within 1	Between	Between	Over 6	
	year	1 and 3	3 and 6	years	
	years	years			
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Hedged item					
Interbank loans	937,087	95,930	-	-	1,033,017
Bonds	210,577	283,929	-	-	494,506
Total	1,147,664	379,859	-	-	1,527,523
Hedging instrument					
Cross currency swap	1,147,664	379,859	-	-	1,527,523

Total	1,147,664	379,859	-	-	1,527,523
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F-52

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued:

Below is an estimate of the periods in when the cash flows are expected to occur:

	As of December 31, 2011				Total
	Within 1	Between	Between	Over 6	
	year	1 and 3	3 and 6	years	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Hedged item					
Inflows	-	-	-	-	-
Outflows	(26,147)	(9,791)	-	-	(35,938)
Net flows	(26,147)	(9,791)	-	-	(35,938)

Hedging instrument					
Inflows	26,147	9,791	-	-	35,938
Outflows	(44,257)	(13,692)	-	-	(57,949)
Net flows	(18,110)	(3,901)	-	-	(22,011)

	As of December 31, 2010				Total
	Within 1	Between	Between	Over 6	
	year	1 and 3	3 and 6	years	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Hedged item					
Inflows	-	-	-	-	-
Outflows	(17,627)	(5,696)	-	-	(23,323)
Net flows	(17,627)	(5,696)	-	-	(23,323)

Hedging instrument					
Inflows	17,627	5,696	-	-	23,323
Outflows	(30,044)	(9,772)	-	-	(39,816)
Net flows	(12,417)	(4,076)	-	-	(16,493)

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued:

- c) Gains and losses cash flow hedges that were recognized in other comprehensive income as for the periods ended as of December 31, 2011 and 2010, is shown below:

	2011 MCh\$	As of December 31, 2010 MCh\$	2009 MCh\$
Bonds	(1,892)	-	-
Loans	2,286	11,958	(3,162)
Net flows	394	11,958	(3,162)

Since the variable cash flows for both the hedged item and the hedging instrument mirror each other, the hedges are nearly 100% effective, which means that the fluctuations of value attributable to rate components are almost completely offset. As of December 2011 and 2010, hedge ineffectiveness recorded in the Consolidate Statement of Income was MCh\$(23) and MCh\$ (2), respectively.

- d) Below is a presentation of income generated by cash flow hedges amounts that were reclassified from other comprehensive income to profit and loss during the period:

	2011 MCh\$	As of December 31, 2010 MCh\$	2009 MCh\$
Bonds	(121)	-	-
Loans	(346)	-	(66)
Reclassification to profit and loss	(467)	-	(66)

- e) Hedges of net investments in foreign operations:

As of December 31, 2011 and 2010, the Bank does not have hedges of net investments in foreign operations in its hedge accounting portfolio.

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 09 - INTERBANK LOANS

a) At December 31, 2011 and 2010, the balances in the “Interbank loans” item are as follows:

	As of December 31,	
	2011 MCh\$	2010 MCh\$
Domestic banks		
Loans and advances to banks	-	-
Deposits in the Central Bank of Chile	-	-
Nontransferable Chilean Central Bank Bonds	-	-
Other Central Bank of Chile loans	-	-
Interbank loans	647	17
Overdrafts in checking accounts	-	-
Nontransferable domestic bank loans	-	-
Other domestic bank loans	-	-
Allowances and impairment for domestic bank loans	-	-
Foreign banks		
Loans to foreign banks	87,041	69,709
Overdrafts in current accounts	-	-
Nontransferable foreign bank deposits	-	-
Other foreign bank loans	-	-
Allowances and impairment for foreign bank loans	(11)	(54)
Total	87,677	69,672

b) The amount in each period for allowances and impairment of interbank loans, which are included in the “Provisions for loan losses” item of the Consolidated Statement of Income, is shown below:

	As of December 31,			2010		
	2011		Total	2010		Total
	Domestic banks MCh\$	Foreign banks MCh\$		Domestic banks MCh\$	Foreign banks MCh\$	
As of January 1	-	54	54	-	42	42
Charge-offs	-	-	-	-	-	-
	405					
Allowances established		59	464	-	131	131
Allowances released	(405)	(102)	(507)	-	(119)	(119)

Total	-	11	11	-	54	54
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F-55

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 10 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS:

a) Loans and accounts receivable from customers

As of December 31, 2011 and 2010, the composition of the loan portfolio is as follows:

As of December 31, 2011	Assets before allowances			Allowance established			Loans and accounts receivable from customers, net MCh\$
	Normal portfolio	Impaired loans	Total	Individual allowances	Group allowances	Total	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Commercial loans							
Commercial loans	6,037,507	564,865	6,602,372	79,487	81,802	161,289	6,441,083
Foreign trade loans	988,024	54,000	1,042,024	18,705	1,059	19,764	1,022,260
General purpose mortgage loans	121,962	10,421	132,383	287	3,097	3,384	128,999
Factoring transactions	186,147	2,483	188,630	1,039	822	1,861	186,769
Leasing transactions	1,185,930	51,745	1,237,675	13,099	6,167	19,266	1,218,409
Other loans and accounts receivables from customers	66,046	18,455	84,501	70	4,168	4,238	80,263
Subtotals	8,585,616	701,969	9,287,585	112,687	97,115	209,802	9,077,783
Mortgage loans							
Loans with mortgage finance bonds	109,790	4,068	113,858	-	707	707	113,151
Mortgage mutual loans	68,844	3,034	71,878	-	1,241	1,241	70,637
Other mortgage mutual loans	4,737,333	192,594	4,929,927	-	33,685	33,685	4,896,242
Leasing transactions	-	-	-	-	-	-	-
Subtotals	4,915,967	199,696	5,115,663	-	35,633	35,633	5,080,030
Consumer loans							
Installment consumer loans	1,425,369	383,225	1,808,594	-	193,874	193,874	1,614,720
Credit card balances	889,303	31,549	920,852	-	43,922	43,922	876,930
Consumer Leasing contracts	3,551	176	3,727	-	109	109	3,618
Other consumer loans	203,933	6,740	210,673	-	5,117	5,117	205,556
Subtotals	2,522,156	421,690	2,943,846	-	243,022	243,022	2,700,824
Total	16,023,739	1,323,355	17,347,094	112,687	375,770	488,457	16,858,637

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 10 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued:

As of December 31, 2010	Assets before allowances			Allowances established			Loans and accounts receivable from customers, net MCh\$
	Normal portfolio	Impaired loans	Total	Individual allowances	Group allowances	Total	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Commercial loans							
Commercial loans	5,425,362	681,755	6,107,117	56,198	76,577	132,775	5,974,342
Foreign trade loans	696,659	86,893	783,552	18,810	78	18,888	764,664
General purpose mortgage loans	44,730	23,226	67,956	780	3,570	4,350	63,606
Factoring transactions	201,321	4,819	206,140	1,711	372	2,083	204,057
Leasing transactions	1,045,793	77,123	1,122,916	13,085	1,657	14,742	1,108,174
Other Loans and Accounts	2,953	14,995	17,948	5,976	3,688	9,664	8,284
Subtotals	7,416,818	888,811	8,305,629	96,560	85,942	182,502	8,123,127
Mortgage loans							
Loans with mortgage finance bonds	133,640	4,454	138,094	-	446	446	137,648
Mortgage mutual loans	121,041	63,323	184,364	-	11,319	11,319	173,045
Other mortgage mutual loans	4,253,810	74,869	4,328,679	-	5,567	5,567	4,323,112
Leasing transactions	-	-	-	-	-	-	-
Subtotals	4,508,491	142,646	4,651,137	-	17,332	17,332	4,633,805
Consumer loans							
Installment consumer loans	1,192,464	412,139	1,604,603	-	176,219	176,219	1,428,384
Credit card balances	771,988	22,228	794,216	-	36,156	36,156	758,060
Leasing transactions	3,407	328	3,735	-	121	121	3,614
Other consumer loans	283,912	14,324	298,236	-	13,063	13,063	285,173
Subtotals	2,251,771	449,019	2,700,790	-	225,559	225,559	2,475,231
Total	14,177,080	1,480,476	15,657,556	96,560	328,833	425,393	15,232,163

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 10 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued:

b) Portfolio characteristics:

As of December 31, 2011 and 2010, the portfolio before allowances has the following detail by customer economic activity:

	Domestic loans (*)		Foreign loans (**)		Total loans		Distribution percentage	
	As of December 31,		As of December		As of December 31,		As of December	
	2011	2010	2011	2010	2011	2010	2011	2010
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	%	%
Commercial loans								
Manufacturing	834,011	838,324	-	-	834,011	838,324	4.78	5.33
Mining	266,442	106,119	-	-	266,442	106,119	1.53	0.67
Electricity, gas, and water	221,039	149,907	-	-	221,039	149,907	1.27	0.95
Agriculture and livestock	760,527	679,159	-	-	760,527	679,159	4.36	4.32
Forest	89,353	84,375	-	-	89,353	84,375	0.51	0.54
Fishing	144,162	133,930	-	-	144,162	133,930	0.83	0.85
Transport	473,414	449,508	-	-	473,414	449,508	2.72	2.86
Communications	252,528	214,881	-	-	252,528	214,881	1.45	1.37
Construction	980,797	839,316	-	-	980,797	839,316	5.63	5.34
Commerce	1,916,400	1,732,800	87,041	69,709	2,003,441	1,802,509	11.49	11.46
Services	384,061	358,314	-	-	384,061	358,314	2.20	2.28
Others	2,965,498	2,719,013	-	-	2,965,498	2,719,013	17.00	17.29
Subtotals	9,288,232	8,305,646	87,041	69,709	9,375,273	8,375,355	53.77	53.26
Mortgage loans	5,115,663	4,651,137	-	-	5,115,663	4,651,137	29.35	29.57
Consumer loans	2,943,846	2,700,790	-	-	2,943,846	2,700,790	16.88	17.17
Total	17,347,741	15,657,573	87,041	69,709	17,434,782	15,727,282	100.00	100.00

(*) Includes domestic loans to financial institutions for Ch\$ 647 million as of December 31 2011 (Ch\$ 17 million as of December 31, 2010).

(**) Includes foreign loans to financial institutions for Ch\$87,041 million as of December 31, 2011 (Ch\$ 69,709 million as of December 31, 2010), see Note 9.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 10 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued:

c) Impaired loans

i) As of December 31, 2011 and 2010, the composition of the Impaired loans portfolio is as follows:

	As of December 31,				As of December 31,			
	2011		2010		2011		2010	
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$
Individual impaired portfolio	285,930	-	-	285,930	444,129	-	-	444,129
Non - performing loans	251,881	152,911	106,565	511,357	213,872	121,911	80,956	416,739
Other impaired portfolio	164,158	46,785	315,125	526,068	230,810	20,735	368,063	619,608
Total	701,969	199,696	421,690	1,323,355	888,811	142,646	449,019	1,480,476

ii) The impaired secured and unsecured loan portfolio as of December 31, 2011 and 2010 is as follows:

	As of December 31,				As of December 31,			
	2011		2010		2011		2010	
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$
Secured debt	376,864	183,657	58,335	618,856	446,953	131,881	67,450	646,284
Unsecured debt	325,105	16,039	363,355	704,499	441,858	10,765	381,569	834,192
Total	701,969	199,696	421,690	1,323,355	888,811	142,646	449,019	1,480,476

iii) The portfolio of non - performing loans secured and unsecured as of December 31, 2011 and 2010 is as follows:

	As of December 31,				As of December 31,			
	2011		2010		2011		2010	
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$
Secured debt	116,201	138,234	9,920	264,355	96,007	111,708	7,071	214,786
Unsecured debt	135,680	14,677	96,645	247,002	117,865	10,203	73,885	201,953
Total	251,881	152,911	106,565	511,357	213,872	121,911	80,956	416,739

F-59

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 10 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued:

d) Allowances

The allowance activities in the 2011 and 2010 periods are as follows:

	As of December 31,					
	2011			2010		
	Individual allowances MCh\$	Group allowances MCh\$	Total MCh\$	Individual allowances MCh\$	Group allowances MCh\$	Total MCh\$
As of January 1	96,560	328,833	425,393	78,297	271,188	349,485
Portfolio charge-offs:						
Commercial loans	(23,200)	(67,175)	(90,375)	(12,541)	(58,335)	(70,876)
Mortgage loans	-	(12,776)	(12,776)	-	(14,549)	(14,549)
Consumer loans	-	(187,937)	(187,937)	-	(121,621)	(121,621)
Total charge offs loans	(23,200)	(267,888)	(291,088)	(12,541)	(194,505)	(207,046)
Allowances established	81,068	374,237	455,305	41,632	268,920	310,552
Allowances released	(41,741)	(59,412)	(101,153)	(10,828)	(16,770)	(27,598)
Total as of December 31	112,687	375,770	488,457	96,560	328,833	425,393

e) The following table shows recoveries by type of loan.

	December 31,		
	2011 MCh\$	2010 MCh\$	2009 MCh\$
Commercial loans	7,216	6,994	8,446
Consumer loans	12,474	22,096	28,268
Residential mortgage loans	16,135	1,389	2,560
Total	35,825	30,479	39,724

Recoveries of loans previously charged off are recognized as income in the line item "Provision for loan losses". We only recognize as a recovery interest and/or principal paid in cash in connection with a loan that has already been charged-off in its entirety. Such recoveries do not have an impact on our allowance for loan losses as these recoveries

are for loans that have been already charged-off and recognized as a loss in our income statement and are no longer on-balance sheet.

F-60

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 10 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued:

f) Allowances established on customer and interbank loans

Reconciliation of provisions for Consolidated Statements of Cash Flow	December 31,		
	2011 MCh\$	2010 MCh\$	2009 MCh\$
Allowances established – customer loans (letter d)	455,305	310,552	398,409
Allowances established – interbank loans (Note 9)	464	131	7
Allowances established on customer and interbank loans	455,769	310,683	398,416

g) Loans and accounts receivable from customers: Standard loans not overdue and overdue loans.

As of December 31, 2011 and 2010, overdue loan portfolio is as follows:

	As of December 31,	
	2011 MCh\$	2010 MCh\$
Current	17,038,922	15,394,212
Overdue for 1-29 days	37,480	30,736
Overdue for 30-89 days	33,119	26,007
Overdue for 90 days or more (“past due”)	237,573	206,601
Total loans	17,347,094	15,657,556
Overdue loans expressed as a percentage of total loans	1.78%	1.68%
Past due loans as a percentage of total loans	1.37%	1.32%

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 11 - LOAN PURCHASES, SALES AND SUBSTITUTIONS:

a) Sales of loans

As of December 31, 2011 and 2010 the following loan trading operations were conducted:

Loan item	As of December 31, 2011			
	Carrying	Sales		Effect on
	amount	price	Allowances	profit or
	MCh\$	MCh\$	MCh\$	loss
				income
				MCh\$
Charge off				
Portfolio	-	8,180	856	7,324
Current Portfolio	6,630	8,998	-	2,368

(1) Sale of allowance portfolio previously charged off. The total amount of the portfolio's sale is MCh\$ 8,810. Such amount was fully recorded as income from the sale of charged-off portfolio minus the corresponding provision for a total of MCh\$ 856, leaving a net income of MCh\$ 7,324 from selling loans and accounts receivable from customers from a charged off portfolio (Note 30).

(2) Sale of current portfolio totaling MCh\$ 8,998 equal to UF 405,925.69, generating an income from portfolio sale of approximately MCh\$ 2,368 from selling loans and accounts receivables from customers from a current portfolio (Note 30).

In 2010 the following loan trading operations were conducted:

Loan item	As of December 31, 2010			
	Carrying	Sales		Effect on
	amount	price	Allowances	income
	MCh\$	MCh\$	MCh\$	MCh\$
Charge off				
Portfolio	-	12,021	2,197	9,824
Current Portfolio	7,547	10,120	-	2,573

(1) Sale of allowance portfolio previously charged off. The transfer of rights took place on November 2010 for MCh\$ 12,021. Such amount was fully recorded as income from sale of charged off portfolio minus the corresponding provision for a total of MCh\$ 2,197, leaving a net income of MCh\$ 9,824 from selling Loans and accounts

receivables from customers from a charged off portfolio (Note 30).

(2) Sale of current portfolio totaling MCh\$ 10,120 equal to UF 352,128.19, generating an income from portfolio sale of approximately MCh\$ 2,573 from selling loans and accounts receivable from customers from a current portfolio (Note 30).

b) **Loans Purchase**

In 2011, Banco Santander Chile purchased allocation portfolios (loans granted to Chilean companies) from its parent company and other companies under common control for a total of approximately USD 971.0 million, detailed as follows:

- Purchase from Banco Santander S.A. (Parent Company), located in Spain. The sale amount totaled USD 318.5 million (MCh\$ 166,065 Sp); said value corresponds to the fair value of the loans, established by independent third parties.
- Purchase from Banco Santander UK (corporation under common control), located in England. The sale amount totaled USD 526.4 million (MCh\$ 274,496 Sp); said value corresponds to the fair value of the loans, established by independent third parties.
- Purchase from Banco Santander New York (corporation under common control), located in the USA. The sale amount totaled USD 126.1 million (MCh\$ 65,770 Sp); said value corresponds to the fair value of the loans, established by independent third parties.
- As of December 31, 2011 the booked amount of loans purchased during 2011 is approximately USD 406.6 million (MCh\$ 211,574 Sp).

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 12 - AVAILABLE FOR SALE INVESTMENTS:

As of December 31, 2011 and 2010, the detail of financial instruments designated as available for sale investments is as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Chilean Central Bank and Government securities		
Chilean Central Bank Bonds	570,573	555,981
Chilean Central Bank Notes	563,114	366,210
Other Chilean Central Bank and Government securities	173,839	175,296
Subtotals	1,307,526	1,097,487
Other Chilean securities		
Time deposits in Chilean financial institutions	275,022	-
Mortgage finance bonds of Chilean financial institutions	66,806	218,112
Chilean financial institution bonds	-	-
Chilean corporate bonds	-	-
Other Chilean securities	319	147,833
Subtotals	342,147	365,945
Foreign financial securities:		
Foreign Central Bank or Government securities	-	-
Other foreign financial securities	11,638	10,548
Subtotals	11,638	10,548
Total	1,661,311	1,473,980

Chilean Central Bank and Government securities include instruments sold to customers and financial institutions under repurchase agreements totaling MCh\$ 273,323 and MCh\$ 144,034 December 31, 2011 and 2010, respectively.

As of December 31, 2011 available for sale investments included unrealized net losses of MCh\$ 3,043, recorded as a "Valuation adjustment" in Equity, distributed between MCh\$ 3,077 attributable to Bank shareholders and MCh\$ 34 attributable to non controlling interests.

As of December 31, 2010 MCh\$18,596, recorded as a "Valuation adjustment" in Equity, distributed between MCh\$18,341 attributable to Bank shareholders and MCh\$255 attributable to non-controlling interests.

As of December 31, 2011 securities from "Other Chilean securities" do not include securities sold under repurchase agreements with customers and financial institutions. (MCh\$ 152,138 as of December 31, 2010).

F-63

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 12 - AVAILABLE FOR SALE INVESTMENTS, continued:

Realized gains and losses are calculated as the proceeds from sales less the cost (specific identification method) of the investments identified as available for sale. In addition, any unrealized gain or loss previously recognized in equity for these investments is reversed and recorded in the Consolidated Statements of Income.

Gross gains and losses realized on the sale of available for sale investments as of December 31, 2011 and 2010, are as follows:

	As of December 31,		
	2011	2010	2009
	MCh\$	MCh\$	MCh\$
Proceeds from sale of available for sale investments generating realized profits	3,883,812	6,653,426	5,577,210
Realized gains	4,959	20,832	56,977
Proceeds from sale of available for sale investments generating realized losses	1,359,177	3,831,670	1,830,765
Realized losses	7,922	19,224	5,060

The Bank reviewed its financial instruments with unrealized losses as of December 31, 2011 and 2010, and concluded that there was no impairment. This review consisted of evaluating the economic reasons for any declines, the credit ratings of the securities' issuers and the Bank's intention and ability to hold the securities until the unrealized loss is recovered. Based on this analysis, the Bank believes that there were no other than temporary impairment in its investment portfolio, since most of the decline in fair value of these securities was caused by market conditions which the Bank considers to be temporary. All of the instruments that have unrealized losses as of December 31, 2011 and 2010, were in a continuous unrealized loss position for less than one year.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 12 - AVAILABLE FOR SALE INVESTMENTS, continued:

The following tables set forth the available for sale investments in an unrealized profit (loss) position for the periods indicated as of December 31, 2011 and 2010:

As of December 31, 2011:

	Cost MCh\$	Less than 12 months		More than 12 months				Cost MCh\$	Fair value MCh\$	Total U
		Fair value MCh\$	Unrealized gains MCh\$	Unrealized loss MCh\$	Fair value MCh\$	Unrealized gains MCh\$	Unrealized loss MCh\$			
Chilean Central Bank and Government securities										
Chilean Central Bank Bonds	571,340	570,573	2,397	(3,164)	-	-	-	-	571,340	570,573
Chilean Central Bank Notes	563,293	563,114	303	(482)	-	-	-	-	563,293	563,114
Other Chilean Central Bank and Government securities	170,802	173,839	3,054	(17)	-	-	-	-	170,802	173,839
Subtotals	1,305,435	1,307,526	5,754	(3,663)	-	-	-	-	1,305,435	1,307,526
Other Chilean securities										
Time deposits in Chilean financial institutions	274,959	275,022	66	(3)	-	-	-	-	274,959	275,022
Mortgage finance bonds of Chilean	66,341	66,806	1,123	(658)	-	-	-	-	66,341	66,806

financial institutions										
Chilean financial institutions bonds	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-
Other Chilean securities	315	319	4	-	-	-	-	-	315	319
Subtotals	341,615	342,147	1,193	(661)	-	-	-	-	341,615	342,147
Foreign financial securities										
Foreign Central Bank and Government securities	-	-	-	-	-	-	-	-	-	-
Other foreign financial securities	11,218	11,638	420	-	-	-	-	-	11,218	11,638
Subtotals	11,218	11,638	420	-	-	-	-	-	11,218	11,638
Total	1,658,268	1,661,311	7,367	(4,324)	-	-	-	-	1,658,268	1,661,311

F-65

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 12 - AVAILABLE FOR SALE INVESTMENTS, continued:

As of December 31, 2010:

	Cost MCh\$	Less 12 months		More 12 months		Cost MCh\$	Fair value MCh\$	Unrealized gains MCh\$	Unrealized loss MCh\$	Cost MCh\$	Fair value MCh\$	Total U
		Fair value MCh\$	Unrealized gains MCh\$	Unrealized loss MCh\$	Fair value MCh\$							
Chilean Central Bank and Government securities												
Chilean Central Bank Bonds	570,016	555,981	-	(14,035)	-	-	-	-	-	570,016	555,981	
Chilean Central Bank Notes	367,106	366,210	96	(992)	-	-	-	-	-	367,106	366,210	
Other Chilean Central Bank and Government securities	178,665	175,296	39	(3,408)	-	-	-	-	-	178,665	175,296	
Subtotals	1,115,787	1,097,487	135	(18,435)	-	-	-	-	-	1,115,787	1,097,487	
Other Chilean securities												
Time deposits in Chilean financial institutions	-	-	-	-	-	-	-	-	-	-	-	
Mortgage finance bonds of Chilean financial institutions	218,840	218,112	909	(1,637)	-	-	-	-	-	218,840	218,112	
	-	-	-	-	-	-	-	-	-	-	-	

Chilean financial institutions bonds										
Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-
Other Chilean securities	147,855	147,833	9	(31)	-	-	-	-	147,855	147,833
Subtotals	366,695	365,945	918	(1,668)	-	-	-	-	366,695	365,945
Foreign financial securities										
Foreign Central Bank and Government securities	-	-	-	-	-	-	-	-	-	-
Other foreign financial securities	10,094	10,548	454	-	-	-	-	-	10,094	10,548
Subtotals	10,094	10,548	454	-	-	-	-	-	10,094	10,548
Total	1,492,576	1,473,980	1,507	(20,103)	-	-	-	-	1,492,576	1,473,980

F-66

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 12 - AVAILABLE FOR SALE INVESTMENTS, continued:

As of December 31, 2009:

	Less than 12 months				More than 12 months				Tot	
	Cost	Fair value	Unrealized gains	Unrealized loss	Cost	Fair value	Unrealized gains	Unrealized loss	Cost	Fair value
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Chilean Central Bank and Government securities										
Chilean Central Bank Bonds	1,077,180	1,063,879	200	(13,501)	-	-	-	-	1,077,180	1,063,879
Chilean Central Bank Notes	264,866	264,011	31	(886)	-	-	-	-	264,866	264,011
Other Chilean Central Bank and Government securities	220,609	212,362	19	(8,266)	-	-	-	-	220,609	212,362
Subtotals	1,562,655	1,540,252	250	(22,653)	-	-	-	-	1,562,655	1,540,252
Other Chilean securities										
Time deposits in Chilean financial institutions	41,388	41,407	19	-	-	-	-	-	41,388	41,407
Mortgage finance bonds of Chilean financial institutions	244,097	236,847	80	(7,330)	-	-	-	-	244,097	236,847

Chilean financial institution bonds	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	11,207	11,584	377	-	-	-	-	-	11,207	11,584
Other Chilean securities	-	-	-	-	-	-	-	-	-	-
Subtotals	296,692	289,838	476	(7,330)	-	-	-	-	296,692	289,838
Foreign financial securities:										
Foreign Central Bank and Government securities	-	-	-	-	-	-	-	-	-	-
Other foreign financial securities	-	-	-	-	-	-	-	-	-	-
Subtotals	-	-	-	-	-	-	-	-	-	-
Total	1,859,347	1,830,090	726	(29,983)	-	-	-	-	1,859,347	1,830,090

F-67

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 13 - INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

a) The Consolidated Statements of Financial Position reflect investments in other companies amounting to MCh\$ 8,728 as of December 31, 2011 and, MCh\$ 7,275 as of December 31, 2010, as shown in the following table:

Company	Investment								
	Ownership interest			Carrying value			Participation in income		
	As of December 31,			As of December 31,			As of December 31,		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
%	%	%	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Centro de Compensación									
Automatizado	33.33	33.33	33.33	432	351	304	105	47	18
Redbank S.A.	33.43	33.43	33.43	1,929	1,633	1,756	323	136	191
Transbank S.A.	32.71	32.71	32.71	2,092	2,067	2,292	391	366	317
Sociedad Interbancaria de Depósito									
de Valores S.A.	29.28	29.28	29.28	461	451	415	58	125	93
Sociedad Nexus S.A.	12.90	12.90	12.90	941	941	921	114	114	94
Administrador Financiero del									
Transantiago S.A.	20.00	20.00	20.00	1,742	776	583	966	304	(614)
Cámara Compensación de Alto									
Valor S.A.	12.65	12.65	12.65	526	451	422	91	55	66
Subtotals				8,123	6,670	6,693	2,048	1,147	165
Shares or rights in other companies									
(*)									
Bladex	-	-	-	136	136	136	10	10	-
Bolsas de Comercio	-	-	-	417	417	358	82	-	69
Other (1)	-	-	-	52	52	230	-	14	63
Total	-	-	-	8,728	7,275	7,417	2,140	1,171	297

(1) On March 24, 2010 Sociedad Santander S.A. Corredores de Bolsa, bought one share from CCLV Contraparte Central S.A., (an affiliate of Bolsa de Comercio de Santiago), which manages compensation systems and liquidation of financial instruments for variable income and derivative markets. The purchase price was MCh\$ 4.

(*) These investments in shares are held by the Bank and its subsidiaries because they are necessary to obtain the right to operate according to its line of business. The ownership interest in these companies is less than 1%.

During 2010, the Bank received MCh\$ 1,081 (MCh\$ 833 in 2009) as dividends from its investments in associates and other companies.

b) Investment in associates and other companies does not have quoted market prices.

c) Summary of financial information of associates is as follows:

Company:	As of December 31,											
	2011				2010				2009			
	Assets	Liabilities	Net		Assets	Liabilities	Net		Assets	Liabilities	Net	
MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Centro de Compensación Automatizado	1,586	334	937	315	1,416	378	897	141	1,203	294	850	59
Redbanc S.A.	15,009	9,529	4,515	965	10,990	6,226	4,357	407	10,426	5,346	4,509	571
Transbank S.A.	277,424	271,150	5,080	1,194	213,486	207,280	5,087	1,118	172,019	165,110	5,939	970
S o c i e d a d Interbancaria de Depósito de Valores S.A.	1,576	53	1,179	344	1,392	-	963	429	1,261	-	943	318
S o c i e d a d Nexus S.A.	15,497	9,085	5,250	1,162	12,733	6,321	5,532	880	12,891	6,479	5,682	730
Administrador Financiero del Transantiago S.A.	71,584	62,870	3,883	4,831	51,092	47,213	2,360	1,519	59,874	56,958	5,988	(3,072)
C á m a r a Compensación de Alto Valor S.A.	4,501	706	3,073	722	3,859	512	2,910	437	3,603	529	2,555	519
Total	387,177	353,727	23,917	9,533	294,968	267,930	22,107	4,931	261,277	234,716	26,466	95

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 13 - INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES, continued:

d) Restrictions over the capacity of associates to transfer funds to investors:

There are not any significant restrictions on the ability of associates to transfer funds as cash dividends, repayment of loans or advance payments to the Bank.

e) Activity with respect to investments in associates and other companies is as follows:

	As of December 31,		
	2011	2010	2009
	MCh\$	MCh\$	MCh\$
Initial book value	7,275	7,417	7,277
Acquisition of investments	-	4	32
Sale of investments	-	-	(209)
Participation in income of investments	2,140	1,171	297
Dividends received	(795)	(1,081)	(833)
Other adjustments	108	(236)	853
Total	8,728	7,275	7,417

f) Investments in other companies have not recognized any impairment loss during 2011, 2010 and 2009.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 14 - INTANGIBLE ASSETS:

a) As of December 31, 2011 and 2010, the composition of the item is as follows:

	Useful life	Remaining useful life	2011				
			Opening balance		Gross balance	Accumulated amortization	Net balance
			January 1, 2011	MCh\$			
Licenses	3	2	2,108	8,085	(5,589)	2,496	
Software development	3	1.8	75,882	184,133	(105,890)	78,243	
Total			77,990	192,218	(111,479)	80,739	

	Useful life	Remaining useful life	2010				
			Opening balance		Gross balance	Accumulated amortization	Net balance
			January 1, 2010	MCh\$			
Licenses	3	2	1,544	6,229	(4,121)	2,108	
Software development	3	1.6	75,716	150,090	(74,208)	75,882	
Total			77,260	156,319	(78,329)	77,990	

b) The activity in intangible assets during 2011 and 2010 is as follows:

b.1) Gross balance

	Software development		Total MCh\$
	Licenses MCh\$	(acquired) MCh\$	
Gross balances 2011			
Opening balances as of January 1, 2011	6,229	150,090	156,319
Acquisitions	1,856	32,195	34,051
Disposals	-	(409)	(409)

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Others	-	2,257	2,257
Balances as of December 31, 2011	8,085	184,133	192,218
Gross balances 2010			
Opening balances as of January 1, 2010	4,422	123,939	128,361
Acquisitions	1,807	26,524	28,331
Other	-	(373)	(373)
Balances as of December 31, 2010	6,229	150,090	156,319

F-70

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 14 - INTANGIBLE ASSETS, continued:

b.2) Accumulated amortization

Accumulated amortization	Licenses MCh\$	Software development	Total MCh\$
		(acquired) MCh\$	
Opening balances as of January 1, 2011	(4,121)	(74,208)	(78,329)
Amortization for the period	(1,468)	(31,625)	(33,093)
Other changes	-	(57)	(57)
Balances as of December 31, 2011	(5,589)	(105,890)	(111,479)
Opening balances as of January 1, 2010	(2,878)	(48,223)	(51,101)
Amortization for the period	(1,243)	(25,985)	(27,228)
Other changes	-	-	-
Balances as of December 31, 2010	(4,121)	(74,208)	(78,329)

c) The Bank does not have any restrictions on intangible assets. Additionally intangible assets have not been pledged as security for liabilities.

F-71

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 15 - PROPERTY, PLANT, AND EQUIPMENT

a) Property, plant and equipment as of December 31, 2011 and 2010, is as follows:

	2011			
	Opening	Gross	Accumulated	Net
	balance			
	January			
	1, 2011			
	MCh\$	MCh\$	MCh\$	MCh\$
Land and buildings	126,550	159,579	(38,863)	120,716
Equipment	20,346	51,781	(29,211)	22,570
Ceded under operating leases	1,802	1,848	-	1,848
Other	6,287	24,081	(16,156)	7,925
Total	154,985	237,289	(84,230)	153,059

	2010			
	Opening	Gross	Accumulated	Net
	balance			
	January			
	1, 2010			
	MCh\$	MCh\$	MCh\$	MCh\$
Land and buildings	161,922	155,821	(29,271)	126,550
Equipment	13,391	42,757	(22,411)	20,346
Ceded under operating leases	689	1,840	(38)	1,802
Other	8,120	18,943	(12,656)	6,287
Total	184,122	219,361	(64,376)	154,985

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 15 - PROPERTY, PLANT, AND EQUIPMENT, continued:

b) The activity in property, plant, and equipment during 2011 and 2010 is as follows:

b.1) Gross balance

2011	Land and buildings MCh\$	Equipment MCh\$	Ceded under an operating leases MCh\$	Others MCh\$	Total MCh\$
Opening balances as of January 1, 2011	155,821	42,757	1,840	18,943	219,361
Additions	8,326	8,503	5,741	4,119	26,689
Impairment due to damage (i)	-	(116)	-	-	(116)
Disposals (ii)	(8,508)	(132)	-	(5)	(8,645)
Transfers	3,940	769	(5,733)	1,024	-
Balances as of December 31, 2011	159,579	51,781	1,848	24,081	237,289

(i) Banco Santander Chile has recognized in its financial statements as of December 31, 2011 an impairment of MCh\$ 116 from damages to ATMs. Reimbursement payments received from the insurance company totaled MCh\$ 437, which are presented in "Other operating income" (Note 36).

(ii) In 2011 the Bank sold eight office branches which, at the time of sale, had a net carrying amount of approximately MCh\$ 6,237.

2010	Land and buildings MCh\$	Equipment MCh\$	Ceded under operating leases MCh\$	Other MCh\$	Total MCh\$
Opening balances as of January 1, 2010	180,868	27,993	727	17,513	227,101
Additions	7,884	7,781	-	3,336	19,001
Impairment due to damage (i)	(4,739)	(186)	-	-	(4,925)
Disposals (ii)	(26,968)	(235)	-	(114)	(27,317)
Transfers	(745)	-	745	-	-

Others	(479)	7,404	368	(1,792)	5,501
Balances as of December 31, 2010	155,821	42,757	1,840	18,943	219,361

- (i) As result of the earthquake that occurred on February 27, 2010 Banco Santander Chile recognized impairment losses for Ch\$4,739 million for certain of its offices located in the damaged zone. In addition, an impairment loss of Ch\$186 million was recognized for damages to ATMs. Reimbursement payments received from insurance totaled Ch\$3,175 million, which are presented in line item "Other operating income"(See Note 36).
- (ii) In 2010 the Bank sold forty-three office branches and two buildings which, at the time of sale, had a net carrying amount of approximately MCh\$26,110 (See Note 36).

F-73

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 15 - PROPERTY, PLANT, AND EQUIPMENT, continued:

b.2) Accumulated depreciation

2011	Land and buildings MCh\$	Equipment MCh\$	Ceded under operating leases MCh\$	Other MCh\$	Total MCh\$
Opening balances as of January 1, 2011	(29,271)	(22,411)	(38)	(12,656)	(64,376)
Depreciation charges in the period	(10,011)	(6,845)	-	(3,517)	(20,373)
Sales and disposals in the period	419	45	-	17	481
Other	-	-	38	-	38
Balances as of December 31, 2011	(38,863)	(29,211)	-	(16,156)	(84,230)

2010	Land and buildings MCh\$	Equipment MCh\$	Ceded under operating leases MCh\$	Other MCh\$	Total MCh\$
Opening balances as of January 1, 2010	(18,946)	(14,602)	(38)	(9,393)	(42,979)
Depreciation charges in the period	(11,103)	(7,809)	-	(3,263)	(22,175)
Sales and disposals in the period	778	-	-	-	778
Other	-	-	-	-	-
Balances as of December 31, 2010	(29,271)	(22,411)	(38)	(12,656)	(64,376)

c) Operational leases – Lessor

As of December 31, 2011 and 2010, the future minimum lease inflows under non cancelable operating leases are as follows:

	As of December	
	31,	
	2011	2010
	MCh\$	MCh\$
Due within 1 year	1,151	597
Due after 1 year		
but within 2 years	1,165	591
Due after 2 years		
but within 3 years	605	587
Due after 3 years		
but within 4 years	582	184
Due after 4 years		
but within 5 years	293	165
Due after 5 years	2,337	2,090
Total	6,133	4,214

F-74

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 15 - PROPERTY, PLANT, AND EQUIPMENT, continued:

d) Operational leases – Lessee

Certain of the Bank's premises and equipment are leased under various operating leases. Future minimum rental payments under non cancelable leases are as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Due within 1 year	15,089	14,301
Due after 1 year but within 2 years	13,521	12,859
Due after 2 years but within 3 years	12,373	11,339
Due after 3 years but within 4 years	10,781	10,194
Due after 4 years but within 5 years	9,347	8,720
Due after 5 years	63,686	58,724
Total	124,797	116,137

e) As of December 31, 2011 and 2010, the Bank has not entered into financial leases which cannot be unilaterally rescinded.

f) As of December 31, 2011 and 2010, the Bank does not have any restriction on title of property, plant, and equipment. Additionally, property, plant, and equipment have not been pledged as security did liabilities. Moreover, the Bank had no due amounts related to acquisition of property, plant and equipment at those dates.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 16 - CURRENT AND DEFERRED TAXES:

a) Current taxes

At the end of each reporting period the bank recognizes Income Tax Provision, which is determined based on the currently applicable tax legislation. This provision is recorded net of recoverable taxes, as shown as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Summary of current tax liabilities (assets)		
Current tax (assets)	(37,253)	(12,499)
Current tax liabilities	1,498	1,293
Total tax payable (recoverable)	(35,755)	(11,206)
(Assets) liabilities current taxes detail (net)		
Income tax, tax rate 20% and 17%	101,853	92,593
Minus:		
Provisional monthly payments (PPM)	(138,329)	(96,245)
Credit for training expenses	(1,366)	(1,328)
Other	2,087	(6,226)
Total tax payable (recoverable)	(35,755)	(11,206)

b) Effect on income

The effect of tax expense on income for the periods ended December 31, 2011 and 2010 is comprised of the following items:

	As of December 31,		
	2011	2010	2009
	MCh\$	MCh\$	MCh\$
Income tax expense			
Current tax	101,853	92,593	106,882
Credits (debits) for deferred taxes			
Origination and reversal of temporary differences	(25,425)	(7,934)	(18,154)
Subtotals	76,428	84,659	88,728
Tax for rejected expenses Article No.21	716	684	196

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Other	49	-	-
Net charges for income tax expense	77,193	85,343	88,924

F-76

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 16 - CURRENT AND DEFERRED TAXES, continued:

c) Effective tax rate reconciliation

The reconciliation between the income tax rate and the effective rate applied in determining tax expenses as of December 31, 2011 and 2010, is as follows:

	2011		As of December 31, 2010		2009	
	Tax rate %	Amount MCh\$	Tax rate %	Amount MCh\$	Tax rate %	Amount MCh\$
Income tax using statutory rate	20.00	96,771	17.00	100,779	17.00	89,341
Permanent differences	(2.00)	(8,790)	(1.42)	(8,427)	(0.06)	(304)
Additions or deductions	-	-	-	-	(0.05)	(250)
Unique tax (rejected expenses)	0.14	716	0.12	668	0.04	196
Effect of change in tax rate	(2.20)	(11,501)	(1.28)	(7,596)	-	-
Other	-	(3)	(0.01)	(81)	(0.01)	(59)
Effective rates and expenses for income tax	15.94	77,193	14.41	85,343	16.92	88,924

Law No. 20,455 from 2010 increased the statutory tax rate to be applied during 2011 and 2012 to 20% and 18.5%, respectively. Due to this, the Bank recognized tax benefit amounted to MCh\$ 11,301 and MCh\$ 7,596 as of December 31, 2011 and 2010, respectively, corresponding to the adjustment of temporary differences to be reversed during those years.

d) Effect of deferred taxes on other comprehensive income

Below is a summary of the separate effect of deferred tax on other comprehensive income, during the periods ended December 31, 2011, 2010 and 2009.

	As of December 31,		
	2011 MCh\$	2010 MCh\$	2009 MCh\$
Deferred tax assets			
Available for sale investments	143	4,319	4,982
Cash flow hedge	-	-	537
Total deferred tax assets affecting other comprehensive income	143	4,319	5,519

Deferred tax liabilities

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Available for sale investments	(705)	(749)	-
Cash flow hedge	(72)	(2,324)	-
Total deferred tax liabilities affecting other comprehensive income	(777)	(3,073)	-
Net deferred tax balances in equity	(634)	1,246	5,519
Deferred taxes in equity attributable to Bank shareholders	(639)	1,203	5,490
Deferred tax in equity attributable to non controlling interests	5	43	29

F-77

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 16 - CURRENT AND DEFERRED TAXES, continued:

e) Effect of deferred taxes on income

Below are the effects as of December 31, 2011 and 2010 of deferred tax assets and liabilities affecting profit or loss as a result of temporary differences:

	As of December 31,	
	2011 MCh\$	2010 MCh\$
Deferred tax assets		
Interest and adjustments	1,936	162
Loans charged offs	7,028	5,197
Assets received in lieu of payment	621	919
Exchange rate adjustments	1,890	560
Property, plant and equipment	5,906	5,491
Allowance for loan losses	66,667	46,585
Provision for expenses	15,961	6,606
Derivatives	27	4,300
Leased assets	31,244	22,007
Subsidiaries tax losses	4,229	4,168
Other	869	156
Total deferred tax assets	136,378	96,151
Deferred tax liabilities		
Valuation of investments	(2,301)	(1,056)
Depreciation	(178)	(443)
Prepaid expenses	(1,303)	(646)
Other	(756)	(223)
Total deferred tax liabilities	(4,538)	(2,368)

f) Summary of deferred tax assets and liabilities

Below is a summary of the deferred tax assets and liabilities, recognized in other comprehensive income and in profit or loss:

	As of December 31,	
	2011 MCh\$	2010 MCh\$
Deferred tax assets		
Recognized in other comprehensive income	143	4,319
Recognized in profit or loss	136,378	96,151
Total deferred tax assets	136,521	100,470

Deferred tax liabilities		
Recognized in other comprehensive income	(777)	(3,073)
Recognized in profit or loss	(4,538)	(2,368)
Total deferred tax liabilities	(5,315)	(5,441)

F-78

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 17 – OTHER ASSETS:

Other assets as of December 31, 2011 and 2010 are as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Assets for leasing (*)	105,150	43,832
Assets received or awarded in lieu of payment (**)		
Assets received in lieu of payment	15,619	20,337
Assets awarded at judicial sale	10,226	7,798
Provisions for assets received in lieu of payment or awarded	(2,628)	(2,255)
Subtotals	23,217	25,880
Other assets		
Guarantee deposits	149,583	208,512
VAT credit	8,953	9,634
Income tax recoverable	6,849	9,045
Prepaid expenses	70,927	81,348
Higher value paid on purchase of mortgage finance bonds issued by Bank	-	436
Assets recovered from leasing for sale	2,693	2,347
Pension plan assets (Note 38)	3,348	4,217
Accounts and notes receivable	64,667	100,958
Notes receivable through brokerage and simultaneous transactions	66,406	111,508
Other assets	48,533	52,364
Subtotals	421,959	580,369
Total	550,326	650,081

(*) Assets available to be granted under financial leasing agreements.

(**) Assets received in lieu of payment are assets received as payment of customers' past-due debts. The assets acquired must at no time exceed, in the aggregate, are assets that have been 20% of the Bank's effective equity. These assets represent 0.81% (0.47% as of December 31, 2010) of the Bank's effective equity.

The assets awarded at judicial sale are assets that have been acquired as payment of debts previously owed towards the Bank. The assets awarded at judicial sale are not subject to the aforementioned requirement. These properties are assets available for sale. For most assets, sale is expected to be completed within one year from the date on which the asset was received or acquired. If the asset in question is not sold within the year, it must be written off.

In addition, a provision is recorded for the initial award value plus its additions and its estimated realization value (appraisal) when the first is higher.

F-79

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 18 - TIME DEPOSITS AND OTHER TIME LIABILITIES:

As of December 31, 2011 and 2010, the composition of the item is as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Deposits and other demand liabilities		
Checking accounts	3,543,776	3,330,352
Other deposits and demand accounts	350,519	368,934
Other demand liabilities	519,520	537,148
Total	4,413,815	4,236,434
Time deposits and other time liabilities		
Time deposits	8,816,766	7,154,396
Time savings account	102,831	103,191
Other time liabilities	1,517	1,170
Total	8,921,114	7,258,757

F-80

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 19 - INTERBANK BORROWINGS:

As of December 31, 2011 and 2010, interbank borrowings are as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Loans from financial institutions and the Central Bank of Chile		
Other obligations with the Central Bank of Chile	810	1,307
Subtotals	810	1,307
Loans from foreign financial institutions		
Standard Chartered Bank, New York	362,041	253,147
Citibank N.A., New York	208,967	211,145
Wachovia Bank N.A., Miami	189,894	172,549
Bank of America	177,182	162,390
J.P. Morgan Chase Bank N.A., New York	127,762	67,763
Bank of Montreal – Toronto	122,014	103,215
Landesbank Baden - Wuerttemberg	119,999	65,732
Commerzbank A.G. - Frankfurt	113,704	87,023
Mizuho Corporate Bank	104,374	-
The Toronto Dominion Bank – Toronto	85,994	77,847
Sumitomo Mitsui Banking Corporation	72,935	42,278
Banco do Brasil S.A. – London	67,820	19,278
Royal Bank of Scotland – London	39,122	25,842
Commerzbank N.A. – Miami	36,451	32,835
Intesa San Paolo SPA U.S.A.	33,920	42,191
Branch Banking and Trust Co.	14,926	-
Deutsche Bank A.G., New York	14,126	12,652
Unicredito Italiano, New York	13,207	13,429
ING Bank N.V. Amsterdam	5,241	-
Banco Santander – Hong Kong	2,585	5,853
ABN Amor Bank N.V., Amsterdam	1,175	-
Banco de Occidente	750	-
BBVA Banco Francés S.A.	745	-
State Bank of India	358	-
U.S. Bank	344	-
Bank of China	326	-
Bank of Tokyo Mitsubishi	297	-
Banca Commerciale Italiana S.P.	289	-
Banco Santander – Madrid	-	8,447
Bayerische Landesbank	-	122,597
Banco Latinoamericano de Export. S.A. Panama	-	46,915

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BHF-Bank Aktiengesellschaft	-	9,385
Other	2,734	237
Subtotals	1,919,282	1,582,750
Total	1,920,092	1,584,057

F-81

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 19 - INTERBANK BORROWINGS, continued:

a) Obligations with Central Bank of Chile

Debts to the Central Bank of Chile include credit lines for the renegotiation of loans and other Central Bank borrowings. These credit lines were provided by the Central Bank of Chile for the renegotiation of loans due to the need to refinance debt as a result of the economic recession and the crisis of the banking system in the early 1980s.

The outstanding amounts owed to the Central Bank of Chile under these credit lines are as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Line of credit for renegotiation of obligations to the Central Bank of Chile	810	1,307
Total Line of credit for renegotiation of obligations to the Central Bank of Chile	810	1,307

b) Loans from domestic financial institutions

As of December 31, 2011 and 2010 the Bank does not hold any liabilities from loans to Chilean financial institutions.

c) Foreign obligations

These obligations' maturities are as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Due within 1 year	1,740,254	1,458,479
Due after 1 years but within 2 years	87,102	110,218
Due after 2 years but within 3 years	91,926	14,053
Due after 3 years but within 4 years	-	-
Due after 5 years	-	-
Total loans from foreign financial institutions	1,919,282	1,582,750

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 20 - ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS:

As of December 31, 2011 and 2010, the composition of the item is as follows:

	As of December 31,	
	2011 MCh\$	2010 MCh\$
Other financial liabilities		
Obligations to public sector	100,299	102,541
Other domestic obligations	75,260	38,000
Foreign obligations	1,040	25,748
Subtotals	176,599	166,289
Issued debt instruments		
Mortgage finance bonds	160,243	194,134
Senior bonds	3,601,125	3,310,679
Subordinated bonds	861,871	686,075
Subtotals	4,623,239	4,190,888
Total	4,799,838	4,357,177

Debts classified as current are either demand obligations or will mature in one year or less. All other debts are classified as non current. The Bank's debts, both current and non-current, are summarized below:

	As of December 31, 2011		
	Current MCh\$	Non-current MCh\$	Total MCh\$
Mortgage finance bonds	7,707	152,536	160,243
Senior bonds	749,340	2,851,785	3,601,125
Subordinated bonds	136,842	725,029	861,871
Issued debt instruments	893,889	3,729,350	4,623,239
Other financial liabilities	56,078	120,521	176,599
Total	949,967	3,849,871	4,799,838

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 20 – ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS, continued:

	As of December 31, 2010		
	Current MCh\$	Non-current MCh\$	Total MCh\$
Mortgage finance bonds	10,751	183,383	194,134
Senior bonds	547,107	2,763,572	3,310,679
Subordinated bonds	21,692	664,383	686,075
Issued debt instruments	579,550	3,611,338	4,190,888
Other financial liabilities	44,042	122,247	166,289
Total	623,592	3,733,585	4,357,177

a) Mortgage finance bonds

These bonds are used to finance mortgage loans. The outstanding principal of the bonds is amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and bear a weighted-average annual interest rate of 5.7% as of December 2011 (5.6% as of December 2010).

	As of December 31,	
	2011 MCh\$	2010 MCh\$
Due within 1 year	7,707	10,751
Due after 1 year but within 2 years	7,535	7,171
Due after 2 years but within 3 years	10,333	8,745
Due after 3 years but within 4 years	21,122	12,286
Due after 4 years but within 5 years	14,010	26,253
Due after 5 years	99,536	128,928
Total mortgage bonds	160,243	194,134

b) Senior bonds

The following table shows senior bonds by currency as of December 31, 2011 and 2010:

	As of December 31,	
	2011 MCh\$	2010 MCh\$

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Santander bonds in UF	2,001,713	1,952,051
Santander bonds in US\$	1,268,763	936,134
Santander bonds in CHF\$	119,394	174,297
Santander bonds in \$	211,255	248,197
Total senior bonds	3,601,125	3,310,679

F-84

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 20 – ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS, continued:

In 2011 the Bank issued bonds for USD 635,000,000; UF 5,694,000 and CLP 36,900,000,000; detailed as follows:

Series	Amount	Term	Issue rate	Date of issue	Maturity date
Floating rate bond	USD 500,000,000	5 years	Libor (3 months) + 160 bp	01/19/2011	01/19/2016
Floating rate bond	USD 135,000,000	6 months	Libor (3 months) + 80 bp	11/29/2011	05/29/2012
Total	USD 635,000,000				
E1	UF 896,000	5 years	3.0% per annum simple	02/01/2011	01/01/2016
E2	UF 3,048,000	7.5 years	3.5% per annum simple	02/01/2011	07/01/2018
E3	UF 1,750,000	8.5 years	3.5% per annum simple	02/01/2011	07/01/2019
Total	UF 5,694,000				
E4	CLP 36,900,000,000	5 years	6.75% per annum simple	07/01/2011	06/01/2016
Total	CLP 36,900,000,000				

In 2011, a total payment of the Bond Series BSTDH20799 was performed in July and a total payment of Bond Series BSTDR0207 took place in August. Also, a partial payment of the fixed rate bond for CHF 133,000,000 was done.

In 2010 the Bank issued bonds for UF 21,496,000; USD 1,200,000,000; CHF 350,000,000; and CLP 247,255,000,000; detailed as follows:

Series	Amount	Term	Issue rate	Date of issue	Maturity date
F6	UF 1,090,000	5 years	3.50% per annum simple	09/01/2009	09/01/2014
F7	UF 3,000,000	4.5 years	3.30% per annum simple	11/01/2009	05/01/2014
F8	UF 3,000,000	4.5 years	3.60% per annum simple	01/01/2010	07/01/2014
F9	UF 3,000,000	5 years	3.70% per annum simple	01/01/2010	01/01/2015
FA	UF 2,840,000	4 years	To maturity (bullet)	04/01/2010	04/01/2014
FB	UF 3,000,000	5 years	3.0% annual due	04/01/2010	04/01/2015
FC	UF 4,000,000	5 years	4.5% annual due	08/01/2010	08/01/2015
FD	UF 1,566,000	5 years	To maturity (bullet)	09/01/2010	09/01/2015
Total	UF 21,496,000				
Floating rate bond	USD 500,000,000	2 years	Libor (3 months) + 125 bp	04/15/2010	04/12/2012
Fixed bonds	USD 500,000,000	5 years	3.75% per annum simple	09/15/2010	09/15/2015

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Floating rate bond	USD	200,000,000	1 year	Libor (3 months) + 100 bp	09/15/2010	09/15/2011
Total	USD	1,200,000,000				
Fixed bonds	CHF	250,000,000	5 years	2.25% coupon rate	11/16/2010	12/16/2015
Floating rate bond	CHF	100,000,000	3 years	Libor (3 months) + 100 bp	11/16/2010	11/16/2013
Total	CHF	350,000,000				
Bono pesos	CLP	247,255,000,000	10 years	6.5% coupon rate	09/15/2010	09/22/2020
Total	CLP	247,255,000,000				

F-85

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 20 – ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS, continued:

As of December 31, 2011 issued bonds pending to be placed, are as follows:

Series	Amount	Term	Issue rate	Issuance of date	Maturity date
FD	UF 160,000	5 years	To maturity (bullet)	09/01/2010	09/01/2015
E1	UF 3,104,000	5 years	3.0% per annum simple	02/01/2011	02/01/2016
E2	UF 952,000	7.5 years	3.5% per annum simple	02/01/2011	07/01/2018
E3	UF 2,250,000	8.5 years	3.5% per annum simple	02/01/2011	07/01/2019
Total	UF 6,466,000				
	CLP				
E4	13,100,000,000	5 years	6.75% per annum simple	07/01/2011	06/01/2016
	CLP				
Total	13,100,000,000				

These bonds mature as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Due within 1 year	749,340	547,107
Due after 1 year but within 2 years	460,200	374,727
Due after 2 years but within 3 years	408,723	389,813
Due after 3 years but within 4 years	656,201	390,953
Due after 4 years but within 5 years	488,425	340,331
Due after 5 years	838,236	1,267,748
Total senior bonds	3,601,125	3,310,679

c) Subordinated bonds

The following table shows the balances of our subordinated bonds as of December 31, 2011 and 2010:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Subordinated bonds denominated in US\$	316,169	244,957
Subordinated bonds denominated in UF	545,702	441,118
Total subordinated bonds	861,871	686,075

In 2011 the Bank issued subordinated bonds on the local market for UF 5,100,000, which is detailed as follows:

Series	Amount	Term	Issue rate	Issuance date	Maturity date
G3	UF 3,000,000	25 years	3.9 % per annum simple	07/01/2010	07/01/2035
G5	UF 2,100,000	20 years	3.9 % per annum simple	05/01/2011	04/01/2031
Total	UF 5,100,000				

F-86

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 20 – ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS, continued:

In 2010 the Bank issued subordinated bonds on the local market for UF 4,950,000, which are detailed as follows:

Series	Amount	Term	Issuance rate	Issuance date	Maturity date
			4.8% per annum		
G2	UF 1,950,000	30 years	simple	06/17/2010	03/01/2038
G4	UF 3,000,000	30 years	3.9% annual due	07/01/2010	07/01/2040
Total	UF 4,950,000				

The maturities of these bonds are as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Due within 1 year	136,842	21,692
Due after 1 year but within 2 years	-	105,505
Due after 2 years but within 3 years	179,327	-
Due after 3 years but within 4 years	10,567	139,452
Due after 4 years but within 5 years	29,616	12,305
Due after 5 years	505,519	407,121
Total subordinated bonds	861,871	686,075

d) Other financial liabilities

The composition of other financial obligations, by maturity, is detailed below:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Non-current portion:		
Due after 1 years but within 2 years	29,575	4,606
Due after 2 years but within 3 years	2,866	3,090
Due after 3 years but within 4 years	3,489	28,786
Due after 4 years but within 5 years	3,095	3,194
Due after 5 years	81,496	82,571

Non current portion subtotals	120,521	122,247
Current portion:		
Amounts due to credit card operators	50,840	38,567
Acceptance of letters of credit	704	721
Other long-term financial obligations, short-term portion	4,534	4,754
Current portion subtotals	56,078	44,042
Total other financial liabilities	176,599	166,289

F-87

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 21 - MATURITY OF ASSETS AND LIABILITIES:

As of December 31, 2011 and 2010, the detail of maturities of assets and liabilities is as follows:

As of December 31, 2011	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Subtotal up to 1 year MCh\$	Between 1 and 5 years MCh\$	More than 5 years MCh\$	Subtotal more than 1 year MCh\$	Total MCh\$
Assets									
Cash and deposits in banks	2,793,701	-	-	-	2,793,701	-	-	-	2,793,701
Cash in process of collection	276,454	-	-	-	276,454	-	-	-	276,454
Trading investments	-	27,909	40,608	272,544	341,061	44,857	23,845	68,702	409,763
Investments under resale agreements	-	12,928	-	-	12,928	-	-	-	12,928
Financial derivative contracts	-	63,090	167,558	295,674	526,322	684,260	391,314	1,075,574	1,601,896
Interbank loans (*)	36,785	50,903	-	-	87,688	-	-	-	87,688
Loans and accounts receivables from customers (**)	492,635	1,510,419	1,277,005	2,653,577	5,933,636	5,697,193	5,716,265	11,413,458	17,347,094
Available for sale investments	-	607,472	190,642	180,451	978,565	403,577	279,169	682,746	1,661,311
Held to maturity investments	-	-	-	-	-	-	-	-	-
Total assets	3,599,575	2,272,721	1,675,813	3,402,246	10,950,355	6,829,887	6,410,593	13,240,480	24,190,835
Liabilities									
Deposits and other demand liabilities	4,413,815	-	-	-	4,413,815	-	-	-	4,413,815
Cash in process of being cleared	89,486	-	-	-	89,486	-	-	-	89,486
Obligations under repurchase agreements	-	463,083	78,712	2,586	544,381	-	-	-	544,381
Time deposits and other time liabilities	105,463	4,415,765	2,509,308	1,496,193	8,526,729	371,736	22,649	394,385	8,921,114
Financial derivative contracts	-	64,290	158,204	209,746	432,240	513,944	346,218	860,162	1,292,402
Interbank borrowings	194,451	7,750	470,749	1,068,014	1,740,964	179,128	-	179,128	1,920,092
Issued debt instruments	-	3,788	15	890,086	893,889	2,286,059	1,443,291	3,729,350	4,623,239

Other financial liabilities	50,840	761	980	3,497	56,078	39,025	81,496	120,521	176,599
Total liabilities	4,854,055	4,955,437	3,217,968	3,670,122	16,697,582	3,389,892	1,893,654	5,283,546	21,981,128

(*) Interbank loans are presented in a gross basis. The amount of allowance totals MCh\$ 11.

(**) Loans and accounts receivables from customers are presented in a gross basis. The amount of allowance totals Ch\$ 488,457 million.

F-88

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 21 - MATURITY OF ASSETS AND LIABILITIES, continued:

As of December 31, 2010	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Subtotal up to 1 year MCh\$	Between 1 and 5 years MCh\$	More than 5 years MCh\$	Subtotal more than 1 year MCh\$	Total MCh\$
Assets									
Cash and deposits in banks	1,762,198	-	-	-	1,762,198	-	-	-	1,762,198
Cash in process of collection	374,368	-	-	-	374,368	-	-	-	374,368
Trading investments	-	26,572	10,918	188,295	225,785	150,427	3,458	153,885	379,670
Investments under resale agreements	-	170,985	-	-	170,985	-	-	-	170,985
Financial derivative contracts	-	94,417	109,729	289,492	493,638	749,688	381,052	1,130,740	1,624,378
Interbank loans (*)	17	69,709	-	-	69,726	-	-	-	69,726
Loans and accounts receivables from customers (**)	610,951	1,696,614	1,109,796	2,274,513	5,691,874	4,773,163	5,192,519	9,965,682	15,657,556
Available for sale investments	-	189,600	120,076	265,667	575,343	532,292	366,345	898,637	1,473,980
Held to maturity investments	-	-	-	-	-	-	-	-	-
Total assets	2,747,534	2,247,897	1,350,519	3,017,967	9,363,917	6,205,570	5,943,374	12,148,944	21,512,861
Liabilities									
Deposits and other demand liabilities	4,236,434	-	-	-	4,236,434	-	-	-	4,236,434
Cash in process of being cleared	300,125	-	-	-	300,125	-	-	-	300,125
Obligations under repurchase agreements	-	284,020	9,769	936	294,725	-	-	-	294,725
Time deposits and other time liabilities	104,362	2,167,851	1,713,684	2,350,479	6,336,376	898,241	24,140	922,381	7,258,757
Financial derivative contracts	-	137,501	155,431	343,771	636,703	696,219	311,057	1,007,276	1,643,979
Interbank borrowings	830	29,877	179,361	1,249,718	1,459,786	124,271	-	124,271	1,584,057
Issued debt instruments	-	6,007	130,557	442,986	579,550	1,807,541	1,803,797	3,611,338	4,190,888
Other financial liabilities	38,567	1,089	773	3,613	44,042	39,677	82,570	122,247	166,289

Total liabilities	4,680,318	2,626,345	2,189,575	4,391,503	13,887,741	3,565,949	2,221,564	5,787,513	19,675,254
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(*) Interbank loans are presented in a gross basis. The amount of allowance totals MCh\$ 54.

(**) Loans and accounts receivables from customers are presented in a gross basis. The amount of allowance totals Ch\$ 425,393 million.

F-89

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 22 – PROVISIONS:

a) As of December 31, 2011 and 2010, the composition of the provisions item is as shown below:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Provisions for personnel salaries and expenses	42,974	36,016
Provisions for mandatory dividends	120,520	151,618
Provisions for contingent loans	3,489	5,636
Provisions for contingencies	20,574	16,151
Total	187,557	209,421

b) Below is the activity in provisions during the 2011 and 2010 periods:

	Provisions for				
	Personnel salaries and expenses	Contingent loans	Contingencies	Mandatory dividends	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Opening balance as of January 1, 2011	36,016	5,636	16,151	151,618	209,421
Provisions established	35,452	4,767	22,625	120,520	183,364
Provisions used	(28,494)	(6,914)	(4,352)	(151,618)	(191,378)
Provisions released	-	-	(15,198)	-	(15,198)
Reclassifications	-	-	1,348	-	1,348
Balance as of December 31, 2011	42,974	3,489	20,574	120,520	187,557
Opening balance as of January 1, 2010	31,208	4,077	21,460	129,467	186,212
Provisions established	36,538	3,714	78,689	151,618	270,559
Provisions used	(31,730)	(2,155)	(8,833)	(129,467)	(172,185)
Provisions released	-	-	(75,165)	-	(75,165)
Balance as of December 31, 2010	36,016	5,636	16,151	151,618	209,421

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 22 - PROVISIONS, continued:

c) Provision for personnel salaries and expenses:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Provision for seniority compensation	1,510	1,882
Provision for stock-based employee benefits	1,139	1,016
Provision for performance bonus	21,788	17,107
Provision for vacations	17,196	14,534
Provision for other employee benefits	1,341	1,477
Total	42,974	36,016

d) Movement in provision for seniority compensation:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Present value of obligations at the beginning of the period	1,882	312
Increase in provisions	1,432	4,017
Payments made	(1,804)	(2,447)
Prepayments	-	-
Provisions released	-	-
Other	-	-
Total	1,510	1,882

e) Movements in provision for performance bonus:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Opening balances as of January 1	17,107	14,025
Provisions established	21,980	17,107
Provisions used	(17,299)	(14,025)
Provisions released	-	-
Other	-	-
Total	21,788	17,107

f) Movements in provision for employee vacation:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Opening balances as of January 1	14,534	14,053
Provisions established	12,040	7,065
Provisions used	(9,378)	(6,584)
Provisions released	-	-
Other	-	-
Total	17,196	14,534

F-91

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 23 - OTHER LIABILITIES

The Other liabilities as of December 31, 2011 and 2010 are as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Accounts and notes payable	86,402	63,026
Unearned income	948	1,547
Collaterals received (threshold)	271,980	68,217
Notes payable through brokerage and simultaneous transactions	8,725	53,856
Other liabilities	30,922	74,682
Total	398,977	261,328

F-92

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 24 -CONTINGENCIES AND COMMITMENTS:

a) Lawsuits and legal procedures

As of the issuance date of these financial statements, the Bank and its affiliates were subject to certain legal actions in the normal course of business. As of December 31, 2011, the Bank and its affiliates maintained provisions for these legal actions, totaling MCh\$ 789 (MCh\$ 839 as of December 31, 2010), which are part of the “Provisions for contingencies” (see note 22 b)).

b) Contingent loans

The following table shows the Bank’s contractual obligations to issue loans.

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Letters of credit issued	184,649	209,532
Foreign letters of credit confirmed	52,889	85,739
Guarantees	920,986	898,751
Pledges and other commercial commitments	147,081	166,550
Subtotals	1,305,605	1,360,572
Available on demand credit lines	4,673,525	4,832,359
Other irrevocable credit commitments	95,150	129,428
Total	6,074,280	6,322,359

c) Held securities

The Bank holds securities in the normal course of business as follows:

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Third party operations		
Collections	212,784	173,219
Assets from third parties managed by the Bank and its affiliates	35	66
Subtotals	212,819	173,285
Custody of securities		
Securities held in custody	250,291	290,549
	557,493	611,145

Securities held in custody deposited in other entities

Issued securities held in custody	10,636,123	9,944,224
Subtotals	11,443,907	10,845,918
Total	11,656,726	11,019,203

d) Guarantees

Banco Santander Chile has a comprehensive officer fidelity insurance policy, No. 2545451, with the insurance company Compañía de Seguros Chilena Consolidada, for an amount of USD \$5,000,000, which jointly covers both the Bank and its affiliates for the period from July 1, 2011 to June 30, 2012.

F-93

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 24 -CONTINGENCIES AND COMMITMENTS, continued:

Santander Asset Management S.A. Administradora General de Fondos

In conformity with General Standard No.125, the company designated Banco Santander Chile as the representative of the beneficiaries of the guarantees established by each of the managed funds, in compliance with Articles 226 onward of Law No.18,045.

In addition to these guarantees for creating mutual funds, there are other guarantees for a guaranteed return on certain mutual funds, totaling Ch\$ 9,944 million and time deposits totaling UF 1,536,910.2616 as a guaranty of Private Investment Funds (P.I.F.) as of December 31, 2011.

Santander Agente de Valores Limitada

To ensure correct and full performance of all its obligations as an Agent, in conformity with the provisions of Articles No.30 and onward of Law No.18,045 on the Securities Market, the Company provided a guarantee in the amount of UF 4,000 through Insurance Policy No.212100436, underwritten by the Compañía de Seguros de Crédito Continental S.A., which matures on December 19, 2012.

Santander S.A. Corredores de Bolsa

The Company has given guarantees to the Bolsa de Comercio de Santiago for a current value of Ch\$ 39,448 million to cover simultaneous transactions.

In addition, the Company has issued a guarantee to CCLV Contraparte Central S.A. (formerly known as Cámara de Compensación) in cash, for a total Ch\$ 3,000 million as of December 31, 2011.

Santander Corredora de Seguros Limitada

a) Insurance policies

In accordance with Circular No.1,160 of the Superintending of Securities and Insurance, the Company has an insurance policy in connection with its obligations as an intermediary in insurance contracts. The Company purchased a guarantee policy (No.10019899), and professional liability policy (No.10019900) for its insurance brokers from Compañía de Seguros Generales Consorcio Nacional de Seguros S.A. The policies have a UF 500 and UF 60,000 coverage, respectively, and are valid from April 15, 2011 through April 14, 2012.

b) Contingent loans and liabilities

To satisfy its clients' needs, the Bank took on several contingent loans and liabilities, yet these could not be recognized in the Consolidated Statements of Financial Position. nevertheless these contingent loans and liabilities have credit risk and they are, therefore, part of the Bank's global risk.

c) Lawsuits

As of December 31, 2011 there are trials for MCh\$ 1,265 mainly due to leased assets. The estimated loss is recognized under Provisions.

The Bank is party in lawsuits for MCh\$ 1,265 mainly due to leased assets.

F-94

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 25 – EQUITY:

a) Capital

As of December 31, 2011, 2010 and 2009 the Bank had 188,446,126,794 authorized, subscribed, fully paid and no par value shares. All shares have the same rights, and have no preferences or restrictions.

The activity with respect to shares during 2011, 2010 and 2009 was as follows:

	2011	Number of shares As of December 31, 2010	2009
Issued as of January 1	188,446,126,794	188,446,126,794	188,446,126,794
Issue of paid shares	-	-	-
Issue of outstanding shares	-	-	-
Stock options exercised	-	-	-
Issued as of December 31,	188,446,126,794	188,446,126,794	188,446,126,794

As of December 31, 2011, 2010 and 2009 neither the Bank nor any of its subsidiaries or associates held any of the issued shares.

As of December 31, 2011, shares held by shareholder were as follows:

Corporate Name or Shareholder's Name	Shares	ADRs	Total	% of Equity Holding
Teatinos Siglo XXI Inversiones Limitada	59,770,481,573-		59,770,481,573	31.72
Santander Chile Holding S.A.	66,822,519,695-		66,822,519,695	35.46
J.P. Morgan Chase Bank	-	39,287,497,122	39,287,497,122	20.85
Inversiones Antares S.A.	170,363,545-		170,363,545	0.09
Banks and stock brokers on behalf of third parties	10,132,511,637-		10,132,511,637	5.38
AFP on behalf of third parties	5,751,493,833-		5,751,493,833	3.05
Other minority holders	3,827,146,677	2,684,112,712	6,511,259,389	3.45
Total			188,446,126,794	100.00

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 25 – EQUITY, continued:

As of December 31, 2010, the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	ADRs	Total	% of Equity Holding
Teatinos Siglo XXI Inversiones Limitada (*)	78,108,391,607	-	78,108,391,607	41.45
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
J.P. Morgan Chase Bank		-29,892,971,334	29,892,971,334	15.86
Inversiones Antares S.A.	250,363,545	-	250,363,545	0.13
Antonio Hitschfeld Bollman	100,000,000	-	100,000,000	0.05
Banks and stock brokers on behalf of third parties	8,277,713,845	-	8,277,713,845	4.39
Other minority holders	3,997,968,278	996,198,490	4,994,166,768	2.66
Total			188,446,126,794	100.00

(*) In 2011, Teatinos Siglo XXI Inversiones Limitada, sold 9.73% of its share in Banco Santander Chile. The sale was performed in February and December 2011, selling 1.91% and 7.82%, respectively.

As of December 31, 2009, the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	ADRs	Total	% of Equity Holding
Teatinos Siglo XXI Inversiones Limitada (*)	78,108,391,607	-	78,108,391,607	41.45
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
J.P. Morgan Chase Bank		-31,775,852,329	31,775,852,329	16.86
Inversiones Antares S.A.	250,363,545	-	250,363,545	0.13
Antonio Hitschfeld Bollman	200,000,000	-	200,000,000	0.11
Banks and stock brokers on behalf of third parties	6,985,588,652	-	6,985,588,652	3.71
Other minority holders	4,303,410,966	-	4,303,410,966	2.28
Total			188,446,126,794	100.00

b)

Dividends

During the years ended December 31, 2011 and 2009, the dividends recognized as distributions to owners and the related amount of dividends per share are detailed in the Consolidated Statements of Changes in Equity (F-6).

F-96

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 25 – EQUITY, continued:

c) As of December 31, diluted and basic earnings per share were as follows:

	2011 MCh\$	As of December 31, 2010 MCh\$	2009 MCh\$
a) Basic earnings per share			
Total income attributable to Bank shareholders	401,733	505,393	431,557
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794	188,446,126,794
Basic earning per share	2.132	2.682	2.290
b) Diluted earnings per share			
Total income attributable to Bank shareholders	401,733	505,393	431,557
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794	188,446,126,794
Assumed conversion of convertible debt	-	-	-
Adjusted number of shares	188,446,126,794	188,446,126,794	188,446,126,794
Diluted earnings per share	2.132	2.682	2.290

As of December 31, 2011, 2010 and 2009 there were no potential shares with dilutive effects.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 25 – EQUITY, continued:

d) Other comprehensive income of available for sale investments and cash flow hedges:

	As of December 31,		
	2011	2010	2009
	MCh\$	MCh\$	MCh\$
Available for sale investments			
Balance as of January 1	(18,596)	(29,304)	(20,019)
Gains (losses) on remeasuring available for sale investments, before tax	18,676	12,316	37,713
Reclassification adjustments on available for sale investments, before tax	-	-	-
Realized (gains) losses	2,963	(1,608)	(46,998)
Subtotals	21,639	10,708	(9,285)
Total other comprehensive income, before tax, available-for-sale investments	3,043	(18,596)	(29,304)
Cash flow hedges			
Balance as of January 1	11,958	(3,162)	10,873
Gains (losses) on remeasuring cash flow hedges, before tax	(12,031)	15,120	(14,035)
Reclassification adjustments on cash flow hedges, before tax	467	-	-
Amounts removed from equity and included in carrying amount of non financial asset (liability) whose acquisition or incurrence was hedged as a highly probable transition	-	-	-
Subtotals	(11,564)	15,120	(14,035)
Total other comprehensive income, before tax, cash flow hedges	394	11,958	(3,162)
Other comprehensive income, before taxes	3,437	(6,638)	(32,466)
Income tax related other comprehensive income components			
Income tax relating to available for sale investments	(562)	3,570	4,982
Income tax relating to cash flow hedges	(72)	(2,324)	537
Total accumulative income tax related to other comprehensive income,	(634)	1,246	5,519
Other comprehensive income, net of tax	2,803	(5,392)	(26,947)
Attributable to:			
Bank shareholders	2,832	(5,180)	(26,804)

Non-controlling interest	(29)	(212)	(143)
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F-98

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 26 - CAPITAL REQUIREMENTS (BASEL):

Pursuant to the Chilean General Banking Law, the Bank must maintain a minimum ratio of effective equity to risk-weighted consolidated assets of 8% net of required allowances, and a minimum ratio of basic equity to consolidated total assets of 3%, net of required allowances. However, as a result of the Bank's merger in 2002, the SBIF has determined that the Bank's combined effective equity cannot be lower than 11% of its risk-weighted assets. Effective net equity is defined for these purposes as basic equity (capital and reserves) plus subordinated bonds, up to a maximum of 50% of basic equity, and fogape guarantees (CORFO) up to 15% over guarantees covering assets assessed by risk.

Assets are allocated to different risk categories, each of which is assigned a weighting percentage according to the amount of capital required to be held for each type of asset. For example, cash, deposits in banks and financial instruments issued by the Central Bank of Chile have a 0% risk weighting, meaning that it is not necessary to hold equity to back these assets according to current regulations. Property, plant and equipment have a 100% risk weighting, meaning that a minimum capital equivalent to 11% of these assets must be held. All derivatives traded off the exchanges are also assigned a risk weighting, using a conversion factor applied to their notional values, to determine the amount of their exposure to credit risk. Off-balance-sheet contingent credits are also included for weighting purposes, as "Credit equivalents."

According to Chapter 12-1 of the SBIF's Recopilación Actualizada de Normas (Updated Compilation of Rules) effective January 2011, the SBIF changed existing regulation with the enforcement of Chapter B-3 of the Compendium of Accounting Standards, which changed the risk exposure of contingent loans from 100% exposure to the following:

Type of contingent loan	Exposition
a) Pledges and other commercial commitments	100%
b) Foreign letters of credit confirmed	20%
c) Letters of credit issued	20%
d) Guarantees	50%
e) Interbank guarantee letters	100%
f) Available lines of credit	50%
h) Other loan commitments	
- Higher Education Loans	15%
Law No. 20,027	
- Others	100%
h) Other contingent loans	100%

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 26 – CAPITAL REQUIREMENTS (BASEL), continued:

The levels of basic capital and effective net equity at the close of each period are as follows:

	Consolidated assets		Risk-weighted assets	
	As of December 31,		As of December 31,	
	2011	2010	2011	2010
	MCh\$	MCh\$	MCh\$	MCh\$
Balance-sheet assets (net of allowances)(*)				
Cash and deposits in banks	2,793,701	1,762,198	-	-
Cash in process of collection	276,454	374,368	45,737	126,083
Trading investments	409,763	379,670	23,817	57,588
Investments under resale agreements	12,928	170,985	12,928	98,323
Financial derivative contracts (**)	1,158,023	1,452,068	807,233	871,872
Interbank loans	87,541	69,672	17,508	13,934
Loans and accounts receivable from customers	16,823,407	15,215,318	14,746,903	13,350,182
Available for sale investments	1,661,311	1,473,980	99,197	101,875
Investments in other companies	8,728	7,275	8,728	7,275
Intangible assets	80,739	77,990	80,739	77,990
Property, plant and equipment	153,059	154,985	153,059	154,985
Current taxes	37,253	12,499	3,725	1,250
Deferred taxes	147,754	117,964	14,775	11,796
Other assets	546,470	640,937	426,822	474,135
Off-balance-sheet assets				
Contingent loans	3,023,330	3,173,789	1,801,971	1,897,977
Total	27,220,461	25,083,698	18,243,142	17,245,265

(*) Figures are presented as required by local regulations.

(**)"Financial derivative contracts" are presented at their "Credit Equivalent Risk" value as established in Chapter 12-1 of the Recopilación Actualizada de Normas – RAN – (Updated Compilation of Rules) issued by the SBIF.

The levels of basic capital and effective net equity at the end of each period are as follows:

	As of December 31,		Percentage	
	2011	2010	2011	2010
	MCh\$	MCh\$	%	%
Basic capital	2,001,222	1,831,798	7.35	7.30

Effective net equity	2,687,393	2,503,898	14.73	14.52
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F-100

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 27 – NON CONTROLLING INTEREST

This item reflects the net amount of the subsidiaries net equity attributable to equity instruments which does not belong to the Bank either directly or indirectly, including the part that has been attributed to income for the period.

The non-controlling interest in the subsidiaries' equity is summarized as follows:

As of December 31, 2011	Non Controlling %	Equity MCh\$	Income MCh\$	Available for sale investments MCh\$	Other comprehensive income Deferred tax MCh\$	Total other comprehensive income MCh\$	Comprehensive income MCh\$
Subsidiaries							
Santander Agente de Valores Limitada	0.97	571	68	15	(3)	12	80
Santander S.A. Sociedad Securitizadora	0.36	3	-	-	-	-	-
Santander S.A. Corredores de Bolsa	49.00	27,378	4,077	206	(35)	171	4,248
Santander Asset Management S.A. Administradora General de Fondos	0.02	13	6	-	-	-	6
Santander Corredora de Seguros Limitada	0.24	143	7	-	-	-	7
Subtotals		28,108	4,158	221	(38)	183	4,341
Special Purpose Entities:							
Bansa Santander S.A.	100.00	1,029	(613)	-	-	-	(613)
Santander Gestión de Recaudación y Cobranza Limitada.	100.00	2,335	616	-	-	-	616
Multinegocios S.A.	100.00	150	17	-	-	-	17
Servicios Administrativos y Financieros Limitada.	100.00	1,083	426	-	-	-	426
Servicios de Cobranzas Fiscalex Limitada	100.00	152	37	-	-	-	37
Multiservicios de Negocios Limitada.	100.00	944	290	-	-	-	290
Subtotals		5,693	773	-	-	-	773
Total		33,801	4,931	221	(38)	183	5,114

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 27 - NON CONTROLLING INTERESTS, continued:

The non controlling interest in equity and the subsidiaries' income as of December 31, 2010 is summarized as follows:

As of December 31, 2010	Non Controlling %	Equity MCh\$	Income MCh\$	Other comprehensive income			
				Available for sale investments MCh\$	Deferred tax MCh\$	Total other comprehensive income MCh\$	Comprehensive income MCh\$
Subsidiaries							
Santander Agente de Valores Limitada	0.97	489	23	34	(6)	28	51
Santander S.A. Sociedad Securitizadora	0.36	3	-	-	-	-	-
Santander S.A. Corredores de Bolsa	49.00	26,245	3,727	(117)	20	(97)	3,630
Santander Asset Management S.A. Administradora General de Fondos	0.02	14	6	-	-	-	6
Santander Corredora de Seguros Limitada	0.24	135	8	-	-	-	8
Subtotals		26,886	3,764	(83)	14	(69)	3,695
Special Purpose Entities:							
Bansa Santander S.A.	100.00	1,643	(738)	-	-	-	(738)
Santander Gestión de Recaudación y Cobranza Limitada.	100.00	1,720	(1,650)	-	-	-	(1,650)
Multinegocios S.A.	100.00	133	37	-	-	-	37
Servicios Administrativos y Financieros Limitada.	100.00	657	322	-	-	-	322
Servicios de Cobranzas Fiscalex Limitada	100.00	117	65	-	-	-	65
Multiservicios de Negocios Limitada.	100.00	653	279	-	-	-	279
Subtotals		4,923	(1,685)	-	-	-	(1,685)
Total		31,809	2,079	(83)	14	(69)	2,010

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 27 - NON CONTROLLING INTERESTS, continued:

The non controlling interest in equity and the subsidiaries' income as of December 31, 2009 is summarized as follows:

As of December 31, 2009	Non Controlling %	Equity MCh\$	Income MCh\$	Other comprehensive income			
				Available for sale investments MCh\$	Deferred tax MCh\$	Total other comprehensive income MCh\$	Comprehensive income MCh\$
Subsidiaries							
Santander Agente de Valores Limitada (former Santander S.A. Agente de Valores)	0.97	437	63	(2)	-	(2)	61
Santander S.A. Sociedad Securitizadora	0.36	4	-	-	-	-	-
Santander S.A. Corredores de Bolsa	49.00	22,612	3,156	(123)	21	(102)	3,054
Santander Asset Management S.A. Administradora General de Fondos	0.02	13	5	-	-	-	5
Santander Corredora de Seguros Limitada (former Santander Leasing S.A.)	0.24	127	14	-	-	-	14
Subtotals		23,193	3,238	(125)	21	(104)	3,134
Special Purpose Entities:							
Bansa Santander S.A.	100.00	2,380	(412)	-	-	-	(412)
Santander Gestión de Recaudación y Cobranza Limitada	100.00	3,368	1,542	-	-	-	1,542
Multinegocios S.A.	100.00	96	28	-	-	-	28
Servicios Administración y Financieros Limitada	100.00	336	380	-	-	-	380
Servicios de Cobranzas Fiscalex Limitada	100.00	51	48	-	-	-	48
Multiservicios de Negocios Limitada	100.00	375	229	-	-	-	229
Subtotals		6,606	1,815	-	-	-	1,815
Total		29,799	5,053	(125)	21	(104)	4,949

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 28 - INTEREST INCOME AND EXPENSE:

This item refers to interest earned in the period by all the financial assets whose return, whether implicitly or explicitly, is determined by applying the effective interest rate method, regardless of the value at fair value, as well as the reclassification of products as a consequence of hedge accounting.

a) The composition of income from interest and adjustments, not including income from hedge accounting, is as follows:

Items	2011				As of December 31, 2010				2009			
	Interest	Adjustments	Prepaid	Total	Interest	Adjustments	Prepaid	Total	Interest	Adjustments	Prepaid	Total
	MCh\$	(*)	fees	MCh\$	MCh\$	(*)	fees	MCh\$	MCh\$	(*)	fees	MCh\$
Repurchase agreements	5,448	(2)	-	5,446	2,041	105	-	2,146	16,903	3,603	-	-
Interbank loans	3,486	-	-	3,486	934	-	-	934	262	-	-	-
Commercial loans	596,171	121,704	4,462	722,337	473,559	65,972	3,089	542,620	574,912	(65,137)	3,016	512,791
Mortgage loans	205,288	181,966	10,524	397,778	188,940	101,979	5,415	296,334	182,262	(88,801)	4,109	137,570
Consumer loans	544,671	3,093	2,977	550,741	481,860	1,533	2,899	486,292	506,896	(1,844)	3,249	508,301
Investment instruments	89,823	9,371	-	99,194	47,512	13,194	-	60,706	47,331	(20,646)	-	26,685
Other interest income	7,569	4,281	-	11,850	6,176	1,026	-	7,202	3,102	1,897	-	5,000
Interest income	1,452,456	320,413	17,963	1,790,832	1,201,022	183,809	11,403	1,396,234	1,331,668	(170,928)	10,374	1,171,114

b) As indicated in Note 1 i), suspended interest is recorded in suspense accounts (off-balance-sheet accounts) until it is effectively received.

As of December 31, 2011, 2010 and 2009, the detail of income from suspended interest is as follows:

	2011				As of December 31, 2010				2009			
	Interest	Adjustments	Prepaid	Total	Interest	Adjustments	Prepaid	Total	Interest	Adjustments	Prepaid	Total
	MCh\$	(*)	fees	MCh\$	MCh\$	(*)	fees	MCh\$	MCh\$	(*)	fees	MCh\$

Off balance
sheet

Commercial loans	27,240	7,530	-34,770	22,675	3,345	-26,020	21,224	3,933	-25,157
Mortgage loans	4,524	7,531	-12,055	3,956	3,501	-7,457	5,570	2,726	-8,296
Consumer loans	19,898	1,233	-21,131	16,282	498	-16,780	32,788	(671)	-32,117
Total	51,662	16,294	-67,956	42,913	7,344	-50,257	59,582	5,988	-65,570

(*) The adjustments are a result of changes in the Unidades de Fomento (“UF”). The UF is an inflation-index Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index (“CPI”) of the Instituto Nacional de Estadísticas (the Chilean National Institute of Statistics) for the previous month. The effect of any changes in the nominal peso value of our UF-denominated interest earning assets and interest bearing liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest income and expense, respectively.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 28 - INTEREST INCOME AND EXPENSE, continued:

c) The composition of expense from interest and adjustments, excluding expense from hedge accounting, is as follows:

Items	2011				As of December 31, 2010				2009			
	Interest MCh\$	Adjustments (*) MCh\$	Prepaid fees MCh\$	Total MCh\$	Interest MCh\$	Adjustments (*) MCh\$	Prepaid fees MCh\$	Total MCh\$	Interest MCh\$	Adjustments (*) MCh\$	Prepaid fees MCh\$	Total MCh\$
Demand deposits	(1,283)	(658)	-	(1,941)	(511)	(378)	-	(889)	(704)	(167)	-	-
Repurchase agreements	(8,603)	(184)	-	(8,787)	(2,164)	(215)	-	(2,379)	(15,372)	572	-	-
Time deposits and liabilities	(351,009)	(86,772)	-	(437,781)	(169,875)	(51,784)	-	(221,659)	(293,658)	65,909	-	-
Interbank borrowings	(26,006)	(41)	-	(26,047)	(29,872)	(33)	-	(29,905)	(29,030)	64	-	-
Issued debt instruments	(170,756)	(98,374)	-	(269,130)	(132,415)	(55,124)	-	(187,539)	(112,549)	49,801	-	-
Other financial liabilities	(5,019)	(1,485)	-	(6,504)	(4,941)	(988)	-	(5,929)	(3,834)	1,447	-	-
Other interest expense	(2,372)	(7,195)	-	(9,567)	(109)	(6,098)	-	(6,207)	(1,994)	(71)	-	-
Interest expense total	(565,048)	(194,709)	-	(759,757)	(339,887)	(114,620)	-	(454,507)	(457,141)	117,555	-	-

(*) The adjustments are a result of changes in the Unidades de Fomento (“UF”). The UF is an inflation-index Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index (“CPI”) of the Instituto Nacional de Estadísticas (the Chilean National Institute of Statistics) for the previous month. The effect of any changes in the nominal peso value of our UF-denominated interest earning assets and interest bearing liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest income and expense, respectively.

d) The summary of interest and expenses for the years ended December 31, 2011, 2010 and 2009:

Items	As of December 31,		
	2011 MCh\$	2010 MCh\$	2009 MCh\$

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Interest income	1,790,832	1,396,234	1,171,114
Interest expense	(759,757)	(454,507)	(339,586)
Interest income	1,031,075	941,727	831,528
Income from hedge accounting (net)	(58,775)	(2,008)	24,988
Total net interest income	972,300	939,719	856,516

F-105

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 29 – FEES AND COMMISSIONS:

This item includes the amount of fees earned and paid in the period, except for those which are an integral part of the financial instrument's effective interest rate:

	As of December 31,		
	2011	2010	2009
	MCh\$	MCh\$	MCh\$
Fee and commission income			
Fees and commissions for lines of credits and overdrafts	11,602	15,603	25,822
Fees and commissions for guarantees and letters of credit	24,388	22,852	24,558
Fees and commissions for card services	122,900	107,047	96,388
Fees and commissions for management of accounts	28,725	27,011	27,566
Fees and commissions for collections and payments	61,803	60,136	65,782
Fees and commissions for intermediation and management of securities	13,072	10,882	7,808
Fees and commissions for investments in mutual funds or others	37,618	39,952	30,766
Insurance brokerage fees	34,066	32,783	16,307
Office banking	11,884	9,435	8,586
Other fees earned	16,983	12,482	12,342
Total	363,041	338,183	315,925

	As of December 31,		
	2011	2010	2009
	MCh\$	MCh\$	MCh\$
Fee and commission expense			
Compensation for card operation	(63,375)	(51,148)	(44,718)
Fees and commissions for securities transactions	(2,555)	(1,781)	(1,276)
Office banking	(9,617)	(7,603)	(6,034)
Other fees	(9,658)	(14,069)	(9,767)
Total	(85,205)	(74,601)	(61,795)
Net fees and commissions income	277,836	263,582	254,130

The fees earned in transactions with letters of credit are recorded in line item “Interest income” in the Consolidated Statement of Income.

F-106

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 30 - NET INCOME FROM FINANCIAL OPERATIONS:

This item includes the adjustments for changes in financial instruments, except for interest attributable to the application of the effective interest rate method for adjustments to asset values, as well as the income earned in purchases and sales of financial instruments.

As of December 31, 2011, 2010 and 2009, the detail of income from financial operations is as follows:

	As of December 31,		
	2011 MCh\$	2010 MCh\$	2009 MCh\$
Net income from financial operations			
Trading derivatives	116,877	3,598	(102,825)
Trading investments	38,819	31,058	49,220
Sale of loans and accounts receivables from customers			
Current portfolio	2,368	2,573	542
Written-off portfolio	7,324	9,824	8,689
Available for sale investments	(3,356)	(8,319)	47,335
Other income from financial operations (*)	8,825	21	926
Total	170,857	38,755	3,887

(*) In 2011, Banco Santander Chile sold all of its shares in Visa Inc. The book value of the shares was Ch\$ 1, generating an income of MCh\$ 5,705.

NOTE 31 – NET FOREIGN EXCHANGE PROFIT(LOSS):

This item includes the income earned from foreign currency trading, differences that arise from translating monetary items denominated in a foreign currency to the functional currency, and those generated by non-monetary assets in a foreign currency at the time of their sale.

As of December 31, 2011, 2010 and 2009, the detail of foreign exchange income is as follows:

	As of December 31,		
	2011 MCh\$	2010 MCh\$	2009 MCh\$
Currency exchange differences			
Net profit (loss) from currency exchange differences	(257,986)	273,997	401,695
Hedging derivatives	177,553	(215,721)	(266,221)
Income from adjustable assets in foreign currency	4,632	(3,176)	(10,138)
Income from adjustable liabilities in foreign currency	(859)	2,133	37,905
Total	(76,660)	57,233	163,241

F-107

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 32 - PROVISION FOR LOAN LOSSES:

a) The 2011, 2010 and 2009 activity for provision for loan losses recorded on the income statement is as follows:

As of December 31, 2011	Loans and accounts receivable from customers					Total MCh\$
	Interbank loans MCh\$	Commercial loans MCh\$	Mortgage loans MCh\$	Consumer loans MCh\$	Contingent loans MCh\$	
Allowances and charge-offs						
- Individual evaluations	(464)	(81,068)	-	-	(807)	(82,339)
- Group evaluations	-	(104,928)	(38,723)	(230,586)	(3,960)	(378,197)
Total Allowances and charge-offs	(464)	(185,996)	(38,723)	(230,586)	(4,767)	(460,536)
Allowances released						
- Individual evaluations	507	41,741	-	-	2,818	45,066
- Group evaluations	-	26,582	7,645	25,185	4,096	63,508
Total released allowances	507	68,323	7,645	25,185	6,914	108,574
Recovery of loans previously charged off (*)	-	7,216	16,135	12,474	-	35,825
Net charge to income	43	(110,457)	(14,943)	(192,927)	2,147	(316,137)

(*) During 2011, the government paid in change off mortgage loans belonging to the National Association of Saving and Loans (ANAP) for an amount of MCh\$ 14,390.

As of December 31, 2010	Loans and accounts receivable from customers					Total MCh\$
	Interbank loans MCh\$	Commercial loans MCh\$	Mortgage loans MCh\$	Consumer loans MCh\$	Contingent loans MCh\$	
Allowances and charge-offs						
- Individual evaluations	(131)	(40,729)	-	-	(3,416)	(44,276)
- Group evaluations	-	(65,652)	(16,300)	(187,740)	(298)	(269,990)
Total Allowances and charge-offs	(131)	(106,381)	(16,300)	(187,740)	(3,714)	(314,266)
Allowances released						
- Individual evaluations	119	10,828	-	-	1,936	12,883
- Group evaluations	-	8,683	952	7,135	219	16,989
Total released allowances	119	19,511	952	7,135	2,155	29,872
Recovery of loans previously charged off	-	6,994	1,389	22,096	-	30,479

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Net charge to income	(12)	(79,876)	(13,959)	(158,509)	(1,559)	(253,915)
	Loans and accounts receivables from customers					
As of December 31, 2009	Interbank loans	Commercial loans	Mortgage loans	Consumer loans	Contingent loans	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Allowances and charge-offs						
- Individual evaluations	(7)	(34,037)	-	-	(1,380)	(35,424)
- Group evaluations	-	(73,774)	(14,061)	(276,530)	-	(364,365)
Total allowances and charge-offs	(7)	(107,811)	(14,061)	(276,530)	(1,380)	(399,789)
Allowances released						
- Individual evaluations	-	5,635	-	-	-	5,635
- Group evaluations	-	1,718	1,450	18,495	72	21,735
Total released allowances	-	7,353	1,450	18,495	72	27,370
Recovery of loans previously charged off	-	8,446	2,560	28,268	-	39,274
Net charge to income	(7)	(92,012)	(10,051)	(229,767)	(1,308)	(333,145)

F-108

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 33 - PERSONNEL SALARIES AND EXPENSES:

a) Composition of personnel salaries and expenses

	As of December 31,		
	2011	2010	2009
	MCh\$	MCh\$	MCh\$
Personnel salaries	181,515	157,578	152,695
Bonuses or gratifications	63,484	62,958	47,983
Stock-based benefits	2,261	2,042	2,371
Seniority compensation	8,277	6,275	3,075
Pension plans	1,207	941	100
Training expenses	2,397	1,616	1,452
Day care and kindergarten	2,367	1,960	1,582
Health funds	2,940	2,671	2,519
Welfare fund	447	440	462
Other personnel expenses	15,718	13,784	12,245
Total	280,613	250,265	224,484

b) Stock based benefits

Banco Santander Chile and its subsidiaries have designed variable-compensation plans for their employees, based on performance targets and objectives, the achievement of which are evaluated and paid on a quarterly and/or annual basis. There are also multi-year variable-compensation plans designed to retain and motivate executives, whose compensation depends on the achievement of overall wide and individual targets over the course of a time period exceeding one year.

Long-term incentive policy

The Board of Directors approved a long-term incentive plan consisting of granting stock options on Bank's shares to Santander Group's executive directors and certain executive employees in Spain and other Santander Group companies.

Stock performance plan

This consists of a multi-year incentive plan with compensation in the Parent Company's shares. The plan's beneficiaries are the Executive Directors, other members of Top Management and other Bank employees designated by the Parent Company's Board of Directors or, by delegation from it, the Executive Committee. The shares are distributed if the following conditions are met:

- i. The share price reaches the top 10 as compared to 30 other global banks.
- ii. Earnings per share reach the top 10 as compared to 30 other global banks.
- iii. The Bank has achieved its commercial and financial budget objectives in the last two years.
- iv. The executive has achieved his/her personal goals during the last two years and has continued to work at the Bank until the end of the program.

This plan involves cycles of shares given to the beneficiaries. Each cycle has a three-year length, so a cycle will begin every year and, from 2007 onward, another cycle will simultaneously terminate. The objective is to establish an adequate sequence between the end of the incentive program linked to the previous plan (PI06) and the successive cycles of this plan. Accordingly, the first two cycles began in July 2007, the first cycle had a two-year length (PI09), and the second cycle has a standard three-year length (PI10). In June 2008 and 2010 the beginning of the third-cycle (PI11) and fourth-cycle (PI12) incentive plans was approved by the Parent Company. These new plans consist of three-year cycles and are linked to the fulfillment of the predetermined objectives. In 2010, the beginning of the fifth cycle was approved (PI13). In 2011 the beginning of the fifth cycle was approved (PI14). This new cycle has a standard term of three years and began to impact on the Consolidated Statements of Income in 2011.

For each cycle and beneficiary who remains employed at the Bank throughout the plan's term, the Parent determines a maximum number of shares that may be granted. The objectives to be fulfilled, which will determine the number of shares to be granted, were defined by comparing the Santander Group's performance with that of a reference group of financial institutions. These objectives are linked to two parameters: Total Shareholder Return (TSR) and Increase in Earnings per Share (EPS), each of which has a 50% weighting in the determination of the percentage of shares to be granted.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 33 - PERSONNEL SALARIES AND EXPENSES, continued:

The final number of shares to be granted in each cycle is determined by the degree of fulfillment of the objectives on the third anniversary of each cycle (with the exception of the first cycle, for which the second anniversary is used), and the shares will be delivered within seven months from the date the cycle ends. The TSR and the growth of EPS for Santander and the reference financial institutions will be calculated at that time, which will yield 50% of the amount of shares to be granted according to the following scale and based on the relative position of the Parent Company:

The achievement of objectives chart for the I09, I10, and I11 plans is as follows:

Santander's position in the TSR Ranking	Maximum percentage of shares earned	Santander's position in the EPS growth ranking	Maximum percentage of shares earned
1st to 6th	50%	1st to 6th	50%
7°	43%	7°	43%
8°	36%	8°	36%
9°	29%	9°	29%
10°	22%	10°	22%
11°	15%	11°	15%
12th and above	0%	12th and above	0%

For the I12 and I13 plans only TSR is measured:

Santander's position in the TSR Ranking	Maximum percentage of shares earned
1st to 5th	100.0%
6°	82.5%
7°	65.0%
8°	47.5%
9°	30.0%
10th and above	0.0%

For the I14 plan only TSR is measured:

Santander's Maximum
position in percentage
the TSR of shares
Ranking earned

1st to 5th	100.0%
6°	86.05%
7°	72.0%
8°	58.0%
9°	44.0%
10°	30.0%
11th to 17th	0.0%

If Banco Santander, S.A. is within the first quartile (including the 25th percentile) for each of the measures considered (TSR and EPS growth), the maximum percentage of shares will be earned; if it is at the median (including the 50th percentile), 30% of the maximum percentage of shares will be earned. If it is below the median, all the share distributions will be voided.

As of December 31, 2011 the aforementioned objectives were achieved in their entirety, so the Bank recorded a cost for the period of Ch\$ 2,261 million, which corresponds to the fair value of Plan I10 (which ended on June 30, 2011), Plan I11, Plan I12, Plan I13, and Plan I14 for the shares granted; this sum was charged to income in the specific period in which the beneficiaries provided their services to Banco Santander Chile. This program had no diluting effects on the non controlling interests. This fair value was calculated as described below:

F-110

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 33 - PERSONNEL SALARIES AND EXPENSES, continued:

The fair value of the 50% which is linked to the TSR was determined by Santander Group on the basis of the Monte Carlo valuation model with 10,000 simulations ran to determine the TSR for each of the reference Group companies, considering the aforementioned variables. The results (each of which represents the distribution of a number of shares) are classified in descending order through the calculation of the weighted average, and this amount is discounted at the risk-free interest rate.

	PI10	PI11	PI12	PI13	PI14
Expected volatility (*)	15.67%	19.31%	42.36%	49.65%	51.35%
Historical annual dividend return	3.24%	3.47%	4.88%	6.34%	6.06%
Risk-free interest rate	4.49%	4.83%	2.04%	3.33%	4.07%

(*) Determined on the basis of historical volatility over the course of the period (two or three years).

In view of the high correlation between the TSR and EPS, it can reasonably be concluded that the TSR value is also valid for EPS in a high percentage of cases. Accordingly, it was determined that the fair value of the portion of the plans linked to the Bank's relative EPS position, for example the remaining 50% of the shares granted, was the same as the 50% corresponding to TSR. Since this valuation does not refer to market conditions, the number of shares expected to be granted will be re-examined and adjusted on a per-annum basis.

Below is a table which provides a detail of the foregoing:

	Number of shares	Exercise price €	Group of employees	Number of individuals	Date of commencement of the exercise	Date of termination of exercise period
Options granted (Plan I10)	1,519,169	-	Managers	477	07/01/2007	06/30/2010
Options granted (Plan I10)	70,000	-	Other non-managerial positions	67	07/01/2007	06/30/2010
Options granted (Plan I11)	1,057,204	-	Managers	322	07/01/2008	06/30/2011
Options granted (Plan I11)	71,042	-	Other non-managerial positions	106	07/01/2008	06/30/2011
Options granted (Plan I12)	327,882	-	Managers	157	07/01/2009	06/30/2012
Options granted (Plan I12)	36,848	-	Other non-managerial positions	76	07/01/2009	06/30/2012
Plans in force on December 31, 2009	3,082,145			1,205		
Options granted (Plan I10)	237,976	-	Managers	162	07/01/2007	06/30/2010
	9,070	-	Other non-managerial positions	19	07/01/2007	06/30/2010

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Options granted (Plan I10)					
Options granted (Plan I11)	557,772	-	Managers	167	07/01/2008 06/30/2011
Options granted (Plan I11)	31,171	-	Other non-managerial positions	47	07/01/2008 06/30/2011
Options granted (Plan I12)	564,339	-	Managers	170	07/01/2009 06/30/2012
Options granted (Plan I12)	43,787	-	Other non-managerial positions	63	07/01/2009 06/30/2012
Options granted (Plan I13)	310,902	-	Managers	166	07/01/2010 06/30/2013
Options granted (Plan I13)	65,148	-	Other non-managerial positions	68	07/01/2010 06/30/2013
Options granted (Plan I10) exercised	(1,757,145)	-	Managers	162	
Options granted (Plan I10) exercised	(79,070)	-	Other non-managerial positions	19	
Plans in force on December 31, 2010	3,066,095				
Options granted (Plan I11)	315,716	-	Managers	174	07/01/2008 06/30/2011
Options granted (Plan I11)	16,868	-	Other non-managerial positions	47	07/01/2008 06/30/2011
Options granted (Plan I12)	591,686	-	Managers	157	07/01/2009 06/30/2012
Options granted (Plan I12)	79,631	-	Other non-managerial positions	77	07/01/2009 06/30/2012
Options granted (Plan I13)	650,474	-	Managers	166	07/01/2010 06/30/2013
Options granted (Plan I13)	136,303	-	Other non-managerial positions	68	07/01/2010 06/30/2013
Options granted (Plan I14)	295,503	-	Not distributed		07/01/2011 06/30/2014
Options granted (Plan I11)	(1,930,691)	-	Other non-managerial positions	174	
Options granted (Plan I11)	(119,082)	-	Managers	47	
Plans in force on December 31, 2011	3,102,503				
Plan I12	1,644,173				
Plan I13	1,162,827				
Plan I14	295,503				

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 34 – ADMINISTRATIVE EXPENSES:

As of December 31, 2011, 2010 and 2009, the composition of the item is as follows:

	As of December 31,		
	2011	2010	2009
	MCh\$	MCh\$	MCh\$
General administrative expenses			
Maintenance and repair of property, plant and equipment	12,171	11,165	10,260
Office lease	22,337	18,875	17,202
Equipment lease	198	156	228
Insurance payments	2,562	1,740	1,183
Office supplies	6,354	6,693	6,626
Information technology and communication expenses	22,005	21,092	19,789
Lighting, heating, and other utilities	4,739	5,504	6,204
Security and valuables transport services	11,122	10,185	10,136
Representation and personnel travel expenses	4,548	4,024	3,789
Judicial and notarial expenses	7,203	6,466	4,470
Fees for technical reports	2,928	4,171	5,665
Fees for professional services	2,990	648	631
Other general administrative expenses	2,947	2,564	3,012
Outsourced services			
Data processing	17,185	20,066	14,585
Other	21,339	10,017	9,398
Board expenses			
Compensation to Board members	1,002	894	645
Board expenses	309	-	-
Marketing expenses			
Publicity and advertising	15,262	14,228	13,847
Taxes, payroll taxes, and contributions			
Real estate contributions	1,742	1,655	1,886
Patents	1,708	1,663	1,701
Other taxes	31	28	24
Contributions to SBIF	6,143	5,509	5,431
Total	166,825	147,343	136,712

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 35 – DEPRECIATION, AMORTIZATION AND IMPAIRMENT:

a) Depreciation and, amortization and impairment charges during the years 2011, 2010 and 2009 periods are detailed below:

	As of December 31,		
	2011 MCh\$	2010 MCh\$	2009 MCh\$
Depreciation and amortization			
Depreciation of property, plant and equipment	(20,373)	(22,175)	(21,691)
Amortizations of intangible assets	(33,093)	(27,228)	(24,932)
Total depreciation and amortization	(53,466)	(49,403)	(46,623)
Impairment of property, plant, and equipment	(116)	(4,925)	(75)
Total	(53,582)	(54,328)	(46,698)

As of December 31, 2011 impairment to property, plant, and equipment amounted to MCh\$ 116 for damages to ATMs.

As of December 2010, the amount of impairment of property, plant, and equipment amounted MCh\$ 4,925 due to the earthquake on February 27, 2010 which affected some of the offices located at the damaged zone for a total of MCh\$4,739 in offices and MCh\$186 for ATMs.

b) The reconciliation between the book values as of January 1, 2008 and the balances as of December 31, 2011 and 2010 is as follows:

	Depreciation and amortization 2011		
	Property, plant, and Intangible equipment MCh\$	assets MCh\$	Total MCh\$
Balances as of January 1, 2011	(64,376)	(78,329)	(142,705)
Depreciation and amortization charges in the period	(20,373)	(33,093)	(53,466)
Sales and disposals in the period	481	-	481
Others	38	(57)	(19)
Balances as of December 31, 2011	(84,230)	(111,479)	(195,709)

Depreciation and amortization
2010

Property,
plant, and Intangible
equipment assets Total
MCh\$ MCh\$ MCh\$

Opening Balance as of January 1, 2010	(42,979)	(51,101)	(94,080)
Depreciation and amortization charges in the period	(22,175)	(27,228)	(49,403)
Sales and disposals in the period	778	-	778
Balances as of December 31, 2010	(64,376)	(78,329)	(142,705)

Depreciation and amortization
2009

Property,
plant and Intangible
equipment assets Total
MCh\$ MCh\$ MCh\$

Balance as of January 1	(21,414)	(26,169)	(47,583)
Depreciation and amortization charges in the period	(21,691)	(24,932)	(46,623)
Sales and disposals in the period	126	-	126
Balance as of December 31	(42,979)	(51,101)	(94,080)

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 36 - OTHER OPERATING INCOME AND EXPENSES:

a) Other operating expenses are comprised of the following components:

	As of December 31,		
	2011 MCh\$	2010 MCh\$	2009 MCh\$
Income from assets received in lieu of payment			
Income from sale of assets received in lieu of payment	5,629	1,556	29
Recovery of charge-offs and income from assets received in lieu of payment	-	-	-
Subtotals	5,629	1,556	29
Income from sale of investments in other companies			
(*)			
Gain on sale of investments in other companies	-	-	1,859
Subtotals	-	-	1,859
Other income			
Leases	305	117	1,123
Gain on sale of property, plant and equipment			
(**) 11,863	11,863	31,246	7,622
Recovery of provisions for contingencies	-	7,040	14,793
Compensation from insurance companies due to earthquake and damages	437	3,175	-
Other	515	474	440
Subtotals	13,120	42,052	23,978
Total	18,749	43,608	25,866

On March 2011, Banco Santander Chile sold 1 office. At the time of sale, its carrying value was MCh\$48, its selling price was MCh\$165, resulting in a gain of MCh\$117.

In November 2011, Banco Santander Chile sold 6 branch offices. The carrying value of the branches was MCh\$5,504, and their selling price was MCh\$13,556, resulting in a gain of MCh\$8,052.

In December 2011, Banco Santander Chile sold 1 branch office. The carrying value of the branch was MCh\$685, and its selling price was MCh\$3,609, resulting in a gain of MCh\$2,924.

(**) In April 2010, Banco Santander Chile sold 5 branch offices. At the time of sale the carrying amount of the branches of sale the total accounting value of these assets was MCh\$4,927 and, their selling price was MCh\$11,547, generating resulting in a gain of MCh\$6,620.

In June 2010, Banco Santander Chile sold 11 branch offices. At the time of sale the carrying amount of the branches At the time of sale the total accounting value of these assets was MCh\$8,138 and their selling price was MCh\$14,546 resulting in a gain of generating MCh\$6,408.

In July 2010, Banco Santander Chile sold a piece of property. The carrying amount at the time of sale, the total accounting value of the property his good was MCh\$380 and, its selling price was MCh\$376, resulting in a loss of generating a MCh\$4 loss, included in the "other operating expenses" item" line.

In October 2010, Banco Santander Chile sold 16 branches offices. The sale was awarded to by Compañía de Seguros CorpSeguros S.A. for MCh\$18,479. (UF 861,320), which generated an approximate profit of MCh\$10,229. Its accounting value was the carrying amount of the branches was MCh\$8,250, resulting in a gain of MCh\$10,229.

In November 2010, Banco Santander Chile sold a piece of property. The carrying amount at the time of sale the total accounting value of the property this good was MCh\$158 and its selling price was MCh\$220, resulting in a gain of MCh\$62.

In December 2010, Banco Santander Chile sold 11 branch offices. The carrying amount of the branches at the time of sale the total accounting value of these assets was MCh\$4,257 and their selling price was MCh\$11,934 a resulting in a gain of MCh\$7,677.

(*)On March 10, 2009 Visa Inc. transferred to Banco Santander Chile 34,093 class LAC shares. On March 20, 2009 51% of these shares were sold, corresponding to 17,387 shares at \$27,442 per share, generating a sale profit resulting in a gain on sale of MCh\$447.

On June 26, 2009 16,049 MasterCard shares were sold. At the time of sale their accounting value was MCh\$83 and their selling price was MCh\$1,453, generating a sale profit of MCh\$1,370.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 36 - OTHER OPERATING INCOMES AND EXPENSES, continued:

b) Other operating expenses for the years 2011, 2010 and 2009 are as follows:

	As of December 31,		
	2011	2010	2009
	MCh\$	MCh\$	MCh\$
Provisions and expenses for assets received in lieu of payment			
Provisions for assets received in lieu of payment	10,050	3,594	3,206
Expenses for maintenance of assets received in lieu of payment	2,732	2,392	2,922
Subtotals	12,782	5,986	6,128
Credit card expenses			
Credit card expenses	1,955	3,102	3,004
Credit card memberships	4,472	3,675	2,898
Subtotals	6,427	6,777	5,902
Customer services	8,965	7,756	8,807
Other expenses			
Operating charge-offs	9,884	4,843	3,106
Life insurance and general product insurance policies	6,524	5,703	4,553
Additional tax on expenses paid overseas	3,516	2,174	1,728
Expenses for mortgage credits	-	1,868	814
Losses on sale of property, plant and equipment	-	21	24
Expenses for foreign trade operations	44	128	306
Income from leasing transactions	-	82	-
Provisions for contingencies	8,144	775	1,088
Expenses for earthquake damages	475	5,875	-
Others	7,447	3,414	4,908
Subtotals	36,034	24,883	16,527
Total	64,208	45,402	37,364

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 37 - TRANSACTIONS WITH RELATED PARTIES:

In addition to Subsidiaries and associates entities, the Bank's "related parties" include its "key personnel" from the executive staff (members of the Bank's Board and the Managers of Banco Santander Chile and its Affiliates, together with their close relatives), as well as the entities over which the key personnel could exercise significant influence or control.

The Bank also considers the companies that are part of the Santander Group worldwide as related parties, given that all of them have a common parent, i.e., Banco Santander S.A. (located in Spain).

Article 89 of the Ley de Sociedades Anónimas (Public Companies Act), which is also applicable to banks, provides that any transaction with a related party must be made under equitable conditions similar to those that customarily prevail in the market.

Moreover, Article 84 of the Ley General de Bancos (General Banking Act) establishes limits for loans that can be granted to related parties and prohibits lending to the Bank's directors, managers, or representatives.

Transactions between the Bank and its related parties are specified below. To facilitate comprehension, we have divided the information into four categories:

Santander Group Companies

This category includes all the companies that are controlled by the Santander Group around the world, and hence, it also includes the companies over which the Bank exercises any degree of control (Affiliates and special-purpose entities).

Associated companies

This category includes the entities over which the Bank, in accordance with section b) of Note 1 to these Financial Statements, exercises a significant degree of influence and which generally belong to the group of entities known as "business support companies."

Key personnel

This category includes members of the Bank's Board and the managers of Banco Santander Chile and its Affiliates, together with their close relatives.

Other

This category encompasses the related parties that are not included in the groups identified above and which are, in general, entities over which the key personnel could exercise significant influence or control.

The terms for transactions with related parties are equivalent to those which prevail in transactions made under market conditions or to which the corresponding considerations in kind have been attributed.

F-116

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 37 - TRANSACTIONS WITH RELATED PARTIES, continued:

a) Loans to related parties:

Below are loans and receivables, and contingent loans, corresponding to related entities:

	2011				As of December 31, 2010				2009			
	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$
Loans and accounts receivables												
Commercial loans	39,708	663	2,234	62,512	36,966	670	2,478	14,015	11,331	914	2,840	
Mortgage loans	-	-	15,657	-	-	-	15,157	-	-	-	12,754	
Consumer loans	-	-	1,808	-	-	-	2,182	-	-	-	1,744	
Loans and accounts receivables	39,708	663	19,699	62,512	36,966	670	19,817	14,015	11,331	914	17,338	
Provision for loan losses	(54)	(1)	(39)	(23)	(112)	(1)	(87)	(14)	(13)	(1)	(11)	
Net loans	39,654	662	19,660	62,489	36,854	669	19,730	14,001	11,318	913	17,327	
Guarantees	25,311	-	18,244	1,241	7,641	-	18,649	1,359	4,552	-	45,550	
Contingent loans												
Personal guarantees	-	-	-	-	-	-	-	-	-	-	15,900	
Letters of credit	187	-	-	-	2,964	-	-	-	1,868	-	-	
Guarantees	12,778	-	-	569	12,307	-	-	84	134,644	-	-	
Contingent loans	12,965	-	-	569	15,271	-	-	84	136,512	-	15,900	
	(63)	-	-	(1)	(1)	-	-	-	(21)	-	-	

Provisions
for
contingent
loans

Net
contingent
loans

12,902	-	-	568	15,270	-	-	84	136,491	-	15,900
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The activity of loans to related parties during the years 2011, 2010 and 2009 is shown below:

	2011				As of December 31, 2010				2009		
	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$
Balances as of											
January 1	52,237	670	19,817	14,099	147,843	914	17,339	108,631	107,815	51	14,843
New loans	40,471	24	5,260	62,528	11,954	256	6,901	11,600	176,516	2,268	24,170
Payments	(40,035)	(31)	(5,379)	(13,546)	(107,560)	(500)	(4,423)	(106,132)	(136,488)	(1,405)	(5,780)
Balances as of December 31	52,673	663	19,698	63,081	52,237	670	19,817	14,099	147,843	914	33,233

F-117

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 37 - TRANSACTIONS WITH RELATED PARTIES, continued:

b) Assets and liabilities with related parties:

	2011				As of December 31, 2010				2009		
	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$
Assets											
Cash and deposits in banks	178,567	-	-	-	34,104	-	-	-	-	-	-
Trading investments	-	-	-	-	-	-	-	-	-	-	-
Investments under resale agreements	-	-	-	-	-	-	-	-	-	-	-
Financial derivative contracts	506,880	-	-	-	541,737	-	-	-	405,411	-	-
Available for sale investments	-	-	-	-	-	-	-	-	-	-	-
Other assets	4,617	-	-	-	22,072	-	-	-	117,060	-	-
Liabilities											
Deposits and other demand liabilities	5,057	4,009	1,425	16,782	9,905	6,014	1,311	4,128	1,503	6,238	50,000
Obligations under repurchase agreements	137,191	-	-	-	47,636	-	-	-	-	-	-
Time deposits and other time liabilities	248,206	368	3,627	41,732	320,622	-	1,657	48,749	411,295	-	1,120,000
Financial derivative contracts	396,538	-	-	-	317,601	-	-	-	245,574	-	-

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Issued debt instruments	1,683	-	-	-	9,392	-	-	-	89,258	-
Other financial liabilities	58,848	-	-	-	153,913	-	-	-	55,156	-
Other liabilities	1,339	-	-	-	2,782	-	-	-	310	-

c) Income (expenses) recorded with related parties:

	2011				As of December 31, 2010				2009		
	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Companies of the Group MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Companies of the Group MCh\$	Associated Companies MCh\$	Key personnel MCh\$
Income (expense) recorded											
Income and expenses from interests and readjustments	(17,892)	54	1,289	(3,683)	(10,093)	55	1,279	7	(23,344)	42	30
Income and expenses from fees and services	387	38	110	196	70,359	48	102	93	56,822	71	7
Net income from financial and foreign exchange operations(*)	(38,744)	-	(5)	(392)	86,457	-	(4)	4,098	129,046	-	-
Other operating revenues and expenses	519	-	-	-	(4,866)	-	-	-	(4,294)	-	-
Key personnel compensation and expenses	-	-	(33,082)	-	-	-	(29,879)	-	-	-	(28,666)
Administrative and other expenses	(13,303)	(25,509)	-	-	(20,738)	(21,777)	-	-	(13,107)	(16,666)	-
Total	(69,033)	(25,417)	(31,688)	(3,879)	121,119	(21,674)	(28,502)	4,198	145,123	(16,553)	(28,277)

(*) Reflects derivative contracts that hedge Group positions in Chile

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 37 - TRANSACTIONS WITH RELATED PARTIES, continued:

d) Payments to Board members and key management personnel:

The compensation received by the key management personnel, including Board members and all executives holding Manager positions, shown in the “Personnel salaries and expenses” and/or “Administrative expenses” items of the Consolidated Statements of Income, corresponds to the following categories:

	As of December 31,		
	2011 MCh\$	2010 MCh\$	2009 MCh\$
Personnel compensation	16,155	14,801	13,531
Board members compensation	1,311	894	645
Bonuses or gratifications	10,292	10,038	10,318
Compensation in stock	1,765	1,372	1,676
Training expenses	108	77	49
Seniority compensation	1,580	1,104	1,759
Health funds	272	242	242
Other personnel expenses	392	410	343
Pension plans	1,207	941	100
Total	33,082	29,879	28,663

e) Composition of key personnel:

As of December 31, 2011 and 2010, the composition of the Bank’s key personnel is as follows:

Position	No. of executives		
	2011	2010	2009
Director	13	13	13
Division manager	18	18	13
Department manager	88	82	83
Manager	62	68	58
Total key personnel	181	181	167

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 37 - TRANSACTIONS WITH RELATED PARTIES, continued:

f) Stock-based benefits:

The following table details the activity in stock-based benefits paid to the key personnel of the Bank and its subsidiaries. The detail for each of these benefit plans is in Note 33 b).

	Number of shares	Exercise price €	Group of employees	Number of individuals	Date of commencement of the exercise period	Date of termination of exercise period
Options granted (Plan I10)	1,519,169	-	Managers	477	07/01/2007	06/30/2010
Options granted (Plan I11)	1,057,204	-	Managers	322	07/01/2008	06/30/2011
Options granted (Plan I12)	327,882	-	Managers	157	07/01/2009	06/30/2012
Plans in force as of December 31, 2009	2,904,255	-				
Options granted (Plan I10)	237,976	-	Managers	162	07/01/2007	06/30/2010
Options granted (Plan I11)	557,772	-	Managers	167	07/01/2008	06/30/2011
Options granted (Plan I12)	564,339	-	Managers	170	07/01/2009	06/30/2012
Options granted (Plan I13)	310,902	-	Managers	166	07/01/2010	06/30/2013
Options exercised (Plan I10)	(1,757,145)	-	Managers	162		-
Plans in force as of December 31, 2010	2,818,099	-				
Options granted (Plan I11)	315,716	-	Managers	174	07/01/2008	06/30/2011
Options granted (Plan I12)	591,686	-	Managers	157	07/01/2009	06/30/2012
Options granted (Plan I13)	650,474	-	Managers	166	07/01/2010	06/30/2013
Options exercised (Plan I11)	(1,930,692)	-	Managers	174		-
Plans in force as of December 31, 2011	2,445,283	-				
(Plan I12)	1,483,907	-				
(Plan I13)	961,376	-				

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 38 – PENSION PLANS

During the second half of 2009, the Bank granted an additional benefit to its principal executives, consisting of a pension plan whose purpose is to endow them with funds for a better supplementary pension upon their retirement.

For this purpose, the Bank will match the voluntary contributions made by the beneficiaries for their future pensions with an equivalent contribution. The executives will be entitled to receive this benefit only when they fulfill all of the following conditions:

- i. Aimed at Group management
- ii. The general requisite to apply for this benefit is that the employee must be working at the Bank at age 60.
- iii. The Santander Group will take on insurance (pension fund) on the employee's behalf for which it will pay a premium contribution periodically.
- iv. The Santander Group will be responsible for granting the benefits directly. (Event in the event of the issuance company default).

If the working relationship between the manager and the respective company ends, before she or designated beneficiaries fulfills the abovementioned requirements, s/he will have no rights under this benefit plan.

In the event of the executive's death or total or partial disability, s/he or designated beneficiaries will be entitled to receive this benefit.

The Bank will make the contributions to this benefit plan on the basis of mixed collective insurance policies whose beneficiary is the Bank. The life insurance company with whom such policies are executed is not an entity linked or related to the Bank or any other Santander Group company.

The Rights owned by the Bank for the plan at the end of the 2011 period total MCh\$ 5,508 (MCh\$ 5,170 as of December 31, 2010).

The amount of defined benefit agreements has been quantified by the Bank, based on the following criteria:

1. Calculation method:
Use of the projected unit credit method which considers each working year as generating an additional amount of rights over benefits and values each unit separately. It is calculated in function of the fund contributions considered a main variable, factors associated with the legal annual pension limit, seniority, age and yearly income for each unit valued individually.
2. Updated actuarial assumptions:
Actuarial assumptions with respect to demographic and financial variables are non-biased and mutually compatible with each other. The most significant actuarial assumptions considered in the calculations were:

Post-employment plans	Post-employment plans
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	2011	2010
Mortality table	RV-2004	RV-2004
Disability table	PDT 1985	PDT 1985
Turnover rates	5.0%	5.0%

Assets related to the pension fund contributed by the Bank into the insurance company with respect to defined benefit plans are presented as net of associated commitments. The balance of this item at the end of the period is as follows:

F-121

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 38 – PENSION PLANS, continued:

The period's activity for post-employment benefits is as follows:

	2011 MCh\$	2010 MCh\$
Plan assets	5,508	5,170
Commitments for defined-benefit plans		
For active personnel	(2,160)	(953)
Incurred by inactive personnel	-	-
Minus:		
Unrealized actuarial (gain) losses	-	-
Balance at the period end	3,348	4,217

The period's flow for post-employment benefits is as follows:

	2011 MCh\$	2010 MCh\$
a) Fair value of plan assets		
Balance at beginning of period	5,170	4,925
Expected return of insurance contracts	403	202
Employer contributions	(65)	43
Actuarial (gain) losses	-	-
Premiums paid	-	-
Benefits paid	-	-
Fair value of plan assets at end of period	5,508	5,170
b) Present value of obligations		
Present value of obligations at beginning of the period	(953)	-
Net incorporation of Group companies	-	-
Service cost	(1,207)	(941)
Interest cost	-	-
Curtailement/settlement effect	-	-
Benefits paid	-	-
Past service cost	-	-
Actuarial (gain) losses	-	(12)
Other	-	-
Present value of obligations at end of the period	(2,160)	(953)
Net balance at the period end	3,348	4,217

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 38 – PENSION PLANS, continued:

Expected rate of return on plan assets and reimbursement rights:

	2011	2010
Expected rate of return on plan's assets	UF + 2.50% annual	UF + 2.50% annual
Expected rate of return on reimbursement rights	UF + 2.50% annual	UF + 2.50% annual

Plan expenses:

	2011 MCh\$	2010 MCh\$
Current period service cost	1,207	941
Interest cost	-	-
Expected return on plan assets	(403)	(202)
Expected return on insurance contracts linked to the Plan:	-	-
Extraordinary allocations	-	-
Actuarial (gains)/losses recorded in the period	-	12
Past service cost	-	-
Other	-	-
Total	804	751

F-123

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 39 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

Fair value is defined as the amount at which a financial instrument (asset or liability) could be exchanged or settled, respectively, on a date between knowledgeable, willing parties in an arm's length transaction (i.e., not in a forced or liquidation sale). The most objective and customary reference for the fair value of an asset or liability is the quoted price that would be paid for it on a transparent organized market ("estimated fair value").

For financial instruments with no available market prices, fair values have been estimated by using recent transactions in analogous instruments, and in the absence thereof, the present values or other valuation techniques based on mathematical valuation models sufficiently accepted by the international financial community. In the use of these models, consideration is given to the specific particularities of the asset or liability to be valued, and especially to the different kinds of risks associated with the asset or liability.

These techniques are inherently subjective and are significantly influenced by the assumptions used, including the discount rate, the estimates of future cash flows and prepayment expectations. Hence, the fair value estimated for an asset or liability may not coincide exactly with the price at which that asset or liability could be delivered or settled on the date of its valuation, and may not be justified in comparison with independent markets.

Determination of fair value of financial instruments

Below is a comparison between the value at which the Bank's financial assets and liabilities are recorded and their fair value as of December 31, 2011 and 2010:

	As of December 31,			
	2011			2010
	Amount recorded MCh\$	Fair value MCh\$	Amount recorded MCh\$	Fair value MCh\$
Assets				
Cash and deposits in banks	2,793,701	2,793,701	1,762,198	1,762,198
Cash in process of collection	276,454	276,454	374,368	374,368
Trading investments	409,763	409,763	379,670	379,670
Investments under resale agreements	12,928	12,928	170,985	170,985
Financial derivative contracts	1,601,896	1,601,896	1,624,378	1,624,378
Loans and accounts receivable from customers and interbank loans	16,946,314	18,296,667	15,301,835	17,641,581
Available for sale investments	1,661,311	1,661,311	1,473,980	1,473,980
Liabilities				
Deposits and interbank borrowings	15,255,021	14,631,032	13,079,248	13,191,439
Cash in process of being cleared	89,486	89,486	300,125	300,125
Obligations under repurchase agreements	544,381	544,381	294,725	294,725
Financial derivative contracts	1,292,402	1,292,402	1,643,979	1,643,979

Issued debt instruments and other financial liabilities	4,799,838	5,238,471	4,357,177	4,598,640
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In addition, the fair value estimates presented above are not intended to estimate the value of the Bank's profits generated by its business activity, nor its future activities, and accordingly, they do not represent the Bank's value as a going concern. Below is a summary of the methods used to estimate the fair value of the Bank's financial instrument:

a) Cash and deposits in banks

The recorded value of cash and interbank loans approximates its estimated fair value in view of these instruments' short-term nature.

b) Cash in process of collection, trading instruments, available for sale investment instruments, resale agreements, and securities loans

The estimated fair value of these financial instruments was determined through the use of market values or quotes by an available dealer, or the prices quoted on the market for similar financial instruments. Investments maturing in less than one year are valued at their recorded value because they are — in view of their short terms — deemed to have a fair value that does not significantly diverge from their recorded value. For the fair value estimates of debt investments or debt securities included in these items, additional variables and inputs are considered to the extent applicable, including an estimate of prepayment rates and the issuers' credit risk.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 39 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued:

c) Loans and accounts receivable from customers and interbank loans

The fair values of commercial loans are estimates made by performing a cash flow discount analysis, using the interest rates that are currently offered for loans with terms similar to those of borrowers having a similar credit quality. The fair values of unearned loans are estimated by using the cash flow discount analysis stemming from the settlement of the underlying securities, if any (or other sources of payment), at an estimated discount rate. For floating-rate loans whose prices change frequently and are not subject to any significant change of credit risk, the estimated fair values are based on the recorded values. The fair values estimated for certain mortgage loans, credit cards, and other consumer loans are based on market values for similar loans, adjusted for differences in the loans' characteristics; in addition, fair value of loan portfolio is for loan losses.

d) Deposits

The disclosed fair value of deposits that do not accrue interest and savings accounts is the amount payable on the reporting date, and accordingly, it is equal to the recorded amount. The fair value of time deposits is calculated by using a discounted cash flow calculation, which applies current interest rates being offered at the time to a calendar of monthly maturities established for time deposits. The value of long-term relations with depositors does not take into consideration the disclosed fair value estimate.

e) Short and long term issued debt instruments

The fair value of these financial instruments is calculated by using the cash flow discount analysis based on the current incremental lending rates for similar types of loans having similar maturities.

f) Financial derivative contracts

The estimated fair value of currency forward contracts was calculated using the prices quoted on the market for financial instruments having similar characteristics.

The fair value of interest rate swaps represents the estimated amount that the Bank expects to receive or pay to rescind the contracts or agreements, bearing in mind the term structures of the interest rate curve, the underlying asset's volatility and the counterparts' credit risk.

If there are no quoted prices on the market (either direct or indirect) for any derivative instrument, the respective fair value estimates have been calculated by using models and valuation techniques such as Black-Scholes, Hull, and Monte Carlo simulations, taking into consideration the relevant inputs/outputs such as volatility of options, observable correlations between underlying assets, counterparts' credit risk, implicit price volatility, the velocity with which the volatility reverts to its average value, and the straight-line relationship (correlation) between the value of a market variable and its volatility, among others.

Measurement of fair value and hierarchy

IFRS 7 provides a hierarchy of reasonable value which separates the inputs and/or valuation technique assumptions used to measure the fair value of financial instruments. The hierarchy reflects the significant of the inputs used in making the measurement. The three levels of the hierarchy of fair values are the following:

Level 1: In quoted prices on active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

The hierarchy level within which the fair value measurement is categorized in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The best evidence of a financial instrument's fair value at initial recognition is the transaction price (Level 1).

In cases where quoted market prices cannot be observed, Management makes its best estimate of the price that the market would set using its own internal models which in most cases use data based on observable market parameters as significant inputs (Level 2) and, in very specific cases, uses significant inputs not observable in market data (Level 3).

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 39 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued:

Financial instruments at fair value and determined by quotations published in active markets (Level 1) include:

- 1) Chilean Government and Department of Treasury bonds
- 2) Mortgage bonds
- 3) Private paper
- 4) Deposits
- 5) Average Chamber Swaps (CMS)
- 6) FX Forward and Inflation
- 7) Cross Currency Swaps (CCS)
- 8) FX Options
- 9) Interest Rate Swap (IRS) FX

Instruments which cannot be 100% observable in the market are valued according to other inputs which are observable in the market (Level 2).

In limited occasions significant inputs not observable in market data are used (Level 3). To perform this estimate, several techniques are used, including extrapolation of observable market data or a mix of observable data.

The following financial instruments are classified under Level 3:

Type of financial instrument	Model used in valuation	Description
ž Caps/Floors/Swaptions	Black Normal Model for Cap/Floors and Swaptions	There is no observable input of implicit volatility.
ž UF options	Black – Scholes	There is no observable input of implicit volatility.
ž Cross currency swap with window	Hull-White	Hybrid HW model for rates and Brownian motion for FX, There is no observable input of implicit volatility.
ž Cross currency swap, Interest rate swap, Call money swap in Tasa Activa Bancaria (Active Bank Rate)(TAB),	Other	Validation obtained by using the interest curve and interpolating at flow maturities, but TAB is not a directly observable variable and is not correlated to any market input.
ž Bonds (in our case, low liquidity bonds)	Other	Measured by using similar instrument prices plus a charge/off rate by liquidity.

The following table presents the assets and liabilities that are measured at fair value on a recurrent basis, as of December 31, 2011 and 2010:

December 31,	2011	Fair value measurement		
		Level 1	Level 2	Level 3

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	MCh\$	MCh\$	MCh\$	MCh\$
Assets				
Trading investments	409,763	409,763	-	-
Available for sale investments	1,661,311	1,305,876	353,466	1,969
Derivatives	1,601,896	-	1,520,382	81,514
Total	3,672,970	1,715,639	1,873,848	83,483
Liabilities				
Derivatives	1,292,402	-	1,291,033	1,369
Total	1,292,402	-	1,291,033	1,369

F-126

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 39 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued:

December 31,	2010 MCh\$	Fair value measurement		
		Level 1 MCh\$	Level 2 MCh\$	Level 3 MCh\$
Assets				
Trading investments	379,670	348,638	31,032	-
Available for sale investments	1,473,980	1,097,487	376,224	269
Derivatives	1,624,378	-	1,520,339	104,039
Total	3,478,028	1,446,125	1,927,595	104,308
Liabilities				
Derivatives	1,643,979	-	1,638,557	5,422
Total	1,643,979	-	1,638,557	5,422

The following table presents the Bank's activity for assets and liabilities measured at fair value on a recurrent basis using unobserved significant entries (Level 3) as of December 31, 2011 and 2010:

	Assets MCh\$	Liabilities MCh\$
As of January 1, 2011	104,308	(5,422)
Total realized and unrealized profits (losses):		
Included in statement of income, under "Net income from financial operations" item	(22,525)	4,053
Included in other comprehensive income, under "Available for sale investments" item	1,700	-
Purchases, issuances, and placements (net)	-	-
As of December 31, 2011	83,483	(1,369)
Total profits or losses included in income for 2011 that are attributable to change in unrealized profits (losses) related to assets or liabilities as of December 31, 2011	(20,825)	4,053

Assets MCh\$	Liabilities MCh\$
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As of January 1, 2010	212,218	(468,848)
Total realized and unrealized profits (losses):		
Included in statement of income	(107,884)	463,426
Included in other comprehensive income	(26)	-
Purchases, issuances, and placements (net)	-	-
As of December 31, 2010	104,308	(5,422)
Total profits or losses included in income for 2010 that are attributable to change in unrealized profits (losses) related to assets or liabilities as of December 31, 2010	(107,910)	463,426

The realized and unrealized profits (losses) included in income for 2011 and 2010, in the assets and liabilities measured at fair value on a recurrent basis through unobservable market data (Level 3), are recorded in the Income Statement in the line item.

The potential effect as of December 31, 2011 and 2010 on the valuation of assets and liabilities measured at fair value on a recurrent basis through unobservable significant market data (Level 3), generated by changes in the principal assumptions if other reasonably possible assumptions that are less or more favorable were used, is not considered by the Bank to be significant.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 40 – RISK MANAGEMENT:

Introduction and general description

Through its activity with financial instruments, the Bank is exposed to several types of risk. The principal risks related to the financial instruments that are applicable to the Bank are the following:

- Market risks: these arise from holding financial instruments whose value may be affected by fluctuations in market conditions, generally including the following types of risk:
 - a. Foreign exchange risk: this arises as a consequence of exchange rate fluctuations among currencies.
 - b. Interest rate risk: this arises as a consequence of fluctuations in market interest rates.
- c. Price risk: this arises as a consequence of changes in market prices, either due to factors specific to the instrument itself or due to factors that affect all the instruments negotiated in the market.
- d. Inflation risk: this arises as a consequence of changes in Chile's inflation rate, whose effect would be mainly applicable to financial instruments denominated in UFs.

- Credit risk: this is the risk of one of the parties to a financial instrument failing to meet its contractual obligations for reasons of insolvency or inability of the individuals or legal entities in question, causing a financial loss to the other party.

- Liquidity risk: liquidity risk is the possibility that an entity may be unable to meet its payment commitments, or that in order to meet them, it may have to raise funds on onerous terms or damage its image and reputation.

- Operating risk: this is a risk arising from human errors, system errors, fraud or external events which may damage the Bank's reputation, may have legal or regulatory implications, or cause financial losses.

This note includes information on the Bank's exposure to these risks and on its objectives, policies, and processes involved in their measurement and management.

Risk management structure

The Board is responsible for the establishment and monitoring of the Bank's risk management structure, for which purpose it has an on-line corporate governance system with the international recommendations and trends, adapted to Chilean regulatory conditions and able to apply the most advanced practices in the markets in which the Bank operates. To optimize the performance of this function, the Board has established the Assets and Liabilities Committee ("ALCO"), whose principal task is to assist in carrying out its functions relating to oversight and management of the Bank's risks. To complement the ALCO in the risk management function, the Board also has three key committees: the Markets Committee ("CDM," the acronym in Spanish) the Executive Credit Committee ("CEC," the acronym in Spanish) and the Audit Committee ("CDA," the acronym in Spanish). Each of these committees is composed of directors and executive members of the Bank's management.

The ALCO is responsible for formulating the Bank's risk management policies according to guidelines of the Board, those of Santander Spain's Global Risk Department, and the regulatory requirements adopted by the Chilean Superintendency of Banks and Financial Institutions ("SBIF"). These policies have been created mainly to identify and

analyze the risks faced by the Bank, determine the risk limits and appropriate controls, and keep track of the risks and comply with the limits. The Bank's risk management policies and systems are regularly reviewed to reflect the changes in market conditions and in products or services offered. Through training in and management of standards and procedures, the Bank seeks to develop a disciplined and constructive control environment in which all its employees understand their functions and obligations.

To carry out its duties, the ALCO works directly with the Bank's control and risk departments, whose joint objectives include the following:

- evaluate risks whose magnitude might threaten the Bank's solvency or which might potentially pose significant risks to its operations or reputation;
- ensure that the Bank is equipped with the means, systems, structures, and resources consistent with best practices, which enable the implementation of the risk management strategy;
 - ensure the integration, control, and management of all the Bank's risks;
 - apply homogeneous risk principles, policies and metrics throughout the Bank and its businesses;
 - develop and implement a risk management model at the Bank, in order for risk exposure to be adequately integrated into the different decision making processes;
- identify risk concentrations and mitigation alternatives, monitor the macroeconomic and competitive environment, quantifying sensitivities and the foreseeable impact of different scenarios on risk positioning; and
- carry out the management of structural liquidity, interest rate and exchange rate risks, as well as those arising from the Bank's own resource base.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 40 - RISK MANAGEMENT, continued:

To achieve the aforementioned objectives, the Bank (its management and the ALCO) performs a variety of activities relating to risk management, including the following: calculates exposures to risk of different portfolios and/or investments, taking into consideration mitigating factors (guarantees, netting, collateral, etc.); calculates the probabilities of expected loss for each portfolio and/or investment; assigns loss factors to the new transactions (rating and scoring); measure the risk values of the portfolios and/or investments based on different scenarios by means of historical simulations; specifies limits for potential losses based on the different risks incurred; determines the potential impact of the structural risks on the Bank's Consolidated Statements of Income; set limits and alerts which guarantee the Bank's liquidity; and identifies and quantifies the operating risks by line of business, so as to facilitate their mitigation through corrective actions.

The CDA is mainly responsible for supervising compliance with the Bank's risk management policies and procedures, and for reviewing the adaptation of the risk management framework to the risks faced by the Bank.

Credit risk

Credit risk: this is the risk of one of the parties to a financial instrument failing to meet its contractual obligations for reasons of insolvency or inability of the individuals or legal entities in question, causing a financial loss on the other party. For credit risk management purposes, the Bank consolidates all the elements and components of the exposure to credit risk (for example, individual arrears by creditor, the innate risk of a given line of business or industry and/or geographic risk).

Mitigation of credit risk for loans and accounts receivable

The Board has delegated the duty of credit risk management to the ALCO and CEC, as well as to the Bank's risk departments, whose roles are summarized below:

- Formulation of credit policies, by consulting with the business units, meeting requirements of guarantees, credit evaluation, risk rating and submission of reports, documentation and legal procedures in compliance with the regulatory, legal and internal requirements of the Bank.
- Establish structure for the authorization of approval and renewal of credit applications. The Bank structures credit risk levels by assigning concentration limits on such risk for individual borrowers, industry segments, and countries. The authorization limits are assigned to the respective officers of the business unit (commercial, consumer, PYME), in order to be permanently monitored by Management. In addition, these limits are periodically reviewed. The risk evaluation teams at the branch level regularly interact with customers, but for large-scale operations, the risk teams of the parent and even the CEC work directly with the customers in the evaluation of credit risk and preparation of the loan applications. Even Banco Santander – Spain participates in the approval process of the most important loans, such as those made to customers or economic groups with amounts of debt that exceeds US\$40 million.
- Limit concentrations of exposure to customers or counterparts, in geographic areas or industries (for accounts receivable or loans), and by issuer, credit rating, and liquidity (for investments).

- Develop and maintain the Bank's credit risk classifications, for the purpose of classifying risks according to the degree of exposure to financial loss that is faced by the respective financial instruments, with the aim of focusing risk management specifically on the associated risks.
- Review and evaluate credit risk. Management's risk divisions are largely independent of the Bank's commercial division and evaluate all credit risks in excess of the specified limits, prior to loan approvals for customers or prior to the acquisition of specific investments. Renewals and revisions of loans are subject to similar processes.

While preparing a loan application for a corporate customer, the Bank verifies multiple parameters such as ability to service debt (generally including the projected cash flows), the customer's financial history, and/or projections for the economic sector or industry in which it operates. The risk division is closely involved in this process. All applications contain an analysis of the customer's strengths and weaknesses, a rating, and a recommendation. Credit limits are not determined on the basis of the customers' outstanding loan balances, but on the financial group's direct and indirect credit risk. For example, a corporation would be evaluated jointly with its subsidiaries.

Consumer loans are evaluated and approved by their respective risk divisions (individual, PYME), and the evaluation process is based on an evaluation system known as Garra (claw) (Banco Santander) and Syseva (Santander Banefe). Both of these processes are decentralized, automated, and based on a scoring system that includes the credit risk policies adopted by the Bank's Board. The loan application process is based on a collection of information to determine the customer's financial condition and ability to pay. The parameters used to evaluate an applicant's credit risk include several variables, such as income level, duration of current employment, indebtedness and credit bureau reports.

F-129

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 40 - RISK MANAGEMENT, continued:

- Provide advice, orientation and specialized knowledge to the business units in order to promote the Bank's best practices in credit risk management.

Mitigation of credit risk of other financial assets (investments, derivatives, commitments)

As a part of the acquisition process of financial investments and financial instruments, the Bank examines the probability of uncollectibility from issuers or counterparties, using internal and external evaluations, such as risk evaluators that are independent from the Bank. The Bank is also governed by a strict and conservative policy which ensures that the issuers of its investments and the counterparties in derivative transactions are highly reputable.

In addition, the Bank operates with a variety of instruments which imply credit risk, but are not reflected in the Consolidated Statement of Financial Position, such as: guarantees and bonds, documentary letters of credit, performance bonds, and commitments to grant loans.

The guarantees and bonds imply an irrevocable payment obligation. If a guaranteed customer fails to meet their obligations to third parties secured by the Bank, the Bank will make the relevant payments; hence, these transactions imply the same credit risk exposure as an ordinary loan.

Documentary letters of credit are commitments documented by the Bank on behalf of customers, which are secured by the shipped merchandise to which they relate, and hence, have a lower risk than direct indebtedness. Performance bonds are contingent commitments which become enforceable only if the customer fails to carry out the work agreed upon with a third party and secured by such performance bonds.

For commitments to grant loans, the Bank is potentially exposed to losses in an amount equivalent to the total unused amount of the commitment. However, the probable amount of loss is smaller than the total unused amount of the commitment. The Bank monitors the maturities of lines of credit because long-term commitments generally pose a higher credit risk than short-term commitments.

Maximum credit risk exposure

For financial assets recorded in the Consolidated Statement of Financial Position, the credit risk exposure is equal to their book value. For the financial guarantees granted, the maximum credit risk exposure is the maximum amount the Bank would have to pay if the guarantee were enforced.

Below is the distribution by financial asset of the Bank's maximum exposure to credit risk as of December 31, 2011 and 2010, without deduction of collateral or credit improvements received:

		As of December 31,	
		2011	2010
		Amount of	Amount of
		exposure	exposure
	Note	MCh\$	MCh\$
Cash and deposits in banks	5	2,793,701	1,762,198

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Cash in process of collection	5	276,454	374,368
Trading investments	6	409,763	379,670
Investments under resale agreements	7	12,928	170,985
Financial derivative contracts	8	1,601,896	1,624,378
Loans and accounts receivable from customers and interbank loans	9 and 10	16,946,314	15,301,835
Available for sale investments	12	1,661,311	1,473,980
Off-balance commitments:			
Letters of credit issued	24	184,649	209,532
Confirmed foreign letters of credit	24	52,889	85,739
Guarantees	24	920,986	898,751
Available credit lines	24	4,673,525	4,832,359
Pledges and other commercial commitments	24	147,081	166,550
Other irrevocable credit commitments	24	95,150	129,428
Total		29,776,647	27,409,773

F-130

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 40 - RISK MANAGEMENT, continued:

Credit quality is classified as described in our internal scoring policy as of December 31, 2011 and 2010:

Category Individualized businesses	As of December 31,			
	2011 Individual MCh\$	Percentage %	2010 Individual MCh\$	Percentage %
A1	109,771	0.63	15,531	0.10
A2	1,401,030	8.04	1,372,410	8.73
A3	2,371,890	13.60	1,965,638	12.50
A4	1,555,956	8.92	1,246,939	7.93
A5	510,164	2.93	481,883	3.06
A6	307,875	1.77	164,078	1.04
B1	136,783	0.78	86,100	0.55
B2	67,467	0.39	81,624	0.52
B3	45,330	0.26	100,301	0.64
B4	19,680	0.11	47,955	0.30
C1	28,888	0.17	20,300	0.13
C2	26,896	0.15	59,169	0.38
C3	47,494	0.27	56,430	0.36
C4	40,879	0.23	57,153	0.36
C5	36,163	0.21	47,900	0.30
C6	40,600	0.23	54,921	0.35
Subtotals	6,746,866	38.69	5,858,332	37.25
	Group MCh\$	Percentage %	Group MCh\$	Percentage %
Commercial				
Normal portfolio	2,212,368	12.69	2,072,341	13.18
Impaired loans portfolio	416,039	2.39	444,682	2.83
Subtotals	2,628,407	15.08	2,517,023	16.01
Mortgage				
Normal portfolio	4,915,967	28.20	4,508,491	28.66
Impaired loans portfolio	199,696	1.15	142,646	0.91
Subtotals	5,115,663	29.35	4,651,137	29.57
Consumer				
Normal portfolio	2,522,156	14.46	2,251,771	14.31
Impaired loans portfolio	421,690	2.42	449,019	2.86
Subtotals	2,943,846	16.88	2,700,790	17.17
Total portfolio	17,434,782	100.00	15,727,282	100.00

F-131

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 40 - RISK MANAGEMENT, continued:

In the individual evaluation portfolio, the different categories correspond to:

- The A categories pertain to borrowers that pose minimal credit risk.
- The B categories pertain to borrowers that pose a certain credit risk, having minimal inability to pay and a low vulnerability to defaulting on their financial obligations. This category includes borrowers whose ability to pay depends on favorable business and economic conditions. It may include those who have past-due contractual interests or principal payments but such impairment is not deemed inappropriate by the Bank, based on the level of available security interest and/or the stage of collection of the amounts owed to the Bank.
- The C and D categories pertain to impaired loans for which the Bank determines that the borrower will not be able to raise all the principal and interest owed pursuant to the terms of the loan agreement.

In the group evaluation portfolios, all of the operations are evaluated jointly.

See Note 32 for a detail of the Bank's impaired loans and accounts receivable from customers and their respective allowances. See also Note 21 for a detail of the maturities of the Bank's financial assets.

Impairment of other financial instruments

As of December 31, 2011 and 2010, the Bank had no significant impairment of its financial assets other than loans and accounts receivable

Security interests and credit improvements

The maximum exposure to credit risk is reduced in some cases by security interests, credit improvements, and other actions which mitigate the Bank's exposure. Based on the foregoing, the creation of security interests are a necessary but not a sufficient condition for granting a loan; accordingly, the Bank's acceptance of risks requires the verification of other variables and parameters, such as the ability to pay or generate funds in order to mitigate the risk being taken on.

The procedures for management and valuation of security interests are reflected in the internal risk management policy. The basic principles for credit risk management, which includes management of the security interests received in transactions with customers, are set forth in these policies. In this respect, the risk management model includes a determination of the existence of appropriate and sufficient security interests that enable recovery of the loan if the borrower's circumstances do not allow it to meet its obligations.

The procedures used for the valuation of security interests conform to best market practices, which provide for the use of appraisals for mortgage securities, market prices for stock securities, value of the interest for investment funds, etc. All collateral received must be properly documented and registered in the appropriate registry, and must be approved by the Bank's legal divisions.

The Bank also has rating tools which allow it to rank the credit quality of transactions or customers. In order to analyze the manner in which this probability fluctuates, the Bank has historical databases which store internally generated information. The rating tools vary according to the segment to which the customer being analyzed belongs (commercial, consumer, PYME, etc.).

Below is the detail of security interests, collateral or credit improvements provided to the Bank as of December 31, 2011 and 2010.

	As of December 31,	
	2011	2010
	MCh\$	MCh\$
Non-impaired financial assets:		
Properties/mortgages	8,285,570	7,571,546
Investments and others	716,735	435,397
Impaired financial assets:		
Properties/mortgages	622,723	406,442
Investments and others	102,906	239,841
Total	9,727,934	8,653,226

Liquidity risk

Liquidity risk is the risk that the Bank may have difficulty meeting the obligations associated with its financial obligations.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 40 - RISK MANAGEMENT, continued:

Liquidity risk management

The Bank is continually exposed to demands for cash arising from multiple banking transactions such as payments from checking accounts, payments on time deposits, payments of guarantees, disbursements for derivative transactions, etc. As is inherent in banking activity, the Bank does not hold enough cash to cover the balance of these positions, since experience shows that only a minimal amount of these funds will be withdrawn, which amount can be foreseen with a high degree of certainty.

The Bank's approach to liquidity management is to make as certain as possible that it always has enough liquidity to meet its obligations when they mature, under both normal circumstances and conditions of stress, without incurring unacceptable losses or running the risk of damage to the Bank's reputation. The Board sets limits at a minimum portion of maturing funds available to make these payments, and over a minimum level of interbank transactions and other loan facilities which must be available to cover unexpected levels of demand, which is periodically reviewed. Moreover, the Bank must comply with regulatory limits imposed by the SBIF for term asymmetries.

These limits affect the asymmetries of future flows of income and outlays on an individual basis. They are:

- i. asymmetries of up to 30 days for all currencies, up to the amount of basic capital;
- ii. asymmetries of up to 30 days for foreign currencies, up to the amount of basic capital; and
- iii. asymmetries of up to 90 days for all currencies, twice the basic capital.

The treasury department receives information from all the business units on the liquidity profile of their financial assets and liabilities, as well as details of other expected cash flows stemming from future businesses. Based on that information, the treasury department maintains a portfolio of liquid short-term assets, comprised mainly of liquid investments, loans and advances to other banks, to make sure the Bank has sufficient liquidity. The business units' liquidity needs are met through short-term transfers from the treasury department to cover any short-term fluctuations and long-term financing to address all the structural liquidity requirements.

The Bank monitors its liquidity position every day, determining the future flows of its outlays and revenues. In addition, stress tests are performed at the end of each month, for which a variety of scenarios encompassing both normal market conditions and conditions of market fluctuation are used. The liquidity policy and procedures are subject to review and approval by the Bank's Board. Periodic reports are generated, providing a detail of the liquidity position of the Bank and its Affiliates, including any exceptions and the corrective measures adopted, which are regularly submitted to the ALCO for review.

The Bank relies on customer (retail) and institutional deposits, obligations to banks, debt instruments, and time deposits as its main sources of funding. Although most obligations to banks, debt instruments and time deposits have maturities of more than one year, customer (retail) and institutional deposits tend to have shorter maturities and a large proportion of them are payable within 90 days. The short-term nature of these deposits increases the Bank's liquidity risk, and hence, the Bank actively manages this risk through continual supervision of the market trends and price management.

Exposure to liquidity risk

One of the key measures used by the Bank to manage liquidity risk is the ratio of net liquid assets to customer deposits. For this purpose, the net liquid assets must include cash, cash equivalents and debt securities for which there is an active and liquid market, minus bank deposits, fixed-income securities issued, loans and other commitments maturing within the next month. A similar but not identical measure is used to determine the bank's compliance with the liquidity limit established by the SBIF in which the Bank determines the asymmetry between its rights and obligations based on maturity according to estimated behavior. The ratios asymmetries at 30 days with regards to capital and at 90 days with regards twice the capital are shown in the table below:

	As of December 31,	
	2011	2010
	%	%
30 days	21	39
30 days foreign currency	17	14
90 days	53	43

F-133

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 40 - RISK MANAGEMENT, continued:

Next is the breakdown by maturity of the assets and liabilities balances of the Bank as of December 31, 2011 and 2010, considering also those off-balance commitments:

As of December 31, 2011	Demand	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Maturity of assets (Note 21)	3,599,575	2,272,721	1,675,813	3,402,246	6,829,887	6,410,593	24,190,835
Maturity of liabilities (Note 21)	(4,854,055)	(4,955,437)	(3,217,968)	(3,670,122)	(3,389,892)	(1,893,654)	(21,981,128)
Net maturity	(1,254,480)	(2,682,716)	(1,542,155)	(267,876)	3,439,995	4,516,939	2,209,707
Off-balance commitments:							
Pledges and other commercial commitments	(195)	(22,058)	(31,783)	(27,934)	(59,849)	(5,262)	(147,081)
Confirmed foreign letters of credit	-	(21,653)	(19,091)	(377)	(11,768)	-	(52,889)
Letters of credit issued	(28)	(58,637)	(85,747)	(1,552)	(38,685)	-	(184,649)
Guarantees	(135)	(77,553)	(120,989)	(314,486)	(383,712)	(24,111)	(920,986)
Net maturity, including commitments	(1,254,838)	(2,862,617)	(1,799,765)	(612,225)	2,945,981	4,487,566	904,102

As of December 31, 2010	Demand	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Maturity of assets (Note 21)	2,747,534	2,247,897	1,350,519	3,017,967	6,205,570	5,943,374	21,512,861
Maturity of liabilities (Note 21)	(4,680,318)	(2,626,345)	(2,189,575)	(4,391,503)	(3,565,949)	(2,221,564)	(19,675,254)
Net maturity	(1,932,784)	(378,448)	(839,056)	(1,373,536)	2,639,621	3,721,810	1,837,607
Off-balance commitments:							
Pledges and other commercial commitments	-	(6,131)	(85,670)	(12,570)	(62,179)	-	(166,550)
Confirmed foreign letters of credit	-	(8,912)	(38,093)	(1,011)	(37,723)	-	(85,739)
Letters of credit issued	-	(63,368)	(99,828)	(10,779)	(35,537)	(20)	(209,532)
Guarantees	-	(53,165)	(98,144)	(248,969)	(465,532)	(32,941)	(898,751)
Net maturity, including commitments	(1,932,784)	(510,024)	(1,160,791)	(1,646,865)	2,038,650	3,688,849	477,035

The above tables show the undiscounted cash flows of the Bank's financial assets and liabilities based on their estimated maturities. The Bank's expected cash flows from these instruments can diverge considerably from this analysis. For example, demand deposits are expected to remain stable or grow, while not all off-balance loan commitments that have been arranged are expected to be executed. In addition, the foregoing detail excludes disposable lines of credit, since they do not have contractually defined maturities.

F-134

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 40 - RISK MANAGEMENT, continued:

Market risk

Market risk arises as a consequence of activity in the markets, through financial instruments whose value can be affected by fluctuations in market conditions, reflected in changes in the different assets and financial risk factors. The risk can be mitigated through hedges using other products (assets/liabilities or derivatives), or by cancelling the open transaction/position. The purpose of market risk management is to manage and control exposure to market risk, keeping it within accepted parameters.

There are four major risk factors that affect market prices: interest rates, exchange rates, prices and inflation. In addition and for certain positions, it is necessary to consider other risks as well, such as spread risk, base risk, commodity risk, volatility or correlation risk.

Market risk management

The Bank's internal management to measure market risk is based mainly on the procedures and standards of Santander Spain, which are in turn based on analysis of management in three principal components:

- trading portfolio;
- domestic financial management portfolio;
- foreign financial management portfolio.

The trading portfolio is comprised mainly of investments valued at fair value and free of any restriction on their immediate sale, which are often bought and sold by the Bank with the intent of selling them in the short term in order to benefit from short-term price fluctuations. The financial management portfolios include all the financial investments not considered a part of trading portfolio.

The ALCO has the overall responsibility for market risk. The Bank's risk/finance department is responsible for formulating detailed management policies and applying them to the Bank's operations, in conformity with the guidelines adopted by the ALCO and the Global Risk Department of Banco Santander – Spain.

The department's functions in connection with financial management portfolios include the following:

- i. apply the "Value at Risk" (VaR) techniques to measure interest rate risk,
- ii. adjust the trading portfolios to market and measure the daily income and loss from commercial activities,
- iii. compare the real VaR with the established limits,
- iv. establish procedures to prevent losses in excess of predetermined limits, and
- v. furnish information on the trading activities to the ALCO, other members of the Bank's management and the Global Risk Department of Santander – Spain.

The department's functions in connection with financial management portfolios include the following:

- i. perform sensitivity simulations (as explained below) to measure interest rate risk for activities denominated in local currency and the potential loss forecasted by these simulations, and
- ii.

provide daily reports thereon to the ALCO, other members of the Bank's management, and the Global Risk Department of Santander - Spain.

Market risk - trading portfolio

The Bank applies VaR methodologies to measure the market risk of its trading portfolio. The Bank has a consolidated commercial position comprised of fixed-income investments, foreign currency trading, and a minimal position in equity securities. This portfolio is comprised mostly of Chilean Central Bank Bonds, mortgage bonds and locally issued, low-risk corporate bonds. At the end of the year, the trading portfolio included no equity portfolio securities.

For the Bank, the VaR estimate is made under the historical simulation methodology, which consists of analyzing the behavior of the income and losses that would have occurred in the current portfolio if the market conditions for a given historical period had been applicable, in order to infer the maximum loss on the basis of that information with a given level of confidence. The methodology has the advantage of precisely reflecting the historical distribution of the market variables and not requiring any assumptions regarding the distribution of specific probabilities. All the VaR measures are intended to determine the distribution function for a change in the value of a given portfolio, and once that distribution is known, to calculate the percentile related to the necessary level of confidence, which will be equal to the value at risk by virtue of those parameters. As calculated by the Bank, the VaR is an estimate of the maximum expected loss of market value for a given portfolio over a 1-day horizon, with a 99.00% confidence level. It is the maximum 1-day loss that the Bank could expect to experience in a given portfolio, with a 99.00% confidence level. In other words, it is the loss that the Bank would expect to experience only 1.0% of the time. The VaR provides a single estimate of market risk which is not comparable from one market risk to another. Returns are calculated through the use of a 2-year time window or at least 520 data points obtained since the last reference date for calculation of the VaR going backward in time.

F-135

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 40 - RISK MANAGEMENT, continued:

The Bank uses the VaR estimates to provide a warning when the statistically expected losses in its trading portfolio would exceed prudent levels, and hence, there are certain predetermined limits.

Limitations of the VaR model

When applying a calculation methodology, no assumptions are made regarding the probability distribution of the changes in the risk factors; the historically observed changes are used for the risk factors on which each position in the portfolio will be valued.

It is necessary to define a valuation function $f_j(x_i)$ for each instrument j , preferably the same one used to calculate the market value and income of the daily position. This valuation function will be applied in each scenario to generate simulated prices for all the instruments in each scenario.

In addition, the VaR methodology should be interpreted taking into consideration the following limitations:

- Changes in market rates and prices may not be independent and identically distributed random variables, and may not have a normal distribution. In particular, the assumption of normal distribution may underestimate the probability of extreme market movements;
- The historical data used by the Bank may not provide the best estimate of the joint distribution of changes in the risk factors in the future, and any modification of the data may be inadequate. In particular, the use of historical data may fail to capture the risk of potential extreme and adverse market fluctuations, regardless of the time period used;
- A 1 day time horizon may not fully capture the market risk positions which cannot be liquidated or covered in a single day. It would not be possible to liquidate or cover all the positions in a single day;
- The VaR is calculated at the close of business, but trading positions may change substantially in the course of the trading day;
 - The use of a 99% level of confidence does not take account of, or make any statement about, the losses that could occur outside of that degree of confidence; and
- A model such as the VaR does not capture all the complex effects of the risk factors over the value of the positions or portfolios, and accordingly, it could underestimate potential losses.

At no time in 2011 and 2010 the Bank exceed the VaR limits in connection with the three components which comprise the trading portfolio: fixed-income investments, variable-income investments and foreign currency investments. The high, low, and average levels for each component and for each year were as follows:

VaR	2011	2010
	%	%

Consolidated:		
High	11.02	11.18
Low	2.39	3.53
Average	6.07	7.25

Fixed-income investments:		
High	11.18	11.37
Low	2.54	3.63
Average	6.09	7.21

Variable-income investments		
High	0.23	0.18
Low	0.00	0.02
Average	0.07	0.09

F o r e i g n c u r r e n c y investments		
High	3.87	3.91
Low	0.09	0.48
Average	0.90	1.68

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 40 - RISK MANAGEMENT, continued:

Market risk - local and foreign financial management

The Bank's financial management portfolio includes most of the Bank's non-trading assets and liabilities, including the credit/loan portfolio. For these portfolios, investment and financing decisions are strongly influenced by the Bank's commercial strategies.

The Bank uses a sensitivity analysis to measure the market risk of local and foreign currency (not included in the trading portfolio). The Bank performs a simulation of scenarios, which is calculated as the difference between the present value of the cash flows in the chosen scenario (a curve with a parallel movement of 100 bp in all its segments) and their value in the base scenario (current market). All the inflation-indexed local currency (UF) positions are adjusted by a sensitivity factor of 0.57, which represents a 57 basis point change in the rate curve for the real rates and a 100 basis point change for the nominal rates. The same scenario is performed for the net foreign currency positions and the interest rates in US dollars. The Bank has also established limits regarding the maximum loss which these interest rate movements may impose on the capital and net financial income budgeted for the year.

Limitations of the sensitivity models

The most important assumption is the use of a 100 basis point change in the yield curve (57 basis points for the real rates). The Bank uses a 100 basis point change because sudden changes of that magnitude are considered realistic. The Global Risk Department of Santander Spain has established comparable limits by country, to be able to compare, monitor and consolidate the market risk by country in a realistic and orderly way.

In addition, the sensitivity simulation methodology should be interpreted taking into consideration the following limitations:

- The simulation of scenarios assumes that the volumes remain in the Bank's Consolidated Statements of Financial Position and are always renewed at maturity, thereby omitting the fact that certain credit risk and prepayment considerations may affect the maturity of certain positions.
- This model assumes an identical change along the entire length of the yield curve and takes no account of the different movements for different maturities.
- The model takes no account of the sensitivity of volumes which results from interest rate changes.
- The limits to losses of budgeted financial income are calculated based on the financial income foreseen for the year, which may not be actually earned, meaning that the real percentage of financial income at risk may be higher than the expected one.

Market risk – Financial management portfolio – December 31, 2011 and 2010

2011

2010

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	Effect on financial income	Effect on capital	Effect on financial income	Effect on capital
Financial management portfolio – local currency (MCh\$)				
Loss limit	22,380	167,530	37,300	152,300
High	19,823	107,745	16,849	126,306
Low	590	71,805	2,974	86,573
Average	9,053	93,328	10,317	109,133
Financial management portfolio – foreign currency (in millions of \$US)				
Loss limit	44,0	44,0	46,0	74,0
High	22,8	16,0	25,8	11,9
Low	3,0	1,2	0,4	0,3
Average	14,1	7,8	14,6	3,1
Financial management portfolio – consolidated (in MCh\$)				
Loss limit	37,300	167,530	37,300	152,300
High	21,149	107,845	20,129	126,309
Low	7,032	71,863	7,010	86,575
Average	13,004	93,417	12,993	109,156

F-137

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 40 - RISK MANAGEMENT, continued:

Foreign Exchange Fluctuations

A significant portion of our assets and liabilities are denominated in foreign currencies, principally the U.S. dollar. The Bank uses a sensitivity analysis with both internal limits and regulatory limits to seek to manage the potential loss in net interest income resulting from fluctuations of interest rates on U.S. dollar denominated assets and liabilities and a VaR model to limit foreign currency trading risk. We also set an absolute limit on the size of Santander-Chile's consolidated net foreign currency trading position, which is equivalent to the maximum differential between asset and liabilities in foreign currencies including hedging. The limit on the size of the net foreign currency position is determined by the ALCO and is calculated and monitored by the Market Risk and Control Department. At December 31, 2011, the total limit was equal to US\$200 million in various currencies as follows:

Currency	Limit (US\$mn)
U . S . dollars	200
Euros	75
Yen	30
Real	20
Mexican peso	20
Colombian peso	20
O t h e r European currencies	20
O t h e r L a t a m currencies	10
O t h e r currencies	5
T o t a l Limit	200

Operating risk

Operating risk is the risk of direct or indirect losses stemming from a wide variety of causes related to the Bank's processes, personnel, technology and infrastructure, as well as external factors other than credit, market, or liquidity, such as those related to legal or regulatory requirements. Operating risks arise from all the Bank's operations.

The Bank's objective is to manage operating risk in order to mitigate economic losses and damage to the Bank's reputation through a flexible internal control structure.

The Bank's management is mainly responsible for the development and application of controls to address operating risks. This responsibility is supported by the global development of the Bank's operating risk management standards in the following areas:

- Requirements for adequate segregation of duties, including independent authorization of transactions
 - Requirements for reconciliation and supervision of transactions
 - Compliance with the applicable legal and regulatory requirements
 - Documentation of controls and procedures
- Requirements for periodic evaluation of applicable operating risks and improvement of the controls and procedures to address the risks that are identified
 - Requirements for disclosure of operating losses and the proposed corrective measures
 - Development of contingency plans
 - Training and professional development
 - Adoption of ethical business standards
 - Reduction or mitigation of risks, including acquisition of insurance policies if they are effective

Our business is also highly dependent on the ability of our information technology systems to accurately process a large number of transactions across numerous and diverse markets and products in a timely manner, and on our ability to rely on our digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. We have backup data for our key data processing systems that could be used in the event of a catastrophe or a failure of our primary systems, and have established alternative communication networks where available. We take protective measures and continuously monitor and develop our systems to protect our technology infrastructure and data from misappropriation, corruption and cyber attacks.

Compliance with the Bank's standards is supported by a program of periodic reviews conducted by the Bank's internal audit unit, whose results are internally submitted to the management of the business unit that was examined and to the CDA.

Table of Contents

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011, 2010 AND 2009

NOTE 40 - RISK MANAGEMENT, continued:

Concentration of risk

The Bank operates mainly in Chile, so most of its financial instruments are concentrated in that country. See Note 10 of the financial statements for a detail of the concentration of the Bank's loans and accounts receivable by industry.

NOTE 41 – SUBSEQUENT EVENTS

Between January 1, 2011 and the date on which these Financial Statements were issued (April 23, 2012), no other events have occurred which could significantly affect their interpretation.

FELIPE CONTRERAS
FAJARDO
Accounting Manager

CLAUDIO MELANDRI
HINOJOSA
Chief Executive Officer

Table of Contents
